

FactCheck



THE FORMER PRIME MINISTER OF
GEORGIA GEORGIA



**Bidzina
Ivanishvili:**



“According to the World Bank report, in the past 18 years Georgia showed the best results in World Governance Indicators in 2014.”

Fact CHEK

On 30 May 2016, the former Prime Minister of Georgia and founder of the Georgian Dream party, Bidzina Ivanishvili, addressed the population with a letter which gives a comparison of the situation under the rule of the previous and incumbent governments. Mr Ivanishvili believes that the new Government of Georgia has improved the situation in absolutely every aspect listed in his letter. For example, He says: “According to the World Bank report, in the past 18 years Georgia showed

the best results in World Governance Indicators in 2014.”

FactCheck verified the accuracy of Bidzina Ivanishvili's statements in the letter.

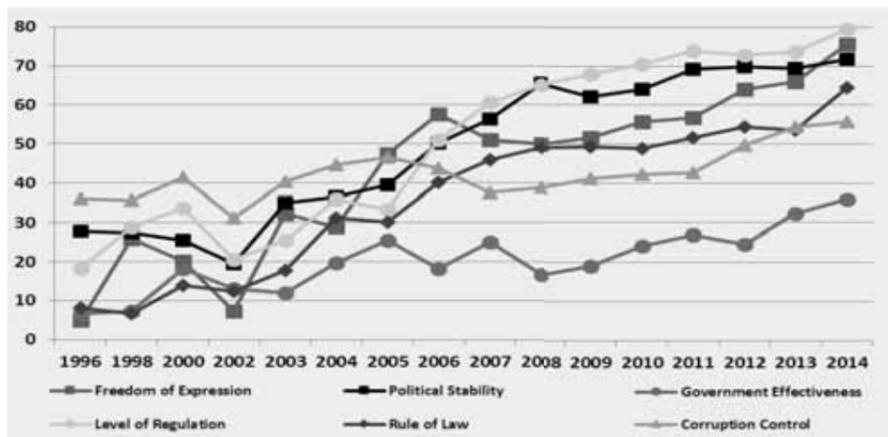
The World Governance Indicators were last updated on 25 September 2015 and included the data from 1996 to 2014. According to the data from 2014, Georgia's ratings improved in all six indicators and did reach their maximum in 18 years.

We had positive trends in absolute numbers as well (see Chart 2). Five indicators improved as compared to the previous period and also reached their all-time maximum ratings: freedom of expression and accountability, political

stability and the eradication of violence/terrorism, regulation level, rule of law and corruption control. The only exception is the government effectiveness indicator which reached its maximum of 0.57 in 2012. It dropped to 0.53 in 2013 and decreased even further to 0.48 in 2014. Despite the trend of a decrease in absolute numbers, the government effectiveness indicator increased as compared to other countries, reaching 71.63 in 2014 as its all-time maximum (see Chart 1).

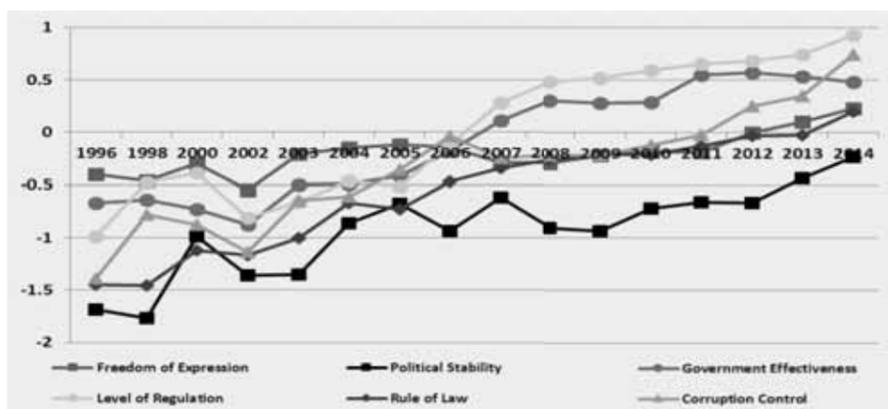
The situation for 2015 and 2016 according to these indicators is yet unknown. It will be made available in new World Bank reports.

