

SU/20/178

December 16, 2020

**The Acting Chair's Summing Up
Georgia—Seventh Review Under the Extended Fund Facility Arrangement and
Request for Modification of Performance Criteria
Executive Board Meeting 20/121
December 16, 2020**

Executive Directors welcomed Georgia's satisfactory performance under the Fund-supported program despite the challenges presented by the COVID-19 pandemic. They recognized the authorities' swift policy response to the fallout from the pandemic. Directors also noted the new containment measures needed and recognized that the country's outlook remains uncertain with risks tilted to the downside.

Directors supported the moderately tight monetary policy stance to keep inflation expectations anchored, while safeguarding exchange rate flexibility. They highlighted that foreign-exchange interventions should focus on preventing disorderly market conditions. Directors noted that the macroeconomic policy discipline and donor support would keep reserves at an adequate level. They welcomed the proactive monitoring of financial risks and actions to preserve banks' capital until the economy is clearly on the rebound to support the recovery.

Directors welcomed the fiscal response to minimize the economic and social impact of the pandemic, with higher healthcare spending, targeted and temporary measures to support households and businesses and sustained public investment. They called for measures to strengthen public investment management to enhance its efficiency and support the recovery. Directors supported the 2021 budget formulation, which would further support the economic recovery. Directors emphasized the importance of maintaining commitment to medium-term fiscal sustainability as directed by Georgia's fiscal rule, bringing the fiscal deficit under 3 percent of GDP by 2023. They supported the authorities' proactive monitoring of fiscal risks stemming from power purchase agreements and state-owned enterprises, and plans to reform state-owned enterprises to improve the efficiency of the public sector.

Directors noted that decisive implementation of structural reforms remains critical to support the recovery and limit the scarring from the COVID-19 shock. They stressed that mobilizing investment, advancing education reform, implementing the new insolvency framework, developing the local capital market, and judiciary reforms would further improve the business environment and support private-sector-led growth. Directors noted the authorities' interest in a successor program with the Fund to support their reform agenda.