

FactCheck



MINISTER OF FINANCE OF GEORGIA



Nodar Khaduri:



“The 2015 state budget was implemented with excess and this happened thanks to the efforts of the government.”

Beso NAMCHAVADZE
FactCheck

According to the statement of the Minister of Finance of Georgia, Nodar Khaduri, the revenue line of the state budget was implemented with excess and this happened thanks to the efforts of the Ministry of Finance of Georgia and the Government of Georgia in general.

FactCheck looked into the state budget implementation data.

According to the information of the State Treasury of Georgia, the revenue line of the 2015 state budget was implemented by 101.2% and the spending line of the budget was implemented by 100.6%. All of the main budget lines (both in the revenue as well as in the income line) were implemented with excess (see Table 1).

It should be pointed out, however, that the implementation of the budget was due to two amendments performed during the year. The latter of the amendments was performed at the end of the year, in December 2015. The fields in which the implementation of the budget were lower than expected (for example, the capital expenses line decreased by GEL 96 million) saw their plans decreased whilst those lines in which the implementation proceeded better than expected saw their plans increased (for example, the budgets of healthcare programmes increased by GEL 96 million). Despite this, the Ministry of Health, Labour and Social Affairs of Georgia concluded the year with a defi-

cit of GEL 24 million which was covered from the 2016 budget.

The excess implementation of the revenue line of the budget was due to the growth of inflation and the depreciation of GEL. Tax revenues depend upon the real growth of the economy as well as the growth of prices for goods and services (inflation). Despite the fact that the government forecast a 5% growth at the beginning of 2015, it later dropped its forecasts to 2.7%. The decrease in the growth rate had a negative influence upon tax revenues. However, the prices increased more than anticipated (by 6% according to the GDP deflator) which increased tax revenues as well. In total, the factual tax revenues fell GEL 50 million short of the initial version of the state budget whilst they exceeded the final version by GEL 30 million.

The grants plan was exceeded by GEL 52 million which was

due to the depreciation of GEL (grants are transferred in USD) and additional grants attracted in order to eradicate the effects of the Tbilisi flood. The plan of other incomes was exceeded based upon voluntary transfers and donations received after the flood. The revenues from the sales of general assets (privatisation) were planned to be GEL 127 million; however, the plan was implemented by 81% and only GEL 102.5 million was added to the budget. The plan for revenues from licenses for using radio frequencies was implemented with a 20% excess. A total of GEL 182 million was added to the budget from these licenses. The revenue plan from the decrease in financial assets was implemented by 84.6%. This means that a total of GEL 72 million, instead of GEL 85 million, was covered from the loans distributed by the state.

Table 1: Implementation of the 2015 State Budget, GEL Million

| Budget Lines | Plan | Fact | Implementation, % |
|----------------------------------|----------------|--------------|-------------------|
| Revenues | 8,048.9 | 8,146 | 101.2% |
| Taxes | 7,520 | 7,550 | 100.4% |
| Grants | 238.9 | 291 | 121.8% |
| Other Revenues | 290 | 305 | 105.2% |
| Spending | 8,090 | 8,133 | 100.5% |
| Administrative | 2,296 | 2,323 | 101.2% |
| Servicing Loans | 327 | 327 | 100.0% |
| Subsidies and Grants | 1,512 | 1,517 | 100.3% |
| Social Care | 2,802 | 2,802 | 100.0% |
| Other Expenses | 1,153 | 1,164 | 101.0% |
| Operational Balance | -41.1 | 13 | -31.6% |
| Capital Expenses | 681 | 680 | 99.9% |
| Decrease in Non-Financial Assets | 280 | 287 | 102.5% |
| Overall Balance | -401 | -393 | 98.0% |
| Changes in Financial Assets | 343.5 | 373 | 108.6% |
| Budget Deficit | -785.6 | -753 | 95.9% |

