

# FactCheck



## Government of Georgia:

“Old age pensions have increased by 60% and the monthly payments of the pensions have risen by 28.3%.”

Teona ABSANDZE  
FactCheck

**F**actCheck verified the accuracy of the information posted on the official Facebook page of the Government of Georgia. According to the information, old age pensions have increased by 60% and the monthly payments of the pensions have risen by 28.3%. In 2012, old age pension was in the margin of GEL 110-125. Since April 2013, pensions for all categories of pensioners have become GEL 125 and reached GEL 150 in September 2013. Pensions did not increase in 2014. Since September 2015, pensions have increased by GEL 10. Therefore, old age pensions have increased by 45% (instead of 60%) over the past three years as compared to the minimum pension (GEL 110).

Under the Georgian Dream government, a significant rise in the amount of old age pension was registered only in 2013. Of note is that the previous government planned a similar increase in old age pensions in its draft budget

project for 2013. If we take the level of inflation into account, we can conclude that pensions have not really increased since 2013. Inflation reached 9% in Georgia between September 2013 and September 2015 and so an average pensioner was able to purchase more goods and services in 2013 with his GEL 150 pension than in 2015 with the GEL 160 pension.

In regard to the monthly payments of the pensions, statistical data of the Social Service Agency indicate that payments of pensions amounted to GEL 83.2 million in September 2012. September 2015's data have not yet been published. The payment of pensions in August was GEL 106.7 million. Since September 2015, pensions have increased by GEL 10 which means that the payments have also increased. However, of note is that the rise in the monthly payments of the pensions was not caused by the increase in pensions alone. One of the reasons is the increase in the number of pensioners. In 2012 there were 680.4 thousand pensioners in the country, 2015's latest data indicate that there are 703.8

thousand pensioners. Even though the principal focus of this research was to verify the data with regard to old age pensions, **FactCheck** also reviewed additional data published by the Government of Georgia.

For instance, pensions for people with serious disabilities (second level of disability according to the old classification) rose from GEL 70 to GEL 100 in 2013 which constitutes a 43% increase. The amount of pension for disabled citizens has not increased since 2013.

Pensions for people with the most evident disability status (first level of disability according to the old classification) increased from GEL 100 to GEL 125 in April 2013 and reached GEL 150 in September 2013. Therefore, the amount of pension for these citizens increased by 50% with the amount having risen by a further GEL 10 since September 2015. In regard to the compensation for those families whose members lost their lives in the fight for the territorial integrity of Georgia, their pension amounts to GEL 1,000. In 2012, this amount was GEL 500.

# Thin But Strong: Georgian Silk

Continued from p. 2

healthy commodity, is constantly rising. Silk is a multibillion dollar trade, with a unit price for raw silk roughly twenty times that of raw cotton.

## NEW LIFE STARTS ... IN THE MUSEUM?

Gela Zoidze is a Guruli farmer from Chibati, a small village in the Lanchkhuti municipality. Gela (51) is old enough to remember how back in the jolly USSR days every family in his village (and the entire municipality) was producing at least 30-100kg of raw silk per season. At 12-15 rubles/kg (almost a tenth of a rank-and-file Soviet engineer's salary!), an average village household could generate at least 1000 rubles from silk – a very nice addition to a family's budget.

Silk production flourished in those days also because it was a great complement for farmers who spent most of their time in kolkhoz tea plantations. While tea cultivation works started very early (in April) and continued through the end of June, silk required a concentrated effort during 45 days from early July till mid-August, after major tea works were over. Moreover, money earned from silk – a nice four digit figure – would be

available already in early September, providing another reason (and resources) to celebrate.

Yet, silk was all but forgotten when back in spring 2014 Gela happened to listen to a radio show hosting Nodar Stepanishvili, a prominent sericulture specialist and the “institutional memory” of Georgia's State Silk Museum in Tbilisi. The message he got was: silk is a golden opportunity you should not miss. Within days, Gela managed to reach Nodar on the phone. What followed was a series of meetings and consultations, resulting in a decision to re-establish silk production in Guria.

Serving as Director of the Entrepreneurship Development Center at the Lanchkhuti Municipality, Gela knew that the next logical step would be to issue a call to like-minded people in Guria in order to create a production and processing cooperative. His idea was very simple. People had plenty of mulberry trees on their plots; the knowhow of silk production was still alive; silkworms would not be difficult to cultivate. The missing piece was aggregation and processing. An ad Gela published in a local newspaper generated tremendous response. Everybody were extremely curious to find out more about his initiative. The main worry was whether or not there would be a buyer for their silk.

