

# FactCheck



## Irakli Gharibashvili:

Prime Minister of Georgia



“Over a hundred vessels (ships) were sold during the office of the previous government.”

LIE

Ani NADIRASHVILI  
FactCheck

At the opening of the port for Batumi Border Police vessels, the Prime Minister of Georgia, Irakli Gharibashvili, stated: “If a state does not work for strengthening its borders and take care of its border guards, there can be no talk about building a modern state there. We witnessed this as late as three years ago. The previous government was ignoring border guards in general. Over a hundred vessels were sold during this period which I believe is a crime.”

FactCheck took interest in the accuracy of this statement.

To begin with, it should be pointed out that structural changes took place in the Ministry of Defence of Georgia and the Ministry of Internal Affairs of Georgia in 2009; namely, the military-

border forces of the Ministry of Defence of Georgia were transferred to the Ministry of Internal Affairs Police Department and integrated with the Coast Guard Department of the Border Police of Georgia. Hence, the vessels owned by the state of Georgia are on the balance of the aforementioned two structures. We requested information from both the Ministry of Defence of Georgia as well as the Ministry of Internal Affairs of Georgia in this regard. According to the information of the Ministry of Defence of Georgia, the vessels on its balance were not sold in the period of 2003 to 2009. As already pointed out above, the military-border forces of Georgia were transferred to the Coast Guard Police of Georgia in 2009 which is why we addressed this structure as well.

According to the information of the Administration of the Border Police of Georgia which is subordinate to the

Ministry of Internal Affairs of Georgia, none of the vessels on the balance of the Coast Guard Department of the Border Police of Georgia have been sold from 2003 to date.

In order to find out what sources the Prime Minister was using when making his statement, we contacted the Media Service of the Prime Minister's Administration; however, we have not received any answer to date.

FactCheck also took interest in the number of vessels owned by the Coast Guard Department. We were unable to obtain this information as, according to the statement of the aforementioned structure, this information is state secret.

However, we know that three vessels on the balance of the Coast Guard Department of the Border Police of Georgia were destroyed during the 2008 Russian-Georgian war (patrol boat Aieti, patrol cutter Orbi and a small speed cutter).

## CONCLUSION

THE VESSELS OWNED BY THE STATE WERE ON THE BALANCE OF THE MINISTRY OF DEFENCE OF GEORGIA UNTIL 2009. AFTER THIS THEY WERE TRANSFERRED TO THE BORDER POLICE OF THE MINISTRY OF DEFENCE OF GEORGIA. BOTH OF THESE STRUCTURES IN OWNERSHIP OF VESSELS INDICATED THAT NO STATE-OWNED VESSELS WERE SOLD FROM 2003 TO DATE. FACTCHECK ALSO TRIED TO FIND OUT THE NUMBER OF VESSELS OWNED BY THE STATE; HOWEVER, ACCORDING TO THE RESPONSE OF THE MINISTRY OF INTERNAL AFFAIRS OF GEORGIA, THIS INFORMATION IS STATE SECRET.

IN ORDER TO FIND OUT WHAT SOURCES THE PRIME MINISTER WAS USING WHEN MAKING HIS STATEMENT WE CONTACTED THE MEDIA SERVICE OF THE PRIME MINISTER'S ADMINISTRATION; HOWEVER, WE DID NOT RECEIVE ANY ANSWER.

FACTCHECK CONCLUDES THAT IRAKLI GHARIBASHVILI'S STATEMENT IS A LIE.



LIE



Kingdom of the Netherlands

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## PASHA Bank – Traditional Sponsor of Georgian Panorama of Tbilisi International Film Festival

1 6th Tbilisi International Film Festival started with a premiere of “Moira” by Levan Tutberidze at Amirani Cinema on December 30th.

Along with the international competition, TIFF has been arranging Georgian competition for the third year running. This year the festival will reveal winners in three nominations: Best feature-length movie, best short-length movie, and best documentary. The members of the jury were: Film critics Ulrich Gregor, Erika Gregor and Hossein Eidzadeh.

The winners of the nominations were as follows: Best feature-length movie –

Solomon (Zaza Khalvashi) Best short-length movie – Wake man (Tornike Bziava) Best documentary – When the earth seems to be light (Salome Machaidze, Tamuna Karumidze, David Meskhi)

Georgian Panorama is traditionally sponsored by PASHA Bank and as in 2014, this year too the Bank provided special awards for all the winners of Georgian Panorama: Trips to Berlin International Film Festival.

