



IMF Resident Representative Office in Georgia Monthly News Bulletin

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Program Discussions Ongoing

Discussions on the policies that would underpin a new IMF financing arrangement for Georgia are ongoing. The Poverty Reduction and Growth Facility (PRGF) is the successor to the three-year IMF supported program in Georgia which was concluded in 1999. The PRGF has a stronger focus on poverty reduction: detailed policies will be elaborated in the Poverty Strategy Reduction Paper.

Discussions between the IMF staff and the Georgian authorities in December 1999 and January 2000 focussed on the main parameters of the 2000 budget. The key objectives were agreed to be:

- A significant strengthening of central government revenues particularly through higher revenues on tobacco and fuel products which would require a significant strengthening of customs administration;
- Higher revenues, coupled with restrained spending for year 2000 expenditures, would enable a significant proportion of accumulated expenditure arrears to be repaid, with the focus on government wages, pensions and social benefits;
- On the financing side, it was agreed that there would be limited scope for National Bank financing of the budget deficit, and that central government privatization proceeds in excess of lari 70 million would be used to retire debt or other government liabilities;
- A budget along these lines would help to ensure continued stability of the exchange rate, lower inflation and accelerated economic growth.

A budget has been submitted to the Parliament with an ambitious increase in revenues and a significant planned reduction of expenditure arrears. However the budget envisages rather higher spending than discussed with the IMF on the basis of a greater use of privatization proceeds and other financing sources. As

with any budget, the key to success will lie in its implementation. An IMF mission is expected to review budget performance in April/May 2000.

Revised GDP Series Announced

In January, 2000 the State Department of Statistics published preliminary revised national accounts statistics for the period 1996-1999. The new series embody significant improvements in compilation methods, improved estimates of the shadow economy and incorporate new data particularly from SDS business surveys. The IMF provided technical assistance on the compilation methods. The new series maintain real GDP growth at broadly the same level as the old series but adjust nominal GDP levels downwards by about 30 percent, in large part reflecting a reassessment of the size of the informal economy. Informal sector activity is now estimated to comprise 51 percent of GDP excluding agriculture and public sector services. Table 1 reflects the revised data.

IMF Statistics on Georgia

In February, The IMF introduced a country page for Georgia in its flagship statistical publication *International Financial Statistics*. Data are provided to the IMF by the National Bank, State Department of Statistics and the Ministry of Finance on prices, interest and exchange rates, trade and balance of payments, and monetary accounts. A few copies are available to Bulletin subscribers (please request by email to ttabatadze@caucasus.net).

IMF Board Receives Managing Director Nominations

On Tuesday, February 22, 2000, the International Monetary Fund's (IMF) Executive Board received the first formal nominations for the post of the next Managing Director of the IMF.

Mr. Stanley Fischer, IMF First Deputy Managing Director, and currently Acting Managing Director, was nominated for the post by Mr. Jose Pedro de Morais, Jr., the Executive Director representing the Anglophone Africa constituency.

Mr. Eisuke Sakakibara, former Vice Minister of Finance for International Affairs in the Ministry of Finance of Japan, was nominated by Mr. Yukio Yoshimura, Executive Director for Japan. Mr. Caio Koch-Weser, German Deputy Finance Minister might be another nominee for the post of Managing Director, backed by EU finance ministers. An EU statement said that ministers unanimously

agreed to present Koch-Weser as EU candidate for the post.

Executive Directors are in consultation with their respective authorities on the nominations received. Statements by the Executive Directors will be posted shortly on the IMF's website www.imf.org

Note

You are welcome to send your feedback on our bulletin at tbatadze@caucasus.net.

Table 1. Georgia: Economic and Financial Data

	1997	1998	1999	1999 QI	1999 QII	1999 QIII	1999 QIV	Jan 00 ^{4/}
Exchange Rate, end period (Lari/\$),	1.30	1.79	1.96	2.21	1.94	1.87	1.96	2.00
Exchange Rate, period average (Lari/\$),	1.29	1.39	2.01	2.19	2.05	1.87	1.95	2.02
Consumer Price Inflation (12 month rate at end of period)	7.2	10.7	19.7	19.4	20.4	20.8	17.9	8.5
GDP, current prices in lari million	4,505	4,795	5,594	1,168	1,527	1,562	1,337	...
Real GDP Growth, constant prices (percent) ^{1/}	10.8	2.9	3.0	3.0	2.9	5.1	1.1	...
	(in millions of U.S. dollars)							
Gross Official Foreign Exchange Reserves	173.3	118.4	128.5	99.4	90.8	141.0	128.5	119.7
Exports (f.o.b.)	239.7	192.5	238.2	37.5	55.8	66.1	78.8	15.3
Imports (c.i.f.)	943.5	884.3	602.0	137.3	152.5	143.4	168.7	48.1
	(in millions of lari)							
General Government Operations								
Revenue	668.8	786.4	872.7	168.7	241.2	232.7	230.0	53.5
Expenditure ^{2/}	982.4	1096.4	1249.6	271.7	319.3	317.1	341.1	80.0
Financing ^{3/}	313.6	310.0	376.9	103.0	78.1	84.5	111.4	26.5

Sources: NBG, MOF, SDS and IMF estimates

^{1/} Revised GDP figures by the Georgian authorities

^{2/} On a commitment basis

^{3/} Cash financing plus change in expenditure arrears and balancing item.

^{4/} January 2000 fiscal data is preliminary