

# Georgia:

## Adjusting in the Face of Uncertainty





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Currency Equivalents: Exchange rate effective as of October 10, 2013  
Currency Unit = Georgian lari (GEL)  
USD 1.00 = GEL 1.663  
Weights and Measures: Metric System

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## Abbreviations

BDD	Basic Data and Directions
BOP	Balance of Payments
CAB	Current Account Balance
CIS	Commonwealth of Independent States
CPI	Consumer Price Index
DSA	Debt Sustainability Analysis
EU	European Union
FDI	Foreign Direct Investments
GDP	Gross Domestic Product
GD	Georgian Dream Party
GNI	Gross National Income
HDI	Human Development Index
IMF	International Monetary Fund
LDR	Loan to Deposit Ratio
MIP	Medical Insurance Program
MOF	Ministry of Finance
NBG	National Bank of Georgia
NPL	Non-Performing Loans
OECD	Organization for Economic Co-operation and Development
PISA	Program of International Students Assessment
TSA	Targeted Social Assistance
SOEs	State Owned Enterprises
UHC	Universal Health Care
UNE	Unified National Examinations
UNM	United National Movement
VAT	Value Added Tax

## Contents

Abbreviations	ii
Acknowledgments	iv
Overview	v
<b>A. Political Developments</b>	<b>1</b>
<b>B. Recent Economic Developments</b>	<b>2</b>
Economic Growth	2
Inflation	4
External Accounts	4
Employment and Labor Markets	5
Poverty and Inequality	6
<b>C. Economic and Structural Policies</b>	<b>9</b>
Fiscal Policy	9
Monetary and Exchange Rate Policies	10
Macroeconomic Outlook and Debt Sustainability	11
Structural Reforms	13
Annex	16
Appendix	21

## List of Figures

Figure 1. Year-long low growth from 2012Q4–2013Q3, rebound in the 2013Q4	2
Figure 2. Government spending picked up in 2013Q4	2
Figure 3. Investments, government expense and consumption fell	3
Figure 4. Construction took the biggest hit	3
Figure 5. Low inflation in 2012–2013	4
Figure 6. Policy rate has been declining	4
Figure 7. Trade increase in 2013Q4	5
Figure 8. Export destinations in 2013	5
Figure 9. Current account driven by trade	6
Figure 10. 2013 Current account deficit largely financed by FDI	6
Figure 12. Poverty and Shared Prosperity in Georgia	7
Figure 13. Surges in Q4 revenue and spending	9
Figure 14. NBG intervened in the foreign exchange market	11
Figure 15. REER remained low and reserves increased for most of 2013	11
Figure A1. District municipalities by size of population	16
Figure A2. Subnational tiers by number of countries	16
Figure A3. Subnational expenditure in real terms and as a share of general government	17
Figure A4. Expenditure Disparities by region, 2012	17
Figure A5. Revenue structure of subnational governments	19
Figure A6. Non-tax revenues of subnational governments	19

## List of Tables

Table 1. Composition of Expenditure Adjustment, 2010–2017	12
Table 2. Projected Sources of External Financing, 2010–2017	13
Table 3. Georgia’s SDS targets	15

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## Acknowledgments

This issue of the *Georgia Economic Report* was prepared by the World Bank economic team working on Georgia—Congyan Tan (Economist), Mariam Dolidze (Senior Economist), and Mona Prasad (Senior Country Economist), under the guidance and supervision of Rashmi Shankar (PREM Sector Leader for South Caucasus) and Ivailo V. Izvorski (Sector Manager).

## Overview

**Economic growth picked up in the final quarter of 2013 as policy uncertainty was reduced, confidence strengthened and budget execution substantially increased.** During the first three quarters of 2013, the economy grew at a sluggish 1.7 percent on the back of weak budget execution and policy uncertainty which lowered investor and consumer confidence. There was a significant increase in economic activity in the fourth quarter of 2013 after the Presidential elections were concluded and a new Prime Minister was appointed. Acceleration in government expenditures and increased private consumption and investment in the fourth quarter led to a 3.2 percent annual growth of 2013. Credit growth also started to strengthen by the end of 2013, reflecting recovering business and consumer sentiment. With continued government commitment to reforms, as embodied in its draft development strategy, medium-term growth is projected to average 5.5 percent a year during 2014–2017.

**A surge in spending in the last quarter of the year partially offset sluggish outlays earlier to leave the fiscal deficit for 2013 as a whole at 2.6 percent of GDP, a marginal improvement from 2012.** The government spent only 59 percent of the planned amount till September 2013 and recorded a fiscal surplus of 0.6 percent of GDP for the first three quarters. There was a substantial increase in spending in the fourth quarter, although annual expenditures continued to be 8 percent below the budgeted amount. Revenue collections were also low due to subdued economic activity. Although the fiscal deficit is expected to increase to 3.8 percent of GDP in 2014, it should decline thereafter given the government's commitment to fiscal consolidation.

