



IMF Resident Representative Office in Georgia Monthly News Bulletin

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IMF Mission Reviews Recent Developments

An IMF staff mission to Georgia in October reviewed recent developments in budgetary and financial performance. The implementation of the revised 2000 budget was assessed as broadly satisfactory to end-September, with a significant improvement in tax revenue collection—except excises -- and no new net accumulation of domestic payment arrears since end-June. All targets in the monetary area were met. While price inflation was judged to be under control and the exchange rate continued to remain stable, output growth had been dampened by the effects of the drought on agricultural production.

Discussions on Economic Program Concluded

Discussions between the Georgian authorities and the IMF staff team on an economic program for 2001-03 were also concluded in October. Georgia is likely to request financial assistance from the IMF under the Poverty Reduction and Growth Facility (PRGF) and an IMF Board meeting to discuss the request and the economic program is tentatively scheduled for the second half of December. Total financial assistance could be in the range of U.S.\$ 150 million disbursed over three years, providing that program implementation remains firm. Prior to an IMF Board meeting, a continuation of recent firm financial policies is required, as well as a number of important

measures to strengthen fiscal transparency and accountability.

Key elements of the Economic Program

The centerpiece of the economic program is a realistic budget for 2001, with measures to increase total revenues, while keeping spending commitments in line with expected inflation. In addition, the authorities plan to clear a significant portion of accumulated domestic arrears, including in respect of unpaid wages and pensions.

The economic program will be supported by a broader poverty reduction strategy developed by the authorities that emphasizes the need to tackle governance and corruption issues as a basis for faster growth in key economic sectors such as agriculture. At the same time, the strategy indicates the priorities for social sector reform in the short, medium and long term.

Other issues to be addressed under the economic program include the implementation of a strategy to resolve energy sector debts, a series of actions to strengthen commercial bank regulation and supervision, and comprehensive reforms of tax and customs agencies. Also, a rescheduling of Georgia's debts to external bilateral creditors is envisaged.

Both the economic program and the poverty reduction strategy are expected to be published when finalized.

Table 1. Georgia: Economic and Financial Data

	1997	1998	1999	2000 Q1	2000 Q2	2000 Q3	Oct-00
Exchange Rate, end period (Lari/\$),	1.30	1.79	1.96	1.93	1.96	1.96	1.96
Exchange Rate, period average (Lari/\$),	1.29	1.39	2.01	1.98	1.97	1.96	1.97
Consumer Prices (12 month change, percent)	7.2	10.7	10.9	1.1	2.3	6.4	7.1
GDP, current prices in lari million	4,516	4,844	5,475
Real GDP Growth, constant prices (percent) ^{1/}	10.7	2.9	2.9	3.1	-1.3	1.3	...
	(in million dollars)						
Gross Official Foreign Exchange Reserves	173.3	118.4	132.4	123.0	109.2	121.4	125.2
	(in millions of lari)						
General Government Operations							
Revenue and grants	668.8	786.4	873.5	186.4	217.1	239.9	...
Expenditure ^{2/}	982.4	1096.4	1252.5	274.4	290.3	291.6	...
Financing ^{3/}	313.6	310.0	379.0	88.0	72.7	51.7	...

Sources: NBG, MOF, SDS and IMF estimates.

^{1/} Revised GDP figures by the Georgian authorities; Q1-3 2000 data are preliminary IMF estimates that differ from the official data.

^{2/} On a commitment basis.

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