“PASHA Bank is a Bakubased financial institution providing corporate and investment banking services to large and medium-sized enterprises. We have been

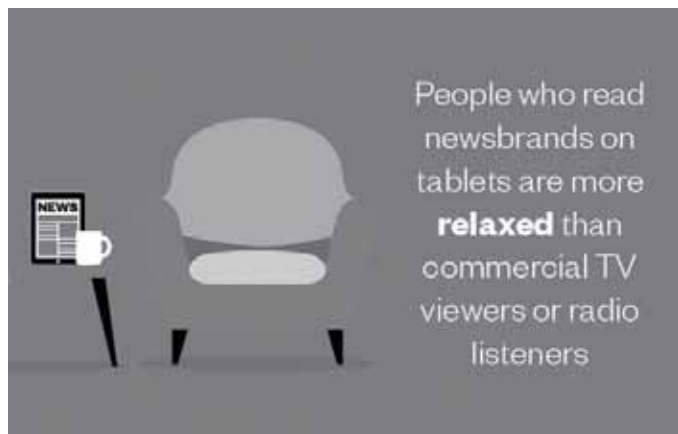
operating in Georgia since 2013 and it is the second year in a row for us to be the sponsors of Georgian Panorama of Tbilisi International Film Festival.

We believe in the potential of Georgian cinematography and by supporting Georgian filmmakers we express our desire to contribute to the development of this industry in the country.

On behalf of PASHA Bank team I would like to thank the organizers and congratulate all the winners and wish them further success and new heights in their professional life,” commented Shahin Mammadov, the CEO of PASHA Bank.



Source- GB TGI Clickstream, Q3 2015

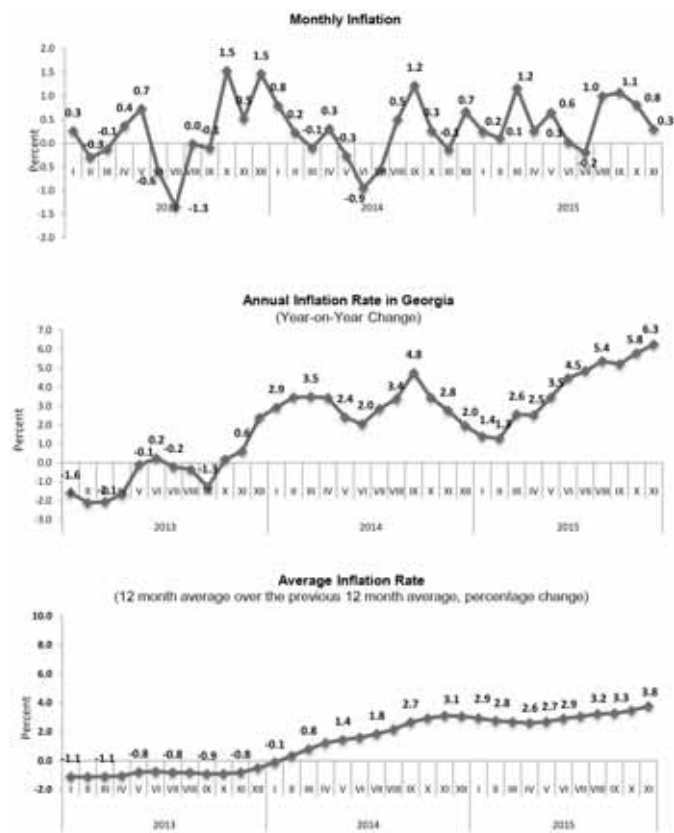


Source- IPA TouchPoints 5.



Source- GB TGI Clickstream Q3 2015

# Inflation Rate in Georgia, November 2015



## The FINANCIAL

In November 2015 the monthly inflation rate in Georgia amounted to 0.3 percent. The following table shows percentage changes in prices for the commodity groups of the consumer basket as well as the relevant contributions to the overall inflation rate.

The monthly inflation rate was mainly formed by price changes for the following groups:

Food and non-alcoholic beverages: the prices for the group increased 0.9 percent and contributed 0.28 percentage points to the overall index change. This increase was mainly caused by 12.4 percent price gain for vegetables. In the group prices were down for fruit and grapes (-4.0 percent);

Transport: a 1.4 percent price decrease was recorded

for the group, which contributed -0.16 percentage points to the overall inflation rate. Within the group prices were down for fuels and lubricants (-2.9 percent);

Housing, water, electricity, gas and other fuels: prices increased 1.0 percent. Consequently, the group contributed 0.09 percentage points to the overall monthly inflation rate.

In November 2015 the annual inflation rate in Georgia equaled 6.3 percent. The following table shows percentage changes in prices for the commodity groups of the consumer basket as well as the relevant contributions to the overall inflation rate.

he annual inflation rate was mainly influenced by price changes for the following groups:

Food and non-alcoholic beverages: the prices surged 5.2 percent and contributed 1.58 percentage points to the

overall inflation rate. It is worth noting price increases for the following subgroups: fruit and grapes (22.9 percent), oils and fats (15.3 percent) and coffee, tea and cocoa (10.2 percent);

Health: the prices increased 11.5 percent, with the relevant contribution of 1.09 percentage points to the overall annual inflation. The prices mainly rose for the subgroup of medicinal products, appliances and equipment (28.3 percent);

Furnishings, household equipment and maintenance: the prices for the group increased 12.9 percent, contributing 0.81 percentage points to the overall index change;

Housing, water, electricity, gas and other fuels: the prices increased 9.2 percent compared to previous month, contributing 0.78 percentage points to the overall inflation rate. Prices substantially grew for electricity, gas and other fuels (11.2 percent).



