

# FactCheck



## Irakli Gharibashvili, PM:

“Unfortunately, the economy we inherited had a negative trade balance of over 50%... A whole 80% of the basket of consumer goods and products of primary use depend upon import. The leading positions among exported products are predominantly held by goods of non-Georgian production... 54% of the employed are engaged in the agricultural sector and the share of agriculture in the country’s GDP does not exceed 9% while 11% are employed in the governmental sector.”

Archil ROSTOMASHVILI  
FactCheck

On 15 January 2014, the Prime Minister of Georgia, Irakli Gharibashvili, held a press conference during which he discussed the economic affairs of Georgia. The PM stated: “Unfortunately, the economy we inherited had a negative trade balance of over 50% and a whole 80% of the basket of consumer goods and products of primary use depend upon import. The leading positions among exported products are predominantly held by goods of non-Georgian production. We received an economy where 54% of the employed are engaged in the agricultural sector and the share of agriculture in the country’s GDP does not exceed 9% while 11% are employed in the governmental sector. We have an import-oriented economy and, for years, its growth has been fuelled through the stimulation of consumption instead of production. This was made possible primarily by the means of the exported labour force. As a result of this process, we have received very high rates of unemployment.”

FactCheck inquired about the accuracy of the Prime Minister’s statement.

The external trade balance represents the difference between export and import. In the case if the difference has a negative value, the trade balance is considered to be negative as well. A negative balance in the external trade turnover exceeded 50% in the period from 2006 to 2012 whereas in 2013, it equalled 46%.

FactCheck tried to establish what percentage of products included in the basket of consumer goods is imported to Georgia. We addressed this

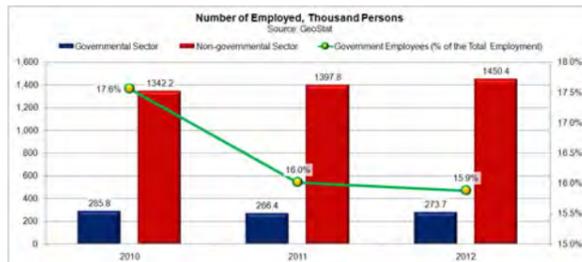
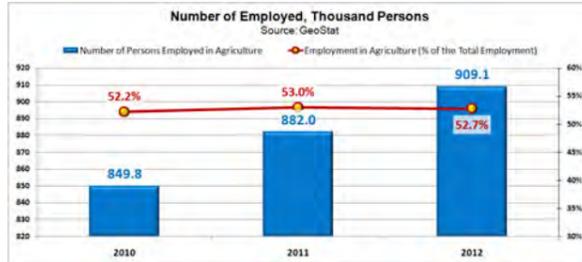
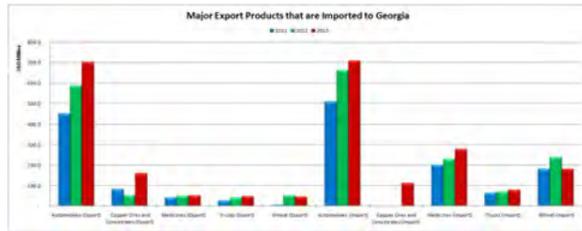
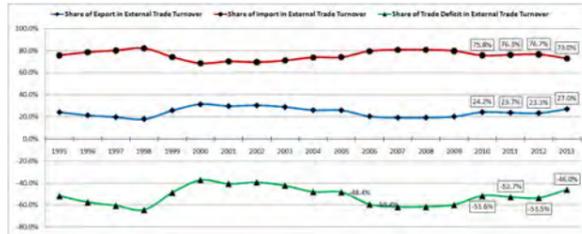
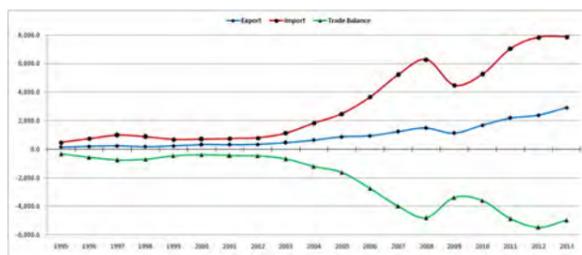
question to the National Statistics Office of Georgia and in line with the data received in response, of the 295 items of goods and services included in the basket, 108 (36.6%) are produced locally. A total of 78 items of goods and services (26.4%) are imported and the remaining 109 (37%) are of mixed production; that is, one part of them is produced domestically and another – imported from abroad.