**The current account deficit narrowed in 2013 as exports picked up, especially to Russia and the CIS, while imports languished due to weak investment and consumption.** With the removal of the trade embargo, exports to Russia increased during 2013. At the same time, imports were low because of the lackluster performance of the economy. With significantly lower investments and despite a decline in national savings, the current account deficit is estimated to have narrowed to 6.1 percent of GDP in 2013 from 11.7 percent in 2012. It is then expected to gradually narrow down over the next 3 years supported by the beneficial impact of the ongoing structural reforms.

**The unemployment problem persisted with a net decline in business sector jobs by 5 percent during the first three quarters of 2013.** Georgia has historically had a high unemployment rate of 12–13 percent even during the high growth period from 2004–08 because of low net job creation. Unemployment rose during the crisis and reached 17 percent in 2010 and then fell to 15 percent in 2012. During the first three quarters of 2013, in line with subdued economic activity, a number of sectors shed jobs, led by the construction sector where the number of jobs declined by almost 28 percent.

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## A. Political Developments

The Presidential election in October 2013 was won by the Georgia Dream coalition candidate and this ended the cohabitation of two opposing political parties in the country's top policy circles. Giorgi Margvelashvili was elected as the new President replacing Mikheil Saakashvili from the United National Movement. The one year period between the Presidential and the Parliamentary elections (which took place in October 2012) had been marked by policy uncertainty resulting in a slowdown in the implementation of public programs, diminished consumer and investor confidence and therefore lower growth. In November 2013, Irakli Gharibashvili was appointed as the new Prime Minister and head of government with full executive authority over domestic and foreign policy. The new government has confirmed its commitment to a socio-economic development policy which favors private sector-led growth and greater equity.

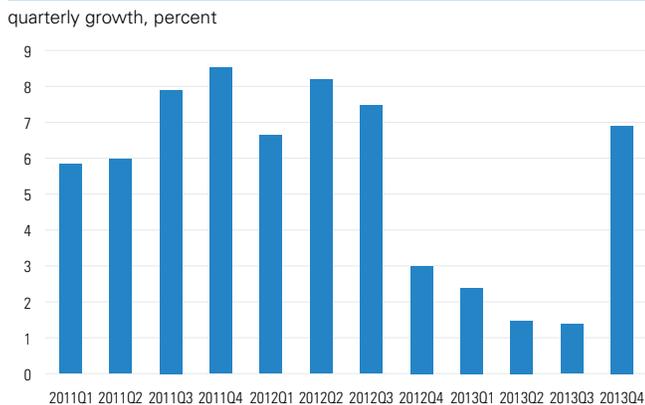
In November 2013, Georgia initialed the Association Agreement with the European Union (EU) at the Vilnius summit which paves the way for the signing of the Deep and Comprehensive Free Trade Agreement (DCFTA). This represents an important opportunity for Georgia to strengthen its cooperation with Europe on political, economic, social and security issues and to benefit from bilateral free trade. More than five years have passed since the conflict with Russia in 2008 and there are signs that relations between the two countries are improving. Russia's accession to the WTO in August 2012 resulted in the lifting of the trade embargo on Georgia. This led to a resumption of wine and water exports to Russia.

## B. Recent Economic Developments

### Economic Growth

**Economic growth in 2013, at 3.2 percent, is much weaker than 2012 due to the adverse impact of policy uncertainty on consumption and investment.** Output grew at 6.2 percent in 2012. However, in the first three quarters of 2013, the economy grew at a sluggish pace of 1.7 percent. Since the last quarter of 2012, both private and government expenditures contracted though there was a sharp recovery during the last quarter of 2013. With the conclusion of Presidential elections in October 2013 and the appointment of the new Prime Minister in November 2013, business confidence started to gradually recover in the fourth quarter leading to an annual GDP growth of 3.2 percent. This was mainly driven by increases in public spending, which amounted to GEL2.7 billion, 24 percent higher than the fourth quarter of 2012 (Figure 2). Meanwhile, total domestic credit grew by 19 percent and consumer loans grew by 29 percent in the last quarter (year-on-year), reflecting improved consumer and business sentiments.

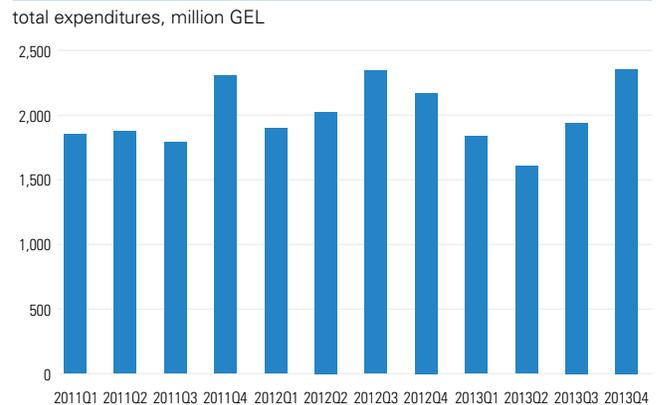
**Figure 1.** Year-long low growth from 2012Q4–2013Q3, rebound in the 2013Q4



Source: Geostat, Ministry of Finance and staff calculations.

Note: GDP for 2013 fourth quarter was estimated by GDP turnover.