A year later, Gela was heading a medium-size coop-

erative uniting more than 20 farmers in his municipality. Supported by EU's ENPARD program, Gela's cooperative plans to move beyond the production of raw materials into processing (production of silk thread). To justify investment in costly machinery, the group wants to establish a sufficiently large (and stable) raw material base, drawing as many farmers into the pool as possible. A very realistic possibility in this regard is joining forces with other Georgian silk farming cooperatives, such as the one established by Manana Elkashvili in Marneuli.

Nodar Stepanishvili, Gela Zoidze, and Manana Elkashvili are indeed giving the Georgian silk industry a new lease on life. United by their love of this traditional trade, they inspire many more people who are willing to learn new tricks and work hard. And we are sure they will be successful, with a little bit of help from the EU and the Georgian Government.

The article was produced with the assistance of the European Union through its European Neighbourhood Programme for Agriculture and Rural Development (ENPARD), Austrian Development Cooperation, and CARE Austria. The contents are the sole responsibility of the authors and can in no way be taken to reflect the views of the European Union, Austrian Development Cooperation, or CARE Austria.



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

## CONCLUSION

IN 2012, GEORGIA'S OLD AGE PENSION WAS IN THE MARGIN OF GEL 110-125. IN THE LAST THREE YEARS, THIS AMOUNT HAS INCREASED BY 45% AS COMPARED TO THE MINIMUM PENSION AND BY 28% (INSTEAD OF 60%) AS COMPARED TO THE MAXIMUM PENSION. OF NOTE IS THAT UNDER THE CURRENT GOVERNMENT, A SIGNIFICANT RISE IN THE AMOUNT OF PENSION WAS REGISTERED ONLY IN 2013. OLD AGE PENSION DID NOT INCREASE IN 2014 BUT WENT UP BY GEL 10 IN SEPTEMBER 2015. ADDITIONALLY, IF WE TAKE THE LEVEL OF INFLATION INTO ACCOUNT, WE CAN SAFELY SAY THAT THERE HAS BEEN NO REAL RISE IN THE AMOUNT OF PENSION SINCE 2013. INFLATION IN GEORGIA REACHED 9% BETWEEN SEPTEMBER 2013 AND SEPTEMBER 2015. THEREFORE, AN AVERAGE PENSIONER WAS ABLE TO PURCHASE MORE GOODS AND SERVICES IN 2013 WITH HIS GEL 150 PENSION THAN IN 2015 WITH THE GEL 160 PENSION. THE MONTHLY PAYMENT OF PENSIONS DID INCREASE CONSIDERABLY WHICH TOGETHER WITH THE INCREASED AMOUNT OF PENSION WAS ALSO CAUSED BY THE GROWING NUMBER OF PENSIONERS.

**FACTCHECK** CONCLUDES THAT THE INFORMATION WITH REGARD TO A 60% INCREASE IN THE AMOUNT OF OLD AGE PENSIONS PRESENTED BY THE GOVERNMENT OF GEORGIA IS **MOSTLY FALSE**.



**MOSTLY FALSE**



Kingdom of the Netherlands

The views expressed in this website are those of FactCheck.ge and do not reflect the views of The FINANCIAL or the supporting organisations

## FOR SALE

9,8 ha non-agricultural, privately owned parcel for industrial use (cadaster code # 01.19.26.004.088) located next to Tbilisi Airport

**Address: Airport settlement, Samgori district, Tbilisi**  
**Tel: +995 599 529 529**  
**info@cei.ge**

# AmCham Russia: "Russia is, was and will be an Attractive Market for US Businesses"

Continued from p. 4

## ter a certain point politicians can overcome their power with businesses?

A. Obviously business prefers to be left alone to do business and governments can of course always interfere. We prefer when the government does not interfere. When the government feels it has strong reasons then it must, but my personal view is it would be better not to do so.

## Q. How optimistic are you regarding the sanctions? Do you anticipate them being lifted in 2016?

A. I think the lifting of sanctions depends on the progress of resolution of the Ukrainian crisis and I am not the best person to ask when that might happen. From what I see, I do not believe that it is a quick problem to solve so I would be cautious. But, I would be very happy if in fact the problem is resolved and the sanctions are lifted in 2016.

## Q. What are your main motivations at the moment to restore bilateral relations between the USA and Russia?

A. My motivation is to make business operations and financial relations better and that will happen when the bilateral relations are improved, when US and Russia find ways to talk to each other, which I hope they do; the sooner the better.