As for export, the major fields of export are: automobiles (re-export), ferro-alloys, walnuts and hazelnuts, copper ores and concentrates, fertilisers, natural grape wines, mineral and fresh waters and alcoholic drinks. Medicines, trucks and wheat are also being re-exported in large volumes.

The small scale of the Georgian market is an influential factor for the development of domestic production. Additionally, the fact that in the given case goods of non-Georgian production are the most widely exported products of the country and Georgia rounds up a remarkable income from the re-export implies that the country takes good advantage of its geographic location of a transit country and this is far from being an unfavourable occurrence.

Employment rates of 2013 are yet to be published but in accordance with the data of 2012, the number of persons employed in the agricultural sector exceeds 909 thousand which amounts to 52.7% of the total employment in the country. In line with the data published by GeoStat, the share of agriculture in the GDP of 2012 equals 7.4% and according to the preliminary data of 2013 it totals 9.3%.

In terms of employment in the governmental sector, we witness the following situation: in line with the data of 2012, the number of persons employed in this field ex-



ceeds 1,450 thousand and its share in the total employment amounts to 15.9%. Category: Economy

# TV Ad Sales Increased by 40% in 2014

Continued from p. 5

Both in the areas of ownership transparency and political control over the media, much has changed for the better, if comparing the current situation with 2010, when some of the country’s most influential media outlets were closely linked with the Government or other political groups and controlled through opaque shell entities.

However, there are several large businessmen who own media outlets in Georgia. Levan Karamanishvili, one of the owners of Rustavi 2, owns shares in mobile operator Beeline through offshore entities. He is also linked to the ownership of internet provider Caucasus Online, according to Transparency International. During the last seven years, Rustavi 2 was considered part of the National Movement due to its political support for the political majority and unclear financing.

The Patarkatsishvili family, which owns Imedi TV, holds several assets in Georgia. The list includes mobile operator Magticom, Borjomi mineral water and Mtatsminda amusement park. The family has an ongoing court dispute with Joseph Kay regarding

the Rustavi steel factory. Former Prime Minister Bidzina Ivanishvili, whose son Bera owns entertainment station GDS, controls a number of offshore companies through his relatives. Another channel owned by the billionaire - TV9, was shut down soon after the change of government. However, experts say that TV9’s license was not taken away.

Kakha Okruashvili, who recently got the broadcasting license of his TV company Mze back, is the founder of Omega Group. Omega Group includes cigarette production and distribution companies as well as a BMW dealership.

Kakha Bendukidze, one of the owners of Tabula TV and Tabula magazine, and Vasil Kobaidze, owner of the majority of shares in Pirveli Stereo, are also active in other business sectors.



# Reduced Remittances from Russia and Ukraine

Continued from p. 4

tries of origin - and some second generation migrants. According to these figures, over half of all migrant stocks are in Russia.

Migrants are heavily distributed across the working ages. As for their gender composition, males are much more represented in other former Soviet republics (64.0%), while a more gender-balanced profile is observed in other countries (males make up 49.2%). Georgian migrants tend to be medium-highly educated with 45.3% holding a secondary diploma and 32.8% tertiary education.

Migrants in OECD countries tend however to be higher skilled with the same percentage being at 35.7% and 38.7% compared with those staying in other former Soviet republics (where the same values stand at 53.8% and 27.7%, respectively).

In OECD countries, there are three main occupational shares for Georgian emigrants - professionals (18.4%), ser-

vice workers and shop and market sales workers (16.4%), and craft and related trades workers (14.8%).

The main motivation to migrate for 78.4% of all emigrants was to improve their current economic situation. Study (6.6%) and asylum (1.1%) were the other motivations of note.

Skills mismatch is a likely trend amongst Georgian stocks, as one in four potential migrants has been found not to have a particular job preference. Instead, gaining employment is their major aim. For example, potential emigrants are willing to accept lowly qualified jobs such as domestic help/care giving.



## CONCLUSION

Throughout the years 2006-2012 the negative balance in Georgia’s foreign trade turnover went beyond 50% whereas in 2013 the indicator dropped to 46%.

In 2012 the number of persons employed in the field of agriculture amounted to 52.7% of the total number of employed whereas those employed in the governmental sector totalled 15.9%. In line with the preliminary data of 2013, the share of agriculture in Georgia’s GDP equalled 9.3%. These figures are essentially in agreement with the numbers indicated by the Prime Minister.