**Figure 2.** Government spending picked up in 2013Q4



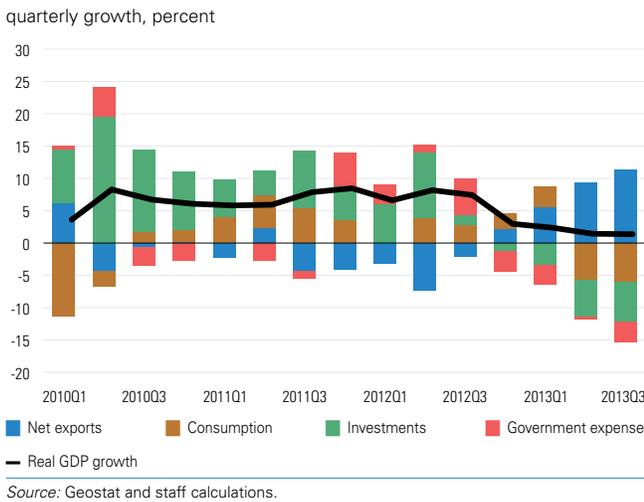
Source: Geostat, Ministry of Finance and staff calculations.

**With a good harvest and aided by new incentives, the agricultural sector grew by 9 percent in the first three quarters of 2013.** During this period, outputs of fruits, nuts, beverages and crops increased by 23 percent while output of vegetables, horticultural and nursery products grew by 15 percent. Crops, farming of animals, and agricultural services also saw an output increase during January–September 2013. The agricultural sector, which currently accounts for 9 percent of GDP, has been declining over the years. Nearly GEL200 million from the privately-owned Rural and Agriculture Development Fund was mobilized to promote growth in the agricultural sector: Between February and August 2013, the fund provided farmers with vouchers for purchasing agricultural materials and equipment. Another parallel program provides a subsidized credit line to agro companies. As a result of these programs, more land, especially those idle in the past, was cultivated and productivity in the agricultural sector improved.

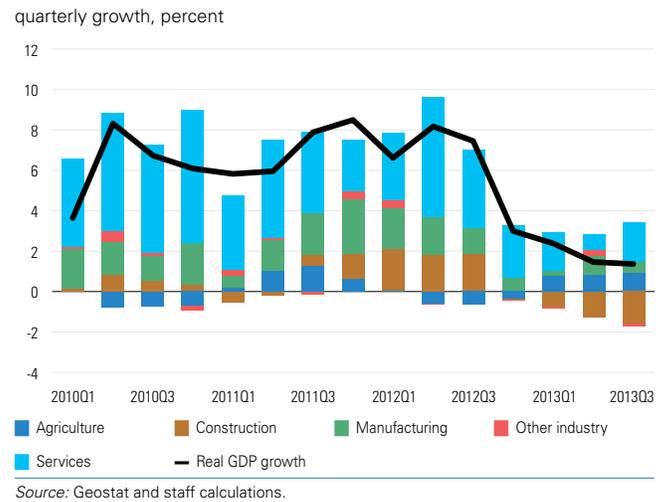
The construction sector contracted by nearly 13.6 percent during Q1–Q3 2013, reflecting weak business sentiments. The decline in construction activities was largely due to policy uncertainty during the period. Moreover, the suspension of the Tbilisi bypass railway project in 2012 also contributed to the decline in this sector. Industrial output from construction of roads and transport facilities dropped by 48 percent.

The performance in the trade and repair and manufacturing sectors was no different, with a modest growth between January and September 2013. Value-added in trade and repair grew at 2.7 percent during this period. Retail and wholesale trade increased by 9 and 3 percent, respectively, during the first three quarters while auto repairs and services, closely linked with used car exports, rose by 3 percent. Value-added in manufacturing grew by 3.9 percent over the same period. During the first three quarters of 2013, production of mineral waters, soft drinks and alcoholic beverages increased by 16 percent due to increased exports to Russia. Industries involved in the manufacturing of metal products, chemical products, electrical equipment and machinery also expanded. However the textile industry saw an 8 percent contraction in production.

**Figure 3.** Investments, government expense and consumption fell



**Figure 4.** Construction took the biggest hit



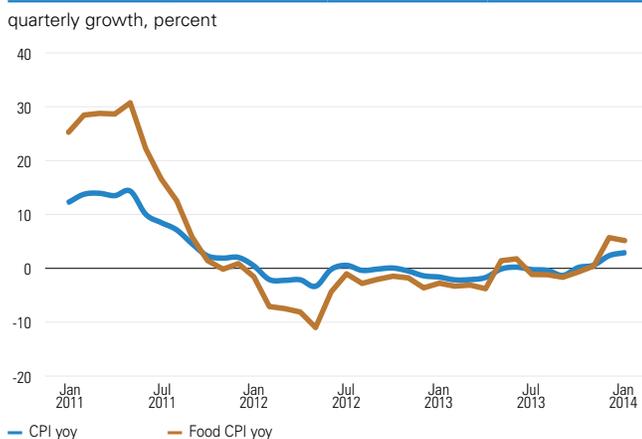
Aggregate demand followed a similar trend with a weak performance in the first three quarters of 2013 and a pick-up in the fourth quarter. Domestic investment during the first three quarters declined by 12 percent (year-on-year), mainly because of poor performance on public investments. During the period, public investment was only half of the corresponding amount in 2012 while private investments were almost the same as in the first three quarters of 2012. Total consumption also contracted by 1.6 percent during the period, once again led by public consumption. Exports however grew by 17 percent during the period and served as the main engine of growth. The preliminary public expenditure statistics for the last quarter show significant increase in investments and consumption. Public capital expenditure in the fourth quarter exceeds the sum of the first three quarters and grew by 54 percent (year-on-year). Public current expenditures also experienced a 19 percent growth in the fourth quarter (year-on-year).