## Q. How flexible were Russian officials about dealing with economic problems?

A. Well the Central Bank Governor Elvira Nabiullina was recently awarded as Best Central Bank Governor at the annual meeting of the World Bank and the IMF last week in Lima, Peru, and the adoption of the flexible exchange rate was probably the best key decision made, which made the adjustment in Russia very painful but very quick. So yes they have been decisive. They have been quick and flexible.

## Q. What is your recipe for recovering the Russian economy?

A. My advice to Russian officials has always been to do what they can to improve the investment climate. There is a lot of good advice and lots of smart people who understand what needs to be done. The issue is actually getting it done.

## Q. What are the main challenges and needs of the international business community in Russia for now?

A. I think the main challenge everybody is facing immediately is a slowing down of the economy and devaluation of the currency which represents both a challenge and an opportunity. Obviously the geopolitical tensions are a burden on business, they slow things down, they make decision making more difficult, and they make discussions at board levels more cautious. So, I think those are the main types of challenges that our businesses are facing.

# Living Conditions Not Improving, NDI Poll

The FINANCIAL

Georgians believe their living conditions have stayed the same (47 percent) or worsened (43 percent) over the last year, a nationwide poll released today by the National Democratic Institute (NDI) and CRRC Georgia found.

Improving roads, water and gas delivery and eliminating pollution are top priorities. Respondents also believe that, while their village or town is safe (83 percent) and a good place to raise children (72 percent), employment opportunities are inadequate (80 percent). 66

percent consider themselves unemployed. They identify tourism, farming, livestock, and light industry as the main economic development possibilities for their communities.

Interaction between citizens and elected local government officials (mayors/gamgeoba, sakrebulo members, and governors) is infrequent. Only 6 percent of Georgians report having ever been contacted by sakrebulo officials, 3 percent by mayors' offices, and 1 percent by governors' offices. Knowledge of the work of these offices was also low, with approximately 60 percent of citizens reporting that they knew "nothing at all," and 83 percent unable

to identify their sakrebulo majoritarian member. Citizen participation in public events, petitions and rallies is also low.

Despite this limited interaction overall, those who did engage with local government officials reported them as competent (69 percent) and respectful (88 percent). Further, citizens continue to rate highly the performance of emergency medical services and public service halls, with 89 percent reporting they were satisfied with the service they received at the public service halls.

NDI's survey work is funded by the Swedish International Development Cooperation Agency (Sida) and carried out by the CRRC Georgia.

# PASHA Bank is the Sponsor of TMG 2015 – Telecom Meetings in Georgia

PASHA Bank is the sponsor of two-day event TMG 2015 – Telecom Meetings in Georgia which takes place on October 21-22. By sponsoring the meeting PASHA Bank once again underlines its support for the development of local business and economy.

PASHA Bank provides corporate and investment banking services to large and medium-sized enterprises in the region. The Bank operates in Georgia since 2013 and has supported a number of significant events through this period.

Since 2010 Telecom Meetings in Georgia create an excellent platform for net-

working for foreign and local companies from the sector. Delegates of more than 100 companies from Georgia, Azerbaijan, Russia and Europe visit TMG every year to share experiences, modern trends and make new connections. Among the participants there are mobile and network operators, internet providers and manufacturers of various telecom appliances.

There are some big-name companies that regularly attend TMG: Deutsche Telecom, Telia-Sonera, Sparkle Telecom Italia, PCCW, Ros-telecom, Turk Telecom to name a few. Apart from the big players a lot of small and medium sized telecom sector players take part in the event.

"We are more than happy to support TMG meeting. PASHA Bank always strives to facilitate the events aimed at the development of local business and economy. Considering our focus on corporate business development we will continue supporting such events in future," – says Goga Japaridze, Commercial Director at PASHA Bank Georgia.

"The role of PASHA Bank in supporting our event is very important. It is also noteworthy that PASHA Bank regularly supports the projects and initiatives that serve to country's business development and economic growth," – says Sophie Amiranashvili, organizer of TMG 2015.



# Giorgi Volski:



# "The National Bank of Georgia did not take the International Monetary Fund's recommendations into account concerning the decrease in risks in the financial sector"

FALSE

Valeri KVARATSKHELIA  
FactCheck

At the session of the Parliament, the Chairperson of the Georgian Dream Parliamentary Faction, Giorgi Volski, emphasised the role of the National Bank of Georgia in the process of the depreciation of GEL. Mr Volski asserted: "The recommendation of the International Monetary Fund was to issue consumer loans in GEL only. However this recommendation was not taken into account. Moreover, it was not even discussed."