Source: State Treasury of Georgia

CONCLUSION

THE REVENUE LINE OF THE BUDGET WAS IMPLEMENTED BY 101.2%. THE EXCESS IMPLEMENTATION OF THE INCOME LINE OF THE BUDGET WAS MAINLY DUE TO THE GROWTH OF THE INFLATION RATE, THE DEPRECIATION OF GEL AND THE TBILISI FLOOD. THE STATE BUDGET CHANGED TWICE AT THE END OF THE YEAR AND MONEY WAS DEDUCTED FROM THE FIELDS WHICH WERE FALLING SHORT OF THE ORIGINAL PLAN AND ADDED TO THOSE FIELDS WHICH WERE OVER-SPENDING. THIS DEFINITELY INDICATES BAD PLANNING FOR BUDGET SPENDING. THE MINISTER OF FINANCE OF GEORGIA RIGHTLY PRESENTS THE STATISTICAL IMPLEMENTATION OF THE STATE BUDGET; HOWEVER, GIVEN THE REASONS FOR SUCH AN IMPLEMENTATION, WE CANNOT SAY THAT IT HAPPENED THANKS TO THE EXCELLENT WORK OF THE GOVERNMENT. HENCE, NODAR KHADURI'S STATEMENT IS HALF TRUE.

HALF TRUE



EUROPEAN
INDEPENDENCE & DEMOCRACY

G|M|F

The German Marshall Fund
of the United States



Kingdom of the Netherlands

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turkey

Turkish Firms to Revise Export Strategy Due to Problems with Russia

The FINANCIAL

As many as 20.7 percent of 8,000 Turkish businesses interviewed by a local survey firm said they had to revise company strategies for 2016 due to lingering political and economic problems with Russia, a poll released over the weekend has shown.

Relations between Moscow and Ankara soured in November after a Turkish jet shot down a Russian aircraft near the Syrian-Turkish border. Russia denied it had violated Turkish airspace. Following the incident, Russia introduced economic sanctions against Turkey including banning the import of Turkish fruits and vegetables, poultry and salt, and the sale of charter flights and tourist visits to Turkey, from Jan. 1. Earlier separate market reports put Turkey's estimated annual

loss at as much as \$11 billion due to the tension with Russia, while textile, construction and tourism were to be the worst affected Turkish industries.

But according to a poll conducted by Eleman.net, a Turkish human resources website, relatively fewer local companies than earlier estimated have cited losses due to the Russian crisis. Results were published by Daily Zaman, Turkish newspaper.

The poll showed that 12 percent of the 8,000 firms surveyed had suffered troubles in budget balances, while only 7.4 percent saw exports decline due to Russian sanctions. As many as 52.2 percent of Turkish businesses said they were not affected by the sanctions, with the services, IT and education industries reporting the smallest impact.

Among the businesses that cited a change of plans for 2016, construction, food and automotive were the worst affected, the

poll revealed. Meanwhile the number of businesses suffering financial problems due to Russia was higher in the textile industry compared to any other sector in the list, according to the Eleman.net poll. As far as exports are concerned, textiles saw exports fall by 18 percent since the outbreak of the Russian crisis, followed by 15.4 percent loss in industrial production sector, the survey found.

Turkey earned \$144 billion in overseas sales in 2015, a decline of 8.7 percent when compared to the export figures of the preceding year. The current tension with Russia, however, prompted analysts to fear that there is worse yet to come. Russia in January fell from ninth position as one of the top 10 export partners of Turkey.

Automotive, industrial production and services will join the list of Turkish sectors most affected by the Russian crisis through the end of this year, the survey report read.

Antalya Sees Record Lows in Russian Tourists

The FINANCIAL -- The number of Russian tourists visiting Turkey's top holiday resort town of Antalya decreased by 81 percent, as their numbers plummeted to 2,427 in January from 12,870 of January 2015 while the total number of tourists visiting the city in January decreased 17 percent, according to official figures.

Numbers also showed that only a total of 97,601 tourists visited Antalya in January, the lowest for January in the last decade.