## Inflation

In line with the pace of economic activity, inflation was low during most of 2013 but with an uptick in food prices, inflation started to rise from October. The economy experienced disinflation in 2013, with a 0.5 percent decline in the average price level. The low inflation was also driven by a reduction in administered prices on energy and utilities and a decline in the cost of health services. However, inflation started to rise in October, increasing to 2.4 percent in December, and continued to grow to 2.9 percent in January 2014 (Figure 5). This was largely driven by an increase in food prices and excise tax on tobacco and the pass-through effect of a depreciating Lari.

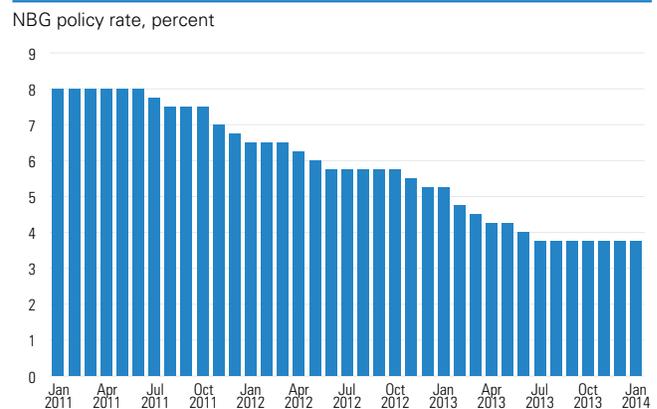
In response to inflation below the target, the National Bank of Georgia (NBG) reduced its policy rate from 5.25 percent in January 2013 to 3.75 percent in August and maintained it at that level till the end of the year (Figure 6). The NBG’s 2013–2014 target is 6 percent. The high level of dollarization coupled with weak financial intermediation dampened the effect of the change in the policy rate.

**Figure 5. Low inflation in 2012–2013**



Source: Geostat, NBG and staff calculations.

**Figure 6. Policy rate has been declining**



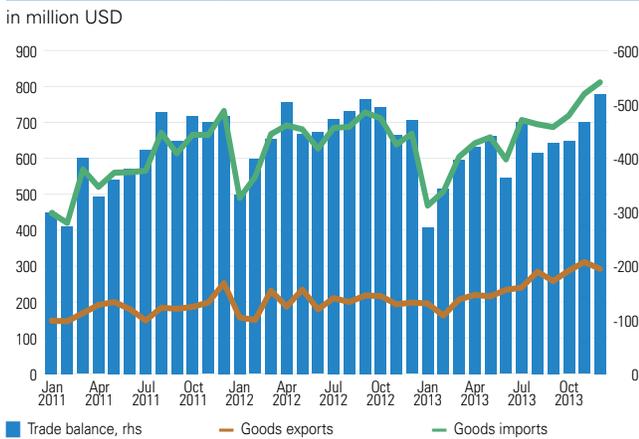
Source: Geostat, NBG and staff calculations.

## External Accounts

A surge in exports and a drop in imports because of weak investment and consumption narrowed the current account deficit to about 6.1 percent of GDP in 2013 from 11.7 percent in 2012. Exports grew by 17 percent during January–September, from a year earlier, primarily on account of the removal of the trade embargo by Russia and increased demand from CIS countries, particularly for used cars. With the removal of the Russian ban on Georgian products, exports to Russia more than quadrupled and its share increased to 7 percent in 2013 from 2 percent a year ago. Imports, on the other hand, declined by 3 percent, because of low private consumption and investments and weak budget execution.

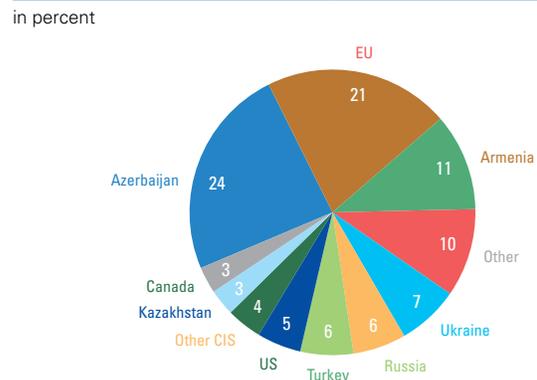
Robust growth in service exports, mainly from transport and tourism, also strengthened the current account balance. During the first three quarters, service exports accounted for 54 percent of total exports and grew by 20 percent. Nearly a third of total exports related to tourism and it amounted to 12 percent of GDP. The number of international visitors to Georgia increased by 21 percent in 2013 compared with a year ago.

**Figure 7. Trade increase in 2013Q4**



Source: Geostat, National Bank of Georgia and staff calculations.

