

SU/20/90

May 1, 2020

**The Acting Chair's Summing Up
Georgia—Sixth Review Under the Extended Arrangement, and
Requests for a Waiver of Nonobservance of Performance Criterion,
Modification of Performance Criteria, and Augmentation of Access
Executive Board Meeting 20/55
May 1, 2020**

Executive Directors noted that the COVID-19 outbreak has hit the Georgian economy hard. A sharp drop in external demand and tourism has significantly widened the current account deficit, led to a depreciation of the exchange rate, and to a substantial decline in economic activity. Directors welcomed the authorities' swift action to contain the pandemic but noted that the outlook was highly uncertain and that risks were on the downside.

Directors welcomed the targeted and temporary support to households and the most affected sectors to limit the fallout in economic activity, and to cushion the social impact of the crisis. They recognized that the pandemic would lead to temporary increase in the fiscal deficit, but also stressed the importance of safeguarding debt sustainability, and, in particular, of strengthening SOE governance.

Directors welcomed the central bank's decision to maintain a moderately tight monetary stance but urged the authorities to closely monitor inflationary expectations. While noting the balance sheet effects from exchange rate changes, Directors stressed the useful role of the flexible exchange rate as a shock absorber and recommended that foreign-exchange intervention should continue to focus on preventing disorderly market conditions.

Once conditions allow, Directors underlined the need to maintain a prudent fiscal stance and advance structural reforms to support a faster recovery as well as more robust and inclusive growth. In particular, they encouraged the authorities to finalize the adoption of the indexation rule for public pension and to complete the banking resolution framework. More broadly, they called on the authorities to keep up the reform momentum under the EFF.

Finally, Directors noted that the requested augmentation should help address the urgent balance-of-payment need from the COVID-19 shock, permit necessary additional public expenditure, and support the authorities to fulfil policy commitments in their reform program. The augmentation is also expected to trigger additional donor financing to help close the external financing gap.