Antalya hosted some 135,010 tourists in January 2006 and 125,446 in January 2007. It saw its highest turnout in January 2008 with 140,306. In January 2009 and January 2010, Antalya received 106,539 and 140,019 visitors, respectively. After 2010, the number of tourists visiting the city reached a stable level, with 126,272 tourists in January 2011, 122,314 in January 2012, 111,485 in January 2013 and 116,974 in January 2014. Last January, Antalya's total visitors stood at 117,746.

Antalya gathers millions of local and international tourists each year, with its luxury hotels usually overbooked especially in the summer seasons. Meanwhile in winter, tourism slows down due to dropping temperatures.

The Russian market experienced the largest decrease in the number of tourists visiting the city in January 2016, as Russia ranked 5th in 2016, compared to 2nd in 2015 in terms of countries with the highest number of visitors to Antalya.

Turkey was Russia's number one foreign tourism destination for years but this came to an abrupt end following the shooting down of a Russian military plane by Turkish jets on the Syria-Turkey border on Nov. 24, 2015. Upon the incident, Russia imposed economic sanctions against Turkey and travel restrictions on Russian tourists visiting Turkey.

Turkey's tourism industry also expects to see losses in other markets this year after an Islamic State of Iraq and the Levant (ISIL) suicide bomb at-

tack in Istanbul's top tourist spot Sultanahmet, which killed 11 German tourists on Jan. 12, highlighted security concerns for tourists planning to visit Turkey.

The loss in the German market stood at 16 percent as the number of Germans visiting Antalya decreased to 44,262 in January 2016 from 52,731 in January 2015. While Germans took the top spot for tourists in Antalya, the Dutch followed second. However the Dutch market has also decreased by 20 percent compared to 2015, as this year's January number fell to 4,544 from 5,688.

The number of Israeli visitors saw a 122 percent increase, bringing it to third. In January 2016, the number of Israeli tourists visiting the city reached to 4,475, a huge leap from 2,008 visitors in January 2015.

Britain came fourth with a 14 percent decrease as Antalya only hosted some 2,965 English tourists in January. British tourists mostly like Antalya for its luxury golf club resorts in the Belek region of the province.

Ankara Urges EU 'To Stop Differentiating Between Terror Groups'

The FINANCIAL

In remarks made to Anadolu Agency during his visit to Romania, Bozkar said on Feb. 13 the union should not perceive terrorist organizations only on the basis of their attacks on EU member states.

Turkey and the European Union consider the Kurdistan Workers' Party (PKK) and the Revolutionary People's Liberation Party-Front (DHKP-C) as terror organizations. Both organizations resumed their armed attacks in Turkey recently.

About the refugee crisis, Bozkar said that Ankara and Brussels had taken important steps in their struggle against illegal ways to enter Europe.

The passage of Syrian refugees through Turkey and on to Europe emerged as a major crisis towards the end of last year, when 1.1 million refugees crossed into Europe, around 850,000 via Turkey.

The EU and Turkey agreed on a plan on Nov. 29 to address the refugee crisis with the EU promising financial aid to improve the living conditions of refugees.

"Thanks to precautions taken, while 3,000 people were daily crossing into Europe illegally during November-December, this number has decreased to 300," Bozkar said.

He noted that there were signs of a new migration wave because of recent Russian bombings in Syria, adding that Turkey was providing humani-

tarian aid to those fleeing people inside Syria.

The Syrian Army has made strides over the past few months with Russian air cover and the support of allied militias, including Lebanon's Hezbollah. Most recently it has begun to seize positions long held by rebel forces around Aleppo that triggered a new migration wave towards Turkey, Anadolu Agency and Hurriyet Daily reported.

"As long as the Syrian problem persists, there can be no way to solve illegal migration and fight against terrorism. I think the west, the European Union, NATO and the U.S.A. understood that very well," Bozkar said.

Currently, Turkey hosts 2.7 million Syrians and 170,000 Iraqi refugees.

turkey

53 Percent of Turks take no energy efficiency steps to reduce winter bills: Survey

The FINANCIAL

With snow and low temperatures hitting many parts of Turkey, a new survey conducted by energy efficiency conglomerate Honeywell shows that many Turkish homeowners are not using the right technologies to make their heating cheaper and easier.