**Figure 8. Export destinations in 2013**



Source: Geostat, National Bank of Georgia and staff calculations.

Turkey, Armenia and Azerbaijan are the top three countries of origin for visitors though visitors from Russia and Ukraine increased significantly during 2013. Transportation services, accounting for 17 percent of services exports, grew by 13 percent. Service imports were higher by 7 percent from a year earlier due to robust growth in transport and tourism.

**Inflow of private transfers, especially remittances, continued to strengthen.** Total private transfers grew by 15 percent during the first three quarters of 2013, accounting for 9 percent of GDP. Most of it was remittances, at 5 percent of GDP. More than half of the transfers came from Russia<sup>1</sup>. Greece was a distant second with a share of 14 percent of total transfers.

**During the first three quarters of 2013, FDI inflows more than financed the current account deficit.** During January–September, 2013, gross FDI inflows grew by 13 percent year-on-year and net FDI accounted for 6.3 percent of GDP (Figure 10). Net other investments contributed to another 1.1 percent of GDP, due to large inflow of funds from the banking and private sector. Net portfolio investment<sup>2</sup> saw an outflow of funds equivalent to 1.7 percent of GDP. A repayment from the government on its Eurobond contributed to this capital flow. With a current account deficit of 4.8 percent, the excess foreign currency inflows led to an increase of USD200 million in NBG’s reserves by the third quarter of 2013.

## Employment and Labor Markets

**Georgia’s unemployment remains high, as new hiring in the formal business sector declined significantly in 2013.** The number of employees in the formal business sector declined by 5 percent in the first three quarters of 2013 compared with the end of 2012. The decline in employment in the construction sector was more drastic at 28 percent and will have significant implications for the poor. The industrial sector, the largest employer with more than 100,000 employees, reduced hiring by 1 percent in the first three quarters of 2013. The sectors that

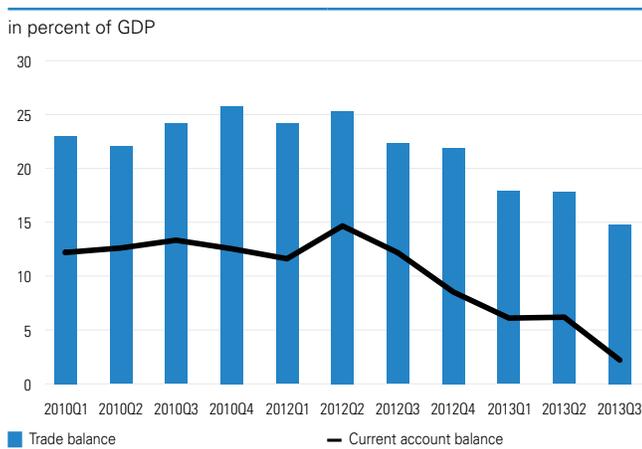
1 This analysis is based on money transfer statistics from the NBG.

2 The portfolio investment includes financial derivatives.

shed jobs during this period included trade, hotel and restaurants, transport and communication, education, social services and real estate.

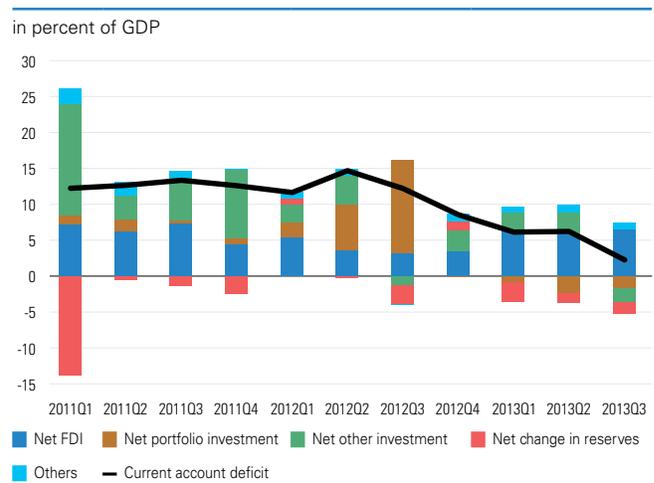
**Georgia’s average wage declined in the first three quarters of 2013.** In the first three quarters, the average monthly nominal wage decreased by 2 percent to GEL800. Financial intermediation remained the highest paid sector despite a 10 percent decline in wages. While most sectors experienced wage declines, fishing, mining and hotel and restaurant sectors saw considerable wage increases.

**Figure 9.** Current account driven by trade



Source: Geostat, National Bank of Georgia and staff calculations.  
 Note: The trade figure includes service trade.

**Figure 10.** 2013 Current account deficit largely financed by FDI



Source: Geostat, National Bank of Georgia and staff calculations.