As gathered from the data provided by GeoStat, 36.6% of the products included in the basket of consumer goods are produced domestically, only 26.4% is imported and the remaining 37% is of a mixed nature. Therefore, this part of the Prime Minister’s statement is inaccurate.

The leading positions among exported goods of Georgia are held by the products manufactured locally (with the exception of the re-export of automobiles); namely, the export of walnuts and hazelnuts, ferro-alloys, mineral and freshwaters, fertilisers and natural grape wines. Although the largest field of Georgian export is the re-export of automobiles, this cannot be described as a negative occurrence. In the given case, this fact rather indicates that Georgia makes the most out of its potential as a transit country.

Consequently, we conclude that Irakli Gharibashvili’s statement, “Unfortunately, the economy we inherited had a negative trade balance of over 50%... A whole 80% of the basket of consumer goods and products of primary use depend upon import. The leading positions among exported products are predominantly held by goods of non-Georgian production... 54% of the employed are engaged in the agricultural sector and the share of agriculture in the country’s GDP does not exceed 9% while 11% are employed in the governmental sector,” is **HALF TRUE**.

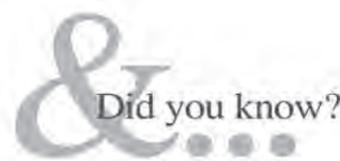


EUROPEAN ENDOWMENT OF DEMOCRACY

G|M|F The German Marshall Fund of the United States STRENGTHENING TRANSATLANTIC COOPERATION



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The FINANCIAL is read by nearly 75% of Top Financial Decision-makers in Georgia.

It reaches more CEO’s than all Georgian newspapers combined.

Source: Global Idea

# Heartbleed's Impact

The FINANCIAL

39% of internet users say that after they learned of the online security problems they took steps to protect their online accounts by doing such things as changing passwords or canceling accounts, according to the Pew Research Center. 29% of internet users believe their personal information was put at risk because of the Heartbleed bug and 6% of internet users say they believe their personal information was stolen.

As a news story, the revelations about Heartbleed drew the attention of a notable segment of adults. Some 60% of adults (and 64% of internet users) said they had heard about the bug. Some 19% of adults said they had heard "a lot" about it and 41% said they had heard "a little" about it.

By comparison, though, the Heartbleed story drew much less intensity and scope of attention than other big news stories. In this same survey, 46% of respondents said they had heard "a lot" about tensions between Russia and Ukraine and 34% said they had heard "a little", according to the Pew Research Center.

And last June, when Edward Snowden leaked details of the National Security Agency surveillance programs collecting phone and email records of Americans, 51% of adults said they had heard "a lot" about the story and another 35% said they had heard "a little."

Overall, internet users generally have mixed and middling views about the security of their personal information online: About half (46%) say they think their information is "somewhat secure." Some 23% believe their information is "very secure," and 26% say it is "not too secure" or "not at all se-

curé", according to the Pew Research Center.

This survey finds that a sizable share of the public was aware of the problem: 60% of the public had heard at least a little about Heartbleed, including 64% of internet users had. Some 19% of adults said they had heard "a lot" about Heartbleed and another 41% said they had heard "a little."

The most noteworthy traits of those who had heard about the security problem on the internet was that they were likely to be relatively well educated and higher income Americans: 77% of those with college educations were aware of Heartbleed, along with 75% of those living in households earning \$75,000 or more, according to the Pew Research Center.

As a news story, Heartbleed was not nearly as prominent in public awareness as some other recent stories. In this survey, we also asked if people had heard of the tensions between Russia and Ukraine and 46% of respondents said they had heard "a lot" and another 34% said they had heard "a little."

In previous surveys about people's awareness of news stories, Pew Research has found a number of news events that have gained much more public attention than Heartbleed. For instance:

88% of Americans said they had heard "a lot" about the Newtown, Connecticut shootings in December 2012.

60% of Americans said they had heard "a lot" about Pope Benedict's announcement he would step down from the papacy in February 2013.

42% of Americans said they had heard "a lot" about Republican presidential nominee Mitt Romney's of Rep. Paul Ryan to be his running mate in August 2012.

