

# **IMF Executive Board Completes First and Second Reviews under Stand-By Arrangement and Stand-By Credit Facility Arrangement for Georgia**

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On March 13, 2013, the Executive Board of the International Monetary Fund (IMF) completed the first and second reviews under the Stand-By Arrangement (SBA) and the Stand-by Credit Facility (SCF) arrangement for Georgia. The Executive Board approved the 24-month SBA and SCF arrangements for Georgia on April 11, 2012 (see Press Release No. 12/131).

The total access under the blend of SBA and SCF arrangements is up to SDR 250 million (about US\$375.7 million), evenly divided between the two arrangements. The authorities intend to continue to treat the arrangements as precautionary.

In completing the reviews, the Executive Board approved the authorities' request for the waiver of nonobservance of the end-December 2012 performance criterion on the cash deficit of the Partnership Fund.

Following the Executive Board discussion on Georgia, Mr. Min Zhu, Deputy Managing Director and Acting Chair, said:

"Macroeconomic developments have been generally positive, with growth remaining strong and inflation subdued. The fiscal deficit target was met comfortably and reserve accumulation was in line with program objectives. Georgia's financial sector appears healthy. Reducing the persistently high current account deficit in an orderly manner remains the key macroeconomic challenge. The authorities' plans for fiscal consolidation, greater exchange rate flexibility, and structural reforms to improve competitiveness will help meet this challenge.

"The budget includes a welcome increase in social spending to protect the most vulnerable while continuing with fiscal consolidation. The proposed measures to support social spending and agricultural development should help promote more inclusive growth. In light of large investment and social

spending needs, revenue-enhancing measures may be necessary in the medium term.

"The authorities' plans to prudently allow greater exchange rate flexibility should help the National Bank of Georgia (NBG) align its monetary policy decisions more closely with its inflation targeting objective. The government's commitment to maintaining central bank independence and the NBG's intention to increase monetary policy transparency will contribute to strengthen the policy framework.

"The Partnership Fund's decision to fully finance a power plant project has highlighted the need to strengthen the Fund's governance and the recent steps taken by the authorities in this regard are welcome. The authorities should work with their development partners to ensure that the new private investment funds contribute to inclusive growth in a transparent, fiscally responsible, and sustainable manner.

"The government is working on an ambitious structural reform agenda, aimed at improving the business environment and boosting competitiveness. Progress in strengthening the rule of law will be critical to the success of the program."

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