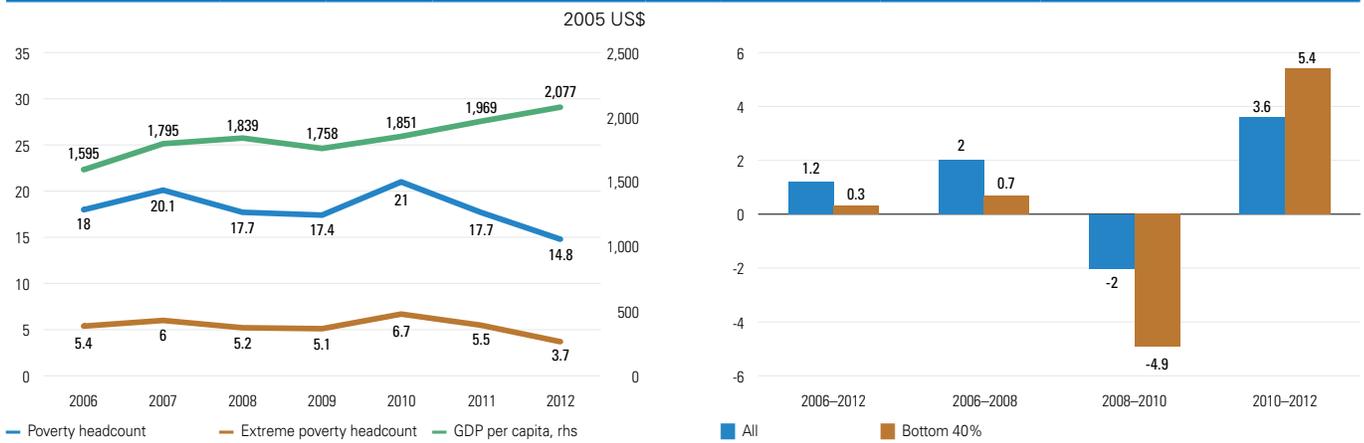
## Poverty and Inequality

In the post-crisis phase (2010–2012), Georgia benefited from falling poverty and an improvement in shared prosperity due to social transfers, food disinflation and an increase in real incomes. The poverty rate reduced from 21 percent in 2010 to 17.7 percent in 2011 and 14.8 percent in 2012 (Figure 12). Shared prosperity also improved with the bottom 40 percent enjoying a growth of 5.4 percent per year as compared to 3.6 percent per year increase in consumption of the overall population. Between 2010 and 2012, poverty became less deep (poverty gap of 4.3 in 2012 versus 6.8 in 2010) and less severe (squared poverty gap of 1.83 in 2012 versus 3.2 in 2010). The decline in food prices in 2012 helped bring poverty down given that food accounts for more than 50 percent of the poor’s total consumption. There was also an increase in real earnings, as well as receipt of social transfers such as pensions and targeted social assistance (TSA), and private transfers such as gifts. The poverty-reducing impact of pensions is unsurprising. In 2011 an estimated 56 percent of the Georgian population and 60 percent of the less well-off lived in a household that received old-age pensions<sup>3,4</sup>. Old-age pensions are not indexed to inflation and accounted for nearly 60 percent of the bottom quintiles’ and 13 percent of top quintiles’ average consumption expenditure.

3 UNICEF’s Welfare Monitoring Survey, 2011 round.

4 Less well-off are the bottom 20 percent of the population.

Figure 12. Poverty and Shared Prosperity in Georgia



Source: World Bank Staff calculations using Integrated Household Survey data.

**Vulnerability is an important aspect of poverty in Georgia.** Between 2006 and 2012, quarterly poverty dynamics show considerable movement in and out of poverty in the population, indicating “churning” under the relatively unchanging overall poverty rates. For example, poverty rose from 16 percent in the fourth quarter of 2009 to 20 percent in the second quarter of 2010. Generally, poverty rates are the highest during the second and third quarter of any given year. This pattern suggests seasonal variations in employment consistent with a pattern of informal and self-employment being more prevalent than formal wage employment.

**Inequality has changed very little over time, but is among the highest in the region.** The Gini coefficient was 0.41<sup>5</sup> in 2012. Other measures of inequality, such as the ratio of mean consumption expenditure of the top 10 percent (90th percentile) and the bottom 10 percent has remained between 5.8 and 6.2 in 2006–2011. By this measure as well as the Gini, inequality is higher in rural than urban areas.

**The probability of being poor or among the bottom 40 percent is strongly associated with labor market status, gender of the household head and location.** The poor and those in the bottom 40 percent are more likely: (i) to live in rural areas; (ii) to live in larger households with greater number of dependents; (iii) to live in households headed by someone with less than secondary education; (iv) to be unemployed or economically inactive; (v) to have household heads who are more likely to be self-employed; and (vi) to live in households headed by women. The poverty rate is 10 percentage points higher among households headed by an unemployed adult. In 2012, 18.8 percent of rural residents and 10.5 percent of urban residents were poor with 5.34 percent of rural residents facing extreme poverty as compared to 1.96 percent of urban residents. Poverty is decidedly rural with 66 percent of all poor living in rural areas<sup>6</sup>, although there are significant variations in poverty levels between regions. This reflects the sectoral pattern of growth where agricultural growth has lagged (making almost no contribution to overall growth) and most growth has come from services and industry (which favor urban areas).

**Georgia has one of the highest incidences of Internally Displaced People (IDPs) in the world.** IDPs are largely dependent on subsistence agriculture and on social assistance, with limited recourse to adequate housing, sustainable livelihoods and jobs. Rates of employment and economic self-reliance are low among

5 0.43 by total income.