The Heartbleed story registered roughly the same level of public awareness as the U.S.-Iran negotiations and

agreement to allow monitoring of Iran's nuclear program (in November and December 2013) and Catholic Bishops in the U.S. protesting Obama Administration policies they believe restricted religious liberty (July 2012).

Some 29% of all internet users said they believed their online information was put at risk by Heartbleed. That amounts to 45% of the internet users who had heard of Heartbleed who said they felt vulnerable, according to the Pew Research Center.

Those who are relatively upscale were more likely to feel their information was put at risk: 38% of online Americans with college or graduate degrees said they thought their information was put at risk, compared with 23% of internet users with a high school diploma or less. Among other reasons, this likely happened because those with higher education were also more likely to have heard a lot about Heartbleed.

Similarly, internet users in higher income households were more likely than those in lower-income households to fear that Heartbleed put their information at risk: 34% of the internet users living in households earning \$75,000 or more said the bug put their information at risk, compared with 25% of the internet users living in households earning less than \$30,000.

Some 6% of internet users said they felt their information had actually been stolen because of Heartbleed. There was no notable variance in this figure when it came to different demographic groups.

Some 39% of internet users say they changed their password or closed an account in response to the revelations about Heartbleed. This amounts to 61% of the internet users who had heard of Heartbleed, according to the Pew Research Center.



## Leader of the Parliamentary Majority about completed and ongoing projects in the energy sphere

Vasil MAMULASHVILI

FactCheck

On 21 February 2014, during his speech at the plenary session of the Parliament of Georgia, the leader of the Parliamentary Majority, Davit Saganelidze, stated: "The hydroelectric power plants of Larsi, Bakhvi, Aragvi and Akhmeta are already functioning. Their total capacity equals 45 megawatts [MW]. Construction of one of the biggest hydropower cascades (with the capacity of 400 MW) has already started. A wind electric power plant project (with the capacity of 20 MW at the first stage) has been initiated for the first time in Georgia. Construction of a thermal power station with the capacity of 230 MW is in progress in Gardabani. Last year, foreign direct investment [FDI] was increased by 7% if compared to the previous year and, overall, equalled GEL 146 million only in the energy sphere."

FactCheck took interest in the accuracy of the aforementioned statement and decided to verify the facts.

On 24 January 2014, the members of the Georgian Government opened the Larsi power station. Its installed capacity<sup>1</sup> is 19 MW while its annual output equals 100 million kilowatt-hours [kWh]. The Peri company started the construction of the Larsi power station in the Kazbegi Region in 2011. Based upon the information of the Ministry of Energy of Georgia, a total of USD 20 million was invested in the construction of the abovementioned power station.

On 5 December 2013, the Minister of Energy of Georgia opened the Bakhvi HPP 3. The installed capacity of this power plant comprises 9.8 MW and the annual output is

38 million kWh.

The list of Georgian hydroelectric power plants displayed on the website of the Ministry of Energy of Georgia does not mention the Aragvi and Akhmeta power stations while the Ministry informed FactCheck that both of the abovementioned power stations are already functioning.

The list of investment projects published on the website of the Ministry of Energy contains the Shuakhevi HPP cascade project. The foundation for the Shuakhevi HPP was laid by the former Prime Minister of Georgia, Bidzina Ivanishvili, and the Minister of Energy of Georgia, Kakha Kaladze, on 16 September 2013. The installed capacity of the abovementioned power plant is 178 MW while its annual output equals 445.1 million kWh. The project encompasses the construction of two dams and water reservoirs. According to the information of the Ministry of Energy, at the same time, investors are starting the construction of the Skhalta HPP which is a part of the abovementioned cascade. The installed capacity of the Skhalta HPP will be 5.8 MW with the annual output of 20.8 kWh. The investment cost of both projects is USD 300 million. The construction of these power stations will be completed by the second half of 2016.

In addition, the construction of the Koromkheti and Khertvisi power plants is also planned. The installed capacity of the Koromkheti HPP will equal 150 MW while the annual output will be 463 kWh. In the case of the Khertvisi HPP, the installed capacity will comprise 65 MW with annual output of 239 kWh.

FactCheck verified Davit Saganelidze's statement concerning the wind electric power plant being constructed for the first time in Georgia. The Ministry of Energy and the Foundation of Energy Devel-

opment of Georgia are working together to construct the Kartli wind power plant. The power plant is situated near the city of Gori. This is a pilot project being constructed by state funding and encompassing the construction of a power plant with the capacity of up to 20 MW. Ten turbines will be located on the territory of the power plant connected with each other via underground lines that in turn will be connected with the Gori substation with the capacity of 220 KW. The investment cost of the project comprises USD 30 million.