The survey of homeowners in Izmir, Istanbul and Ankara shows that some 53 percent do not take any steps to reduce the cost of their heating schedules. However, some 25 percent do not heat their homes to a comfortable temperature during the winter – with most of those (63 percent) saying this is because they are worried about high heating bills.

Despite the high cost of energy, only 15 percent of survey respondents use a thermostat to automatically maintain a comfortable temperature in their homes – surprising given that 70 percent of thermostat users credit the technology with lowering their energy bills by an average of 19 percent. The survey also found that 35 percent simply leave their boiler on at a low temperature to keep warm – a strategy that can end up costing more.

“For many people, keeping their homes comfortable and managing energy bills are competing priorities, and their personal comfort is losing out, particularly during winter,” stated Orhan Geniş, Honeywell’s president for Turkey and Central Asia, in a company press release.

“But while homeowners are concerned about the high cost

associated with heating their homes, many don’t use the technologies and best practices available to help them more effectively keep their homes comfortable while also better controlling costs,” Geniş added.

On average, heating constitutes 16 percent of the total cost of running a household in Turkey, according to Honeywell’s survey.

Respondents’ heating costs during winter average 268 Turkish Liras per month – a substantial amount that equates to more than one-fifth of Turkey’s minimum wage of 1,300 liras.

More than half (52 percent) of those surveyed consider their gas bills to be “high” or “very high” during the winter months.

Source: *Hürriyet Daily News*

Cost of Living Allowances Rising in Germany, Turkey

The FINANCIAL -- The cost-of-living allowance paid to U.S. troops in Germany and Turkey is going up by as much as 100 percent starting with the Feb. 15 paycheck, despite a stronger dollar, according to Stars and Stripes, information service of the U.S. Defense Media Activity.

The COLA adjustments, which are posted on the Pentagon’s Defense Travel Management Office website, show across-the-board increases for most locations in Germany – from Vilseck to

Spangdahlem – as well as in Istanbul, Turkey.

Army officials said COLA is going up in Germany because goods and services here cost more than they do in the United States, as revealed by data collected from recent surveys asking military members where they shop and how much they buy on base versus off base.

Individual COLA allowances vary according to a member’s rank, years in service and number of dependents, among other factors.

For example, an E-6 with 10 years of service and three dependents living in Kaiserslautern will see his or her daily COLA rate double, from \$8.33 a day to \$16.67 a day. For the Feb. 1 to Feb. 15 pay period, that E-6 will earn \$250 in COLA, compared with \$133.33 for the previous pay period, Jan. 16 to Jan. 31, 2016.

In Spangdahlem, that same E-6 will go from receiving \$12.50 per day in COLA to \$18.75 per day, when the change goes into effect.



MEMBER OF THE UNITED NATIONAL MOVEMENT



“It is the Government of Georgia’s fault that Georgia’s economy has shrunk back to what it was in 2012 if we take export-import indicators.”

Valeri KVARATSKHELIA
FactCheck

A member of the United National Movement, Mikheil Machavariani, during his speech about the state of Georgia’s economy on air on Rustavi 2, stated: “It is the fault of the Government of Georgia that Georgia’s economy has shrunk back to what it was in 2012 if we take export-import indicators. That was the period when there was no trade with Russia and the EU-Georgia Association Agreement has not yet been signed. Export in 2015 was less than export in 2012.”

The amount of export was USD 1,832 million and the amount of import was USD 6,289 million in the first ten months of 2015 which is 24.5% and 10.2% less, respectively, as compared to the same indicators of 2014.

Export in the first ten months of 2015 was 7.7% less than the export in the same period of 2012 whilst import in the first ten months of 2015 was 6.1% less than the import in the same period of 2012. In light of the sharp depreciation of GEL, the drop in import is a rather expected outcome because the depreciation of the national currency makes imported production more expensive. Of note is the impact of falling oil prices on the world markets. In January-November of 2012,

30,995 tonnes of oil were imported from Azerbaijan with a total price of USD 306 million (USD 987.7 per tonne). In the same period of 2015, the amount of imported oil was 261,379 tonnes with a total price USD 130 million (USD 496.8 per tonne). Therefore, USD 128 million was saved as a result of falling oil prices.