6 The overall population is split evenly across rural and urban areas.

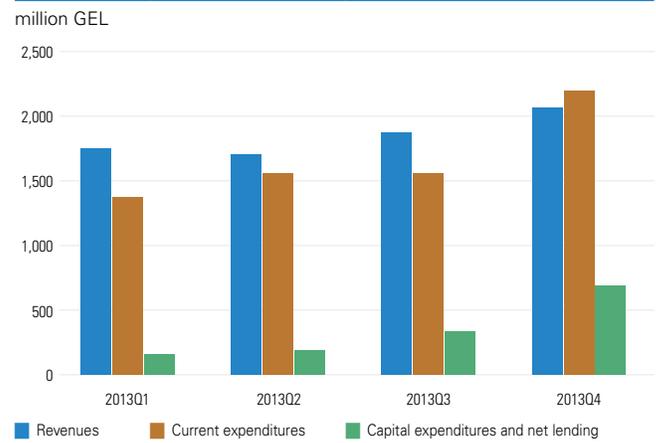
IDPs and they account for a disproportionate amount of the poor. Over 17 percent of IDPs report themselves as not being able to afford nutrition or suffering from systematic starvation while only 48 percent claim average or above average nutrition levels. The international community is involved in IDP support in Georgia, with a total of approximately \$400 million committed by major donors between 2009 and 2014.

## C. Economic and Structural Policies

### Fiscal Policy

Fiscal deficit is estimated to have improved to 2.6 percent of GDP in 2013 from 2.8 percent a year ago, essentially because of lower capital expenditures reflecting weak budget execution. Budget execution of the general government was low in the first three quarters of 2013. During this period, due to policy changes and suspension of large infrastructure projects, government expenditures only reached 59 percent of the planned annual amount<sup>7</sup> (Figure 13). The execution of capital expenditures and net lending was at 36 percent of the budgeted amount during January-September. Revenue collections were also lower by 3 percent during the first three quarters than one year ago. The total revenues collected reached two-thirds of the budgeted amount from January-September. As a result, government ran a fiscal surplus of 0.6 during the first three quarters. However the government accelerated spending in the fourth quarter during which it executed one-third of its annual planned expenditures. By the end of 2013, actual spending amounted to 92 percent of the planned amount while only 72 percent of the planned capital expenditures were spent during the year.

**Figure 13. Surges in Q4 revenue and spending**



**Revenues were also low due to weak economic growth.** Both tax and non-tax revenues fell behind budget estimates reflecting the economic slowdown. The revenue shortfall was largely driven by a drop in VAT on imports as the demand for imported investment goods has been particularly low. Other taxes were more comparable with 2012 outcomes, but fell short of budget projections. External grants and other non-tax revenues were lower than budgeted amounts as well. The total revenue collections were 93 percent of the planned amount and 2 percent lower than 2012.

**The new government prioritized expenditures in the areas of pension, health, and targeted social programs.** Starting February 2013, all citizens who were not enrolled in the targeted medical insurance program (MIP) were eligible to enroll in the Universal Health Care (UHC). Since July 2013, the beneficiaries of the TSA started to receive GEL60 for the first household member and 48 for each additional member compared with 30 and 24 previously. In the first two months since the implementation of this increase, the amount allocated to TSA doubled and reached approximately GEL23 million per month. From September 2013, the flat pension monthly payments were raised from GEL125 to GEL150 for all pensioners.

<sup>7</sup> Planned expenditures are from the government's annual budget document of 2013.

**Increase in social spending in 2013 reflected the expansion of social assistance programs.** Although total expenditure contracted during the year, spending on social benefits amounted to GEL2,295 million, 23.5 percent higher than one year ago. Especially in the last quarter of 2013, when all the policy changes were fully operational, social spending increased by 28.6 percent (year-on-year). During 2013, the share of social spending in total expenditure increased to 30 percent from 22 percent in 2012.

**The government's debt portfolio is dominated by external debt with a share of 86 percent.** Due to the low fiscal deficit in 2013, the overall government financing needs diminished. During 2013, the government repaid an IMF loan of approximately USD140 million as well as a part of its Eurobonds of approximately USD65 million. Meanwhile the government continued to borrow from other IFIs. By the end of 2013, the government's external debt reduced by USD155 million, around 1 percent of GDP. The public domestic borrowing increased by 9.4 percent, mostly via issuance of treasury bills.

**The government plans to prioritize spending on social programs, health, education, agriculture and infrastructure during 2014–2017.** The 2014 budget along with the Basic Data and Direction (BDD) for 2014–2017 was approved by the Parliament in December 2013. The 2014–2017 expenditure priorities included increased pension benefits, higher allocations to health and education, more funds for agriculture and continued investments in infrastructure. Fiscal sustainability and improvement of public financial management, particularly efficiency of investments, would continue to be a policy priority.