Davit Saganelidze's assertion about the thermal power station also proved to be accurate. In January 2014 the construction of the combined Gardabani thermal power station was initiated whose installed capacity will comprise 230 MW. The investment cost of the project is USD 220 million. The funds are allocated by the Partnership Foundation and the Georgian Oil and Gas Corporation.

As for foreign direct investments [FDI] in the energy sphere, based upon the preliminary data of the National Statistics Office of Georgia, in 2013 FDI comprised USD 198 million and is an amount which exceeds the similar data (US 179 million) of the previous year by 9.6%. According to Saganelidze, FDI in the energy sphere was increased by 7% and comprised USD 146 million. The National Statistics Office of Georgia published the abovementioned preliminary data on 21 March while Saganelidze made his statement on 21 February. Presumably, the slight inaccuracy in numbers is caused by the fact that Saganelidze presented the preliminary data that was incorrectly calculated and incomplete. Obviously, he would not have any motivation to deliberately cut the data.

Category: Energy

## World Bank: "There Is Urgent Need to Take Measures to Enhance the Education Quality"

Continued from p. 6

to advance the reform. The World Bank is just beginning to work with the team and stands ready to provide support in this important area of reform. The Bank continues to offer assistance to the Government as the Government develops its reform agenda, particularly by providing lessons from international experience.

### HEALTH INSURANCE

The Government started the implementation of the Universal Health Care programme in 2012. The registration rate is expected to reach over 90 percent in the next 3 years. This is a major step forward towards the UHC goals. However, challenges remain in terms of the benefit package particularly in terms of limited drugs coverage. Given that household expenditure on drugs is quite high in Georgia, how

to gradually expand benefits within the fiscal constraint will need to be well thought out. In the meantime, improving the quality of health service delivery and improving programme efficiency will also need increased efforts.

### PUBLIC SERVICE HALL

Referring to Public Service Halls - a totally new culture of public service was created: putting citizens first. New public service halls provide an array of public services, and most services can be accessed online, even from abroad. Improvements in efficiency have been supported by a self-funding model that has enabled the registries to increase their revenues, become financially viable, and improve the services they provide.

In 2011, the Government opened the first four public service halls, in Batumi, Kutaisi, Mestia, and Rustavi. These new institutions go one

step beyond the one-stop shop idea by allowing citizens to access services from various agencies under a single roof. Citizens can register property or businesses; obtain identifications, passports, and birth and death certificates; and get notary services at a public service hall. Self-service areas are available for a number of simple transactions; customers are directed either to quick service areas for simple questions or to operator desks for tasks that will take more than five minutes. Employees are intensively trained, not only in the technicalities of their work but on creating a friendly, customer-oriented environment.



## CONCLUSION

The research conducted by FactCheck showed that in 2013-2014 the hydroelectric power plants of Larsi, Bakhvi, Aragvi and Akhmeta in fact started to operate. Their total installed capacity equals 46.9 MW. In 2013 the construction of the Shuakhevi HPP cascade was also initiated with the total installed capacity of 398.8 MW.

Based upon the information of the Ministry of Energy of Georgia, the construction of the Kartli wind power plant is in progress near the city of Gori. The installed capacity of this plant is supposed to be 200 MW. This is the first wind power plant ever to be constructed with funds allocated by the state. Moreover, the construction of a combined thermal power station with the installed capacity of 230 MW has also started.

According to the preliminary data of the National Statistics Office of Georgia, FDI comprised USD 198 million in 2013 in Georgia and exceeds the indicator of the previous year by 9.6%.

Therefore, FactCheck concludes that the statement of Davit Saganelidze: "The hydroelectric power plants of Larsi, Bakhvi, Aragvi and Akhmeta are already functioning. Their total capacity equals 45 megawatts [MW]. Construction of one of the biggest hydropower cascades (with the capacity of 400 MW) has already started. A wind electric power plant project (with the capacity of 20 MW at the first stage) has been initiated for the first time in Georgia. Construction of a thermal power station with the capacity of 230 MW is in progress in Gardabani. Last year, foreign direct investment [FDI] was increased by 7% if compared to the previous year and, overall, equalled GEL 146 million only in the energy sphere," is TRUE.

TRUE



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