## Nodar Khaduri:

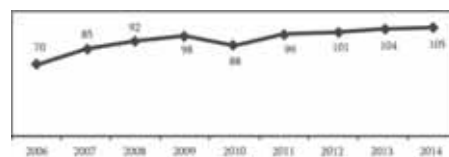
Minister of Finance of Georgia



“The decrease in beer consumption has nothing to do with the increase in the excise tax on beer.” **FALSE**

Veriko SUKHIASHVILI  
FactCheck

Chart 1: Dynamics of Georgia's Beer Market from 2006 to 2014 (Million Litres)



The Minister of Finance of Georgia, Nodar Khaduri, commented upon the trend of a decrease in beer consumption and stated that “You know that the excise tax increased by 20 tetri which increased revenues to the budget; however, our calculations confirm that the decrease in beer consumption was not caused by the increase in the excise tax”.

FactCheck verified the accuracy of the Minister's statement.

A law initiated by the Ministry of Finance of Georgia and requiring the increase of excise tax on tobacco products, malt beer, spirits and other alcoholic beverages was enacted on 1 January 2015. Before the changes to the Tax Code of Georgia, excise tax on beer was 40 tetri per litre. As a result of the changes, however, the excise tax was increased by 50% (20 tetri) and amounted to 60 tetri.

The beer market in Georgia grew by 45% from 2006 to 2014. It kept increasing every year with 2010 being the only exception (the excise tax on beer increased by 20 tetri in 2010 and amounted to 40 tetri). Beer consumption in Georgia varied from 100 to 105 million litres per year from 2011 to 2014. As of today, imported beer occupies a mere 3% of the market whilst the share of domestic beer is 97%.

As already pointed out above, the excise tax on malt beer increased from March 2015. In order to find out whether or not these changes had any effect upon the beer market we reviewed the data from March to September 2015 and compared them to the data of the same pe-

riod of the previous year.

As the table above makes clear, the beer market decreased by 15% from March to September 2015 as compared to the same period of the previous year (before the increasing of the excise tax).

It should be pointed out that according to the explanatory note of the 2015 State Budget of Georgia, the increase in the excise tax on malt beer, spirits and other alcoholic beverages would mobilise an additional GEL 30-40 million in the budget. The revenues received as a result of the growth of the excise tax on malt beer (first nine months of 2015) were GEL 5.9 million more than in the same period of the previous year which means that the growth

was about 16.7%.

Whilst studying this issue we contacted the Director of Corporate Issues at the Nakhtari Company, Nikoloz Khundzakishvili, and asked him to comment upon these legislative changes. According to his statement, increasing the excise tax on malt beer was a non-constructive step. “The increase in the excise tax on beer meant that production companies were forced to increase the prices as well. As a result, we have a decreased beer market. According to the data of the last nine months, we have a 19% drop which means that the state budget will not be able to get the fiscal effect it expected by making these legislative changes,” said Mr Khundzakishvili.

Table 1: Beer Market Dynamics by Excise Tax Paid in 2014 and 2015 (from March to September)

Year	Month	Beer Market (Million Litres)
2014	March-September	70.7
2015	March-September	61.2
Difference %		-15%

Source: Revenue Service of Georgia

Table 2: Taxes Received from Beer Production in 2014 and 2015 (GEL Million)

Tax	2014 (9 Months)	2015 (9 Months)	Difference %
Excise Tax	35.3	41.2	16.7%
VAT	22	18.4	-16.4%

Source: Revenue Service of Georgia

## CONCLUSION

FROM 1 MARCH 2015, THE AMOUNT OF EXCISE TAX INCREASED BY 50% TO 60 TETRI PER LITRE. BEER CONSUMPTION DROPPED BY 15% AFTER MARCH 2015 GIVEN THE INCREASED EXCISE TAX.

THE DECREASED PURCHASING POWER CAUSED BY THE DEPRECIATION OF GEL IS ALSO ADDED TO THIS SITUATION. HENCE, THE INCREASE IN THE EXCISE TAX ON MALT BEER WAS NOT THE ONLY REASON FOR THE DROP IN BEER CONSUMPTION BUT IT DEFINITELY WAS THE MAIN REASON FOR THE SHRINKING OF THE BEER MARKET. IN ITS STUDY, TRANSPARENCY INTERNATIONAL GEORGIA ALSO NAMES THE INCREASED EXCISE TAX AS A MAIN REASON FOR THE DECREASE IN GEORGIA'S BEER MARKET.

FACTCHECK CONCLUDES THAT NODAR KHADURI'S STATEMENT IS FALSE.



Mobile newsbrand readers are **39%** more likely to visit retail sites on their phone

Source: comScore GSMA, November 2014



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