Apart from the negative impact of regional developments upon export, certain positive factors also need to be taken into account. The depreciation of the national currency should have had a positive impact upon the growth of export because the weakening of Georgia’s currency lowered the price of its export production in foreign currency. Of note, too, is the signed free trade agreement with the European Union which increased the competitiveness of Georgian products on European markets. However, it is necessary to add that it will take time before Georgian business fully exploits the opportunities created by the aforementioned treaty. After an economically difficult year in 2012, the economy of the European Union entered a growth phase and increased by 1.3% in 2014 whilst the economic growth rate in 2015 was 1.9% as of the month of October. Thus, the increased total demand on the European market should have been positively reflected upon Georgia’s exports to the EU. Nevertheless, export grew by only USD 11 million (2.3%) in the first ten

months of 2015 as compared to the same period of the previous year with a growth of 83.4% as compared to the first 11 months of 2012.

The situation is quite opposite in regard to post-Soviet countries. Trade with CIS member states dropped by 33%. The biggest decrease is registered in trade with Ukraine. Export to Azerbaijan has also dropped considerably largely due to the decrease in export of second-hand cars. Export to Armenia and Belarus has also fallen. Export to the Russian Federation, on the contrary, increased which can be considered as a base effect because the trade limitations which were in place in 2012 were softened in 2013 and subsequently completely abolished.

On 6 October 2015, the International Monetary Fund (IMF) increased the estimates of member state export growth for 2015. According to the IMF’s prognosis, Georgia’s export was to have fallen by 10.1% in 2015 but in fact decreased by 23.2%. Georgia ranks 157th amongst 175 countries with a 10.1% drop in export although if we take the 23.2% decrease in export into account, Georgia moves down to the 171st place. In 2015, 115 countries had positive indicators of export growth including Uzbekistan with 53%, Tajikistan with 49%, Vietnam with 16%, Turkmenistan with 15%, Bosnia-Herzegovina with 9%, Serbia with 8.4%, Turkey with 3% and Moldova with 2%.

CONCLUSION

THE DROP IN IMPORT WAS CAUSED BY THE SLOW ECONOMIC GROWTH AND THE SIGNIFICANT DEPRECIATION OF THE NATIONAL CURRENCY FROM THE END OF 2014 WHICH IN TURN WAS CAUSED BY THE COUNTRY’S DOMESTIC ECONOMIC POLICY TOGETHER WITH EXTERNAL FACTORS. SLOW ECONOMIC GROWTH IN GEORGIA’S MAIN TRADE PARTNER COUNTRIES ALSO HAD A NEGATIVE IMPACT UPON GEORGIA’S EXPORT. THE DEPRECIATION OF THE NATIONAL CURRENCY, RUSSIA’S DECISION TO ABOLISH THE TRADE BAN AND THE SIGNING OF THE DEEP AND COMPREHENSIVE FREE TRADE AGREEMENT WITH THE EU SHOULD HAVE HAD A POSITIVE IMPACT UPON THE GROWTH OF GEORGIA’S EXPORT.

A COMPARISON OF GEORGIA’S EXPORT GROWTH WITH THOSE OF OTHER COUNTRIES ILLUSTRATES THAT GEORGIA IS AT THE BOTTOM OF WORLD INDICATORS WHEN IT COMES TO THE DECREASE IN EXPORT WHICH CANNOT BE EXPLAINED BY EXTERNAL FACTORS ALONE. WE ARE DEALING WITH A WORSENEDED ENVIRONMENT FOR THE GROWTH OF PRODUCTION WHICH IS REFLECTED IN THE SIGNIFICANT DROP IN EXPORT UNDER UNFAVOURABLE EXTERNAL CIRCUMSTANCES. FACTCHECK CONCLUDES THAT MIKHEIL MACHAVARIANI’S STATEMENT IS MOSTLY TRUE.

MOSTLY TRUE



Strengthening Transatlantic Cooperation



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