FactCheck verified the accuracy of the statement.

The high share of foreign currency denominated loans which are issued for non-hedged borrowers might be risky not only for certain borrowers but entails a danger for the whole financial sector as well. Normally, the business sector has greater capabilities to predict the risks and minimise them independently but in order to reduce financial risks, it is generally encouraged to issue national currency denominated loans for the more vulnerable borrowers – family farms. This approach is aimed at increasing financial stability and international organisations of the respective profile urge local policy-making organisations to pay close attention to this topic. In its analysis of the stability of the financial sector, the International Monetary Fund (IMF) also recommended the National Bank of Georgia use every instrument

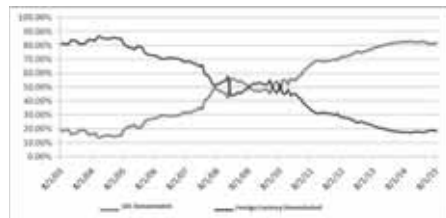
at its disposal to encourage the issue of national currency denominated loans.

The need to encourage the "larisation" (increase of the share of GEL) in the financial sector has been constantly underlined in the annual reports published by the National Bank of Georgia. The National Bank considered the low level of "larisation" as risky and in order to improve the situation tried to use the financial market to influence the behaviour of economic agents. According to the 2012 report (p. 10) of the National Bank, in this regard the most active measures were taken in 2009. These measures included the activation of monetary instruments, the introduction of a currency auction and the expansion of the mortgage market together with other appropriate steps. The International Monetary Fund also emphasises the measures taken by the National Bank of Georgia. The programme, published by the IMF, directly points out that the Na-

tional Bank of Georgia had used a set of measures to make the issue of foreign currency denominated loans more expensive for commercial banks. This policy is unequivocally regarded as a step toward "larisation" because commercial banks have reduced the incentive to issue foreign currency denominated loans. The rise of the weighted risk of a foreign currency denominated loan to 175% is given by the IMF as an example. The result of the policy of the National Bank of Georgia, aimed to increase "larisation," is depicted in Graph 1.

As illustrated in the graph, the share of GEL denominated consumer loans has been on a permanent rise in the total amount of loans since 2003. As of 1 August 2015, the share of GEL denominated consumer loans stood at 81.8% and was only 1.02% less than the absolute maximum of 82.8% which was registered in November 2014. Graph 2 shows the structure of loans issued entirely for family farm households.

Graph 1: Entire Structure of Consumer Loans Issued in 2003-2015



Source: National Bank of Georgia

# CONCLUSION

THE INTERNATIONAL MONETARY FUND HAS ALWAYS RECOMMENDED THE NATIONAL BANK OF GEORGIA ENCOURAGE THE ISSUING OF NATIONAL CURRENCY DENOMINATED LOANS. THUS, THE MP IS CORRECT TO UNDERLINE THE EXISTENCE OF SUCH A RECOMMENDATION. THE ANNUAL PUBLICATIONS OF THE NATIONAL BANK OF GEORGIA HAVE BEEN CONSTANTLY EMPHASISING THE RISKS CAUSED BY THE LOW SHARE OF GEL DENOMINATED LOANS. ACCORDING TO ITS 2012 REPORT, THE DEVELOPMENT OF THE BOND MARKET RESULTED IN THE INCREASED LIQUIDITY OF THE FINANCIAL MARKETS AND THE STABILISATION OF INTEREST RATES. THESE ENABLED COMMERCIAL BANKS TO USE GEL ACTIVES MORE VIGOROUSLY. THE CERTAIN MEASURES TAKEN BY THE NATIONAL BANK OF GEORGIA ARE POSITIVELY EVALUATED BY THE INTERNATIONAL MONETARY FUND IN THE FINANCIAL SECTOR EVALUATION PROGRAMME PUBLISHED IN 2015. THE STRUCTURAL DYNAMIC OF CONSUMER LOANS PROVES THE EFFECTIVENESS OF THE MEASURES TAKEN TO INCREASE THE "LARISATION" OF CONSUMER LOANS.

FACTCHECK CONCLUDES THAT GIORGI VOLSKI'S STATEMENT IS FALSE.

# FALSE

EUROPEAN ENDOWMENT FOR DEMOCRACY

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

Kingdom of the Netherlands

The views expressed in this website are those of FactCheck.ge and do not reflect the views of the FINANCIAL or the supporting organisations