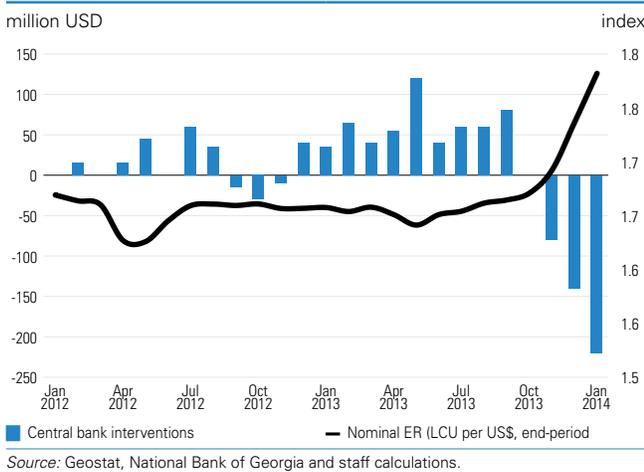
## Monetary and Exchange Rate Policies

**Below-target inflation led the central bank to ease monetary policy during 2013.** The NBG reduced its policy rate to 3.75 percent in August 2013 from 5.25 percent at the beginning of the year. Lending rates fell by less than the policy rate, as in the past, due to weak financial intermediation in a highly dollarized economy. The annual weighted average interest rates on commercial bank loans dropped from 16.9 percent in 2012 to 15.9 in 2013. This is essentially because lending rates reflect several factors in addition to the policy rate like cost of funding for the banks and other rigidities in the financial system.

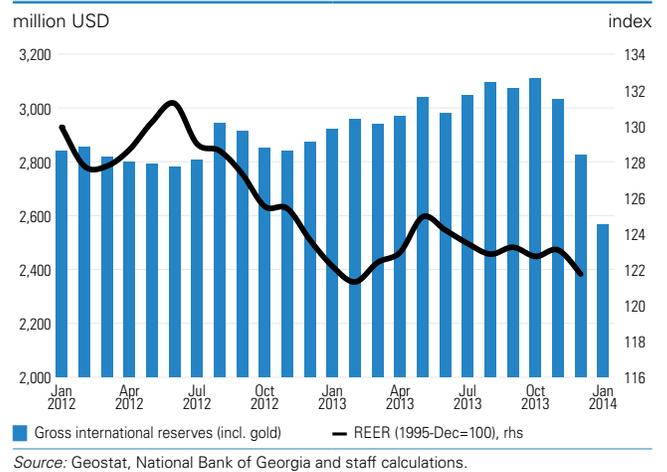
**Despite reduced lending rates, credit growth softened during the first three quarters of 2013 but started to strengthen towards the end of the year, in line with economic activity.** By September 2013, domestic credit saw a moderate growth of 11 percent year-on-year (compared to 18 percent in September 2012). But by December credit growth reached 26 percent, reflecting a strengthening of loan demand at a low interest rate. During 2013, banks' corporate lending portfolio was concentrated primarily in trade, followed by industry and construction.

**The Lari remained stable for most of 2013 but started to depreciate from late-November triggered by the tapering of quantitative easing by the US.** In the first ten months, the exchange rate against the USD depreciated slightly by 0.8 percent while the real effective exchange rate appreciated slightly by 0.4 percent (Figure 14). With sustained tapering by the US Federal Reserve and concerns about global growth, the Lari depreciated from 1.67 to the USD in the beginning of November to 1.78 by the end of January 2014. With lower inflation than in its main trading partners and a sharp appreciation against the Turkish Lira and a mild depreciation against the Russian Ruble, the currency weakened by 1.5 percent in real effective terms in December (Figure 15).

**Figure 14.** NBG intervened in the foreign exchange market



**Figure 15.** REER remained low and reserves increased for most of 2013



The National Bank of Georgia actively intervened in the foreign exchange market to ensure the stability of its currency. In the first nine months of 2013, continued capital influx and weak aggregate demand left the monetary system with excess foreign exchange. To curb appreciation pressures, the NBG intervened with net purchases of USD550 million. The size of this intervention was the largest in the past 4 years but it helped to avoid sharp exchange rate fluctuations. However, as the economy rebounded in the last quarter, the Lari started to depreciate. In response, the NBG sold USD220 million in November and December 2013 and another USD220 million in January. During the first eleven months, gross international reserves grew by 5.5 percent and reached USD3 billion. In December, gross international reserves dropped by around USD200 million, which reflected a repayment to the IMF. In January, the gross international reserves further weakened to USD2.6 billion, due to large sales of foreign exchange.

Prudential indicators in the banking sector showed an improvement in 2013. The ratio of non-performing loans (NPLs) to total loans declined from 9.6 percent in the beginning of 2013 to 7.5 percent by the end of the year. This is a significant improvement from an NPL ratio of 17.9 percent at the end of 2009. The return on assets also rose to 2.6 percent in December 2013 compared with 1 percent a year ago. The banks are adequately capitalized with a capital adequacy ratio of over 17 percent at the end of 2013.

## Macroeconomic Outlook and Debt Sustainability

Economic growth is projected at an average of 5.5 percent a year over the medium-term, on the back of improving trade and investments. GDP growth slowed to 3.2 percent in 2013 due to high policy uncertainty, low investments and budget under-execution (Table 1). With more policy certainty, growth has started to pick up in 2014 and will return to the growth fast-track onwards. Medium-term growth prospects depