

Coronavirus response in 2021: building back better

Update on Georgia (06 December 2021)



Covid-19 policy response

- **The fiscal support package for 2021 is expected to reach 2.3 per cent of GDP** (GEL 1.2 billion). Previous measures were reintroduced during consecutive lockdowns, including the coverage of utility bills for smaller household users and the exemption of low-paid workers from income tax. In addition, employees in the tourism sector are fully exempt from property tax in 2021. “Green passes” became mandatory for entering various facilities on 1 December.
- **The Covid-19 policy response is supported by external financing**, including the International Monetary Fund (IMF) programme finalised in April 2021 and eurobond issuance in early 2021. Georgia also received US\$ 286 million from the IMF Special Drawing Rights (SDR) allocation in August 2021.
- **Monetary policy has tightened amid rising inflation**. After loose monetary policy in 2020, the National Bank of Georgia raised the refinancing rate three times in 2021 by a combined 200 basis points to curb inflation, which is significantly higher than the target rate of 3 per cent.

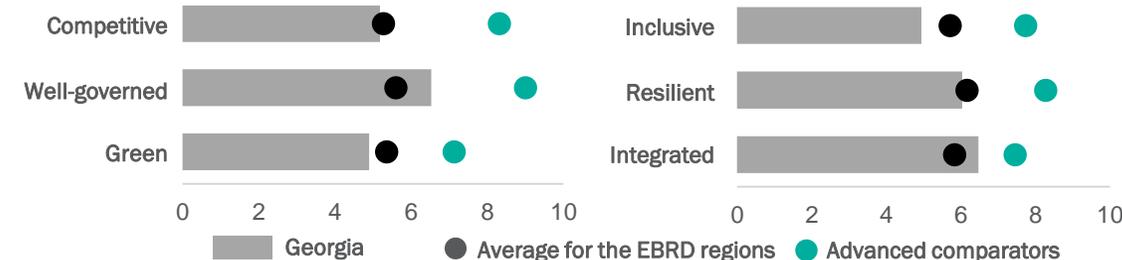
Macroeconomic indicators (per cent)

	2018	2019	2020	Short-term indicators
GDP growth	4.8	5.0	-6.8	EBRD GDP growth forecast (Nov 2021) 2021: 7.5%; 2022: 5.5% GDP quarterly growth: 28.9% y/y (Q2 2021) Indicator of economic activity: 6.9% y/y (Oct 2021), 10.5% y/y (Jan-Oct 2021) Goods exports: 24.9% y/y (Jan-Oct 2021, in current US\$) International visitor trips: 313.7% y/y (Oct 2021), -69.1.0% (Oct 2021 to Oct 2019) Annual inflation: 12.5% y/y (Nov 2021)
Annual inflation (year end)	2.6	4.9	5.2	
Government balance/GDP	-0.8	-1.8	-9.2	
Current-account balance/GDP	-6.8	-5.5	-12.4	
Net FDI/GDP	-5.5	-6.0	-3.5	
Public debt/GDP (year end)	39.9	41.9	62.7	
Unemployment rate (year end)	19.2	17.6	18.5	

Key short-term priorities

- Strengthening governance standards needs to remain a top priority.
- The authorities should ensure economic recovery is tilted to green, including by creating an enabling environment for non-hydro renewables.
- The government needs to continue pursuing critical structural reforms in areas such as education and state-owned-enterprise governance.

EBRD assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

- Competitive**
 - Georgia had fully implemented its new insolvency framework as of April 2021. The new law establishes timely and efficient insolvency processes and an effective rehabilitation framework, in line with the best international standards.
- Well-governed**
 - The government has presented a new 10-year development plan for Georgia to advance socio-economic development. The development plan is supported by ministry-specific strategies.
- Inclusive**
 - Assistance for socially vulnerable children was doubled to GEL 100 per month from July 2021.
- Integrated**
 - The implementation of the new banking resolution framework regulations has been completed. The central bank is working on further measures to develop local capital markets.
- Digital**
 - New electronic services (such as online applications for identity cards and passports, birth certificates, changes of name, new businesses and land title registrations) were integrated into the Unified Service Portal (www.my.gov.ge) to enable citizens to receive critical services without leaving their homes.