Chart 1: World Governance Indicators (Percentile Ratings)



Source: World Bank

Chart 2: World Governance Indicators (Absolute Numbers)



Source: World Bank

CONCLUSION

FactCheck concludes that Bidzina Ivanishvili's statement is True

TRUE



G | M | F

EUROPEAN
ENDOWMENT & DEMOCRACY
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Hyperinflation Awaiting Georgia in the Post-Election Period



By **DMITRY SUKIASOV,**
WEALTH TRADERS CLUB
The **FINANCIAL**

Various pre-election investment projects and the influx of tourists are the main contributors to the strengthening of the Georgian Lari in the near future in the area of GEL 2.041 per one US Dollar. Meanwhile, the process is not going to last for a long time. The post-election period usually suspends economic development. After elections the new rate of the Lari against the Dollar is expected to reach 3.39 per USD 1.

The main factors that have contributed to the recent strengthening of the Georgian Lari towards the USD

At the moment, we are witnessing a rapid strengthening of the Georgian Lari. This trend can be explained in two different ways. I, as chief analyst and representative of an independent traders club, am practicing an alternative method of counting pulses and recognising progressions. Price - as an independent figure, is the most powerful tool. It incorporated everything, starting with the business climate and monetary policy, ending with social volumes on supply and demand. Back in 2014, our team predicted that the very first goal of the fall would be 2.4218 against USD 1. Unfortunately, we were right. However, an achievement of a certain level through progression, without exception, gives birth to a new impulse, which corrects and normalizes the previous trend. After the Georgian Lari was fixed at the level of 2.4021, fortification was inevitable.

The second alternative scenario, explaining this strengthening, is the fall of imports in relation to the problem of refinancing, the massive demand for the national currency for the payment of income taxes, social

extras panic, the use of different instruments for stabilization and innovation in monetary policy, as well as poor data from the US economics, contributing to decline of the US Dollar. The approaching tourism loop also played more than a small role. It gives rise to demand for the Georgian Lari. Unfortunately, any progress on the financial instruments market has a beginning as well as an end. It means that the strengthening of the GEL cycle will soon, too, come to an end. Whether a new cycle will start is a separate issue.

Was it possible to avoid devaluation of such a giant scale?

No! There is no real instrument in our country which could strengthen the GEL globally. In this situation it would be much better to think about the possibility of protecting businesses and the population from such a rapid fall in the national currency. Unfortunately, our market is very poor in instruments which protect us from a variety of financial risks. As well as that, neither the banking sector nor the state took any action, even forwards contracts for the population.

I would not want to talk about the processes that take place in our politics. However, I can clearly express that, unfortunately, we have not seen a single project stimulating the Georgian economy in recent years. Taking into account all the facts and the way that we went through 2013/14, the wound received was very deep, and we are not eagerly awaiting what lies ahead.

Expectations of the exchange rate of the GEL in the medium-term

In the near future we are still waiting for strengthening, as corrective momentum has not yet fulfilled its purpose. The period of progression of the correction also

contributes to it. Various pre-election investment projects, the influx of tourists, and so on, will strengthen the Lari in the near future in the area of GEL 2.041 per one US Dollar.

The future of the Lari in the longer term, for example the first quarter of 2017

Since 2014, our country has experienced the strongest wave of devaluation. It led to a demand for term loans. The development of such industries as the pawn and the MFOs is at certain times accompanying the problem salvation of their customers. Meanwhile, at the same time they drive them into a pit of debt due to the fact that practically all fixed-term loan portfolios are poor. Strengthening of the national currency at the end of the action of its strengthening, could well become a new impetus to the devaluation, as the consumer sector is very hungry in relation to ancillary products. Active demand with half-dead business under currency appreciation will cause a wave of imports, leading again to an outflow of funds. Considering the current financial position of the social stratum and business hungry for a new trade turnover, with a high probability the action taken for so-called development would entail a huge devaluation process, as the retail market is simply not ready to increase turnover.

Considering all the trends taking place in the private sector, according to our forecasts, a collapse of the real estate market is expected because of mortgage loan portfolios, which are already being provided with difficulty. What's most frightening is once again the fact that the post-election period, as always, suspends economic development. A minimum pause will contribute to the beginning of a progression that has the primary purpose of GEL 3.39 per Dollar. I would very much like to be mistaken, but the brain drain, refinancing problem, shaky banking system and so on, indicate that hyperinflation is waiting for us in the near future.

Denmark had the highest price level for food among EU members in 2015

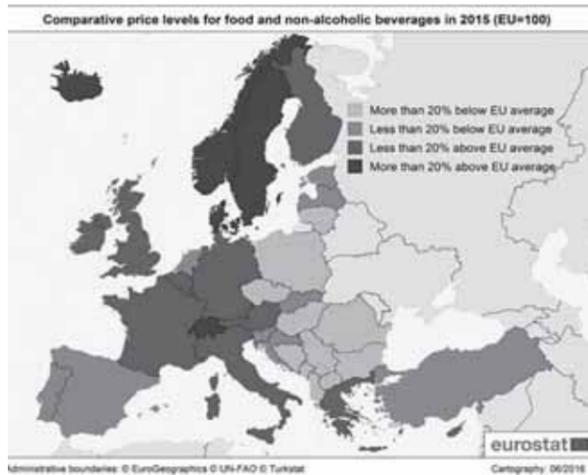
The FINANCIAL

In 2015, the price level of a comparable basket of food and non-alcoholic beverages across the European Union (EU) was more than twice as high in the most expensive EU Member State than in the cheapest one.

Denmark had the highest price level for food and non-alcoholic beverages in the EU in 2015, at 145% of the EU average, followed by Sweden (124%), Austria (120%), Ireland and Finland (both 119%) and Luxembourg (116%). At the opposite end of the scale, the lowest price levels were observed in Poland (63%), Romania (64%), Bulgaria (70%), Lithuania (78%), the Czech Republic and Hungary (both 79%).

The results based on the survey of food, beverage and tobacco prices carried out in 2015 in 38 participating countries. This survey covered a total of approximately 440 comparable products.

Highest price disparities for tobacco



Comparative data on consumer price levels are also available for more detailed breakdowns of food products. For bread and cereals, price levels ranged from 53% of the EU average in Romania to 162% in Denmark; for meat from 54% in Poland to 137% in Denmark; and for milk, cheese & eggs from 65% in Poland to 140% in Cyprus.

The price levels for alcoholic beverages ranged from one to more than two and a half. The lowest price levels were

registered in Bulgaria (64% of the EU average), Romania (72%) and Hungary (74%), and the highest in Ireland (175%), Finland (172%) and the United Kingdom (163%).

For tobacco, the price levels were almost four times higher in the most expensive Member State than in the cheapest. The lowest price levels were observed in Bulgaria (50% of the EU average), Croatia and Lithuania (both 56%), and the highest in the United Kingdom (218%), Ireland (189%) and France (127%).

PASHA Bank Sponsors Bond Congress

On June 16-17th the XIII CIS, Baltic States and Caucasus Bond Congress was held in Tbilisi, Radisson Blu Iveria. The congress was sponsored by PASHA Bank – a regional financial institution that provides a full range of corporate and investment banking services to large and medium-sized enterprises in the region.

Being held since 2004 the congress is a major event for the region, which supports discussions on the development of local bond markets in Russia, CIS and Caucasus countries, as well as Eurobonds' emerging markets and other essential topics.

Among the speakers there were: Archil Mestvirishvili - Vice President at National Bank of Georgia, Nikoloz Gagua - Deputy Minister at Ministry of Economy of Georgia, Archil Gachechiladze - Chairman at Galt & Taggart, Ivan Uhljanitsia - Director of Investment Banking at PASHA Bank Azerbaijan, Shahin Mammadov - CEO and Chairman of Board of Directors at PASHA Bank Georgia.



“We are happy that this year Tbilisi was chosen to host the Bond Congress and PASHA Bank had the opportunity to actively participate in the event. PASHA Bank has a significant experience in investment banking services in the region. Recently we have had successful cases of bond issuance in Georgia as well. We hope that this congress will serve the development of finance sector in our region.” – Said Shahin Mammadov, CEO and Chairman of Board of Directors at PASHA Bank Georgia.

The Bond Congress was attended by more than 150 representatives of local and international finance sectors. The event was organized by “Galt & Taggart”.

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Source- GB TGI Clickstream, Q3 2015



MEMBER OF THE UNITED NATIONAL MOVEMENT



Giorgi Kandelaki:



“The interests of public officials are observed in the Check-in Georgia project.”

true

Fact CHEK

According to the statement of a member of the United National Movement, Giorgi Kandelaki, the Check-in Georgia project, launched by the decision of the Government of Georgia, is marked with corruption. Mr Kandelaki stated: “The Head of Check-in Georgia, Davit Menabde, is simultaneously the head of LEPLs at the Ministry of Culture and Monument Protection and is also the founder of Eastern Promotion. His brother-in-law, Irakli Shengelia, is the founder of Wizard Event which is in charge of the Tbilisi Concert Hall. Davit Menabde’s groomsman and the Manager of Wizard Georgia, Vazha Khachidze, is the founder of Tickets Georgia which sells tickets for every concert and receives a substantial financial profit.”

Based upon the decision of the Government of Georgia, the Check-in Georgia project is taking place throughout the country and includes the annual festivals supported by the Ministry of Culture and Monument protection. In total, 150 events will be held within Check-in Georgia’s activities. According to the clarification of the Government of Georgia, the project’s aim is to popularise Georgia’s tourism potential. GEL 29 million was allocated from the government’s catastrophe liquidation reserve fund to conduct Check-in Georgia. The project includes different types of events (in the period of 26 March to 30 December 2016) and includes outreach in Georgia’s regions. According to the information of the Ministry of Culture and Monument Protection, GEL 29 million, allocated from the reserve fund, will be spent for the concerts of Eros Ramazzotti, Robbie Williams, MAROON 5, José Carreras and other singers. The Ministry has also published the current expenses.

Of additional note is that a representative of the Ukrainian agency ACA (which, according to the information provided by Rustavi 2, has worked with all the aforementioned celebrities) stated on air on Rustavi 2’s PS show that the costs of the performances of foreign celebrities is GEL 10 million less as compared to the amount of money allocated by the Ministry of Culture and Monument Protection. Additionally, it was reported that GEL 3 million will be added to the sum of money already allocated for the project based upon a decision of the Government of Georgia.

On the same show, Davit Menabde confirmed the family ties mentioned in the statement of Giorgi Kandelaki, MP. According to the clarification given by a representative of the Ministry of Culture and Monument Protection to **FactCheck**, Eastern Promotion has nothing to do with the organisation of the Check-in Georgia project and the Culture Development Fund is in charge. The Culture Development Fund is an LEPL of the Ministry of Culture and Monument Protection and Davit Menabde is its head. Mr Menabde was also a shareholder of Eastern Promotion, founded by the incumbent Minister of Culture and Monument Protection, Mikheil Giorgadze, although he renounced his ownership of the shares last year. Moreover, according to the information uploaded on the website of the Ministry of Culture and Monument Protection, Eastern Promotion is named as the organiser of some of the events within the framework of the Check-in Georgia project.

Eastern Promotion was founded on 5 August 2010. Its director and owner of 22.5% of the company’s shares was the incumbent Minister of Culture and Monument Protection, Mikheil Giorgadze, until 23 March 2014. After Mikheil Giorgadze was appointed as Minister, Davit Menabde became the owner of 45% of the shares. However, Mr Menabde renounced his ownership of those rather expensive shares for free last year. After he renounced his ownership, he was appointed as the Head of the Culture Development Fund.

Research prepared by Transparency International Georgia details this and some other facts as well. The research also highlights that high-ranking officials of the Ministry of Culture and Monument Protection follow their interests in selecting private companies and putting them in charge of organising events. Specifically, according to this research, after Mikheil Giorgadze’s appointment as Minister (July 2014) until the present day, companies which have ties with high-ranking officials of the Ministry of Culture and Monument Protection have received GEL 2,421,743 either in the form of simplified purchases or direct funding. In total, 29% of the money spent for musical events in 2015 (GEL 4,762,767) was given to companies affiliated with Mikheil Giorgadze, Kakhi Kandelaki (Deputy Minister of Culture and Monument Protection) and Davit Menabde (Head of the Culture Development Fund). Of further mention is the Black Sea Jazz Festival which is organised by Eastern Promotion within the framework of the Check-in Georgia project.

In regard to Online Tickets Ltd, which sells the tickets for all of the concerts of foreign celebrities scheduled within the framework of the Check-in Georgia project, it won the tender announced by the Ministry of Culture and Monument Protection. The tender (norm SPA160007894) was announced by the Ministry of Culture and Monument Protection on 7 March 2016. Submitting applications ended on 28 March 2016. The presumable cost of purchase was GEL 450,000. The only participant of the tender was Online Tickets which won with GEL 285,000. According to the information of the National Agency of Public Registry, the owner of the company is indeed Vazha Khachidze.

CONCLUSION

FACTCHECK CONCLUDES THAT GIORGI KANDELAKI’S STATEMENT IS TRUE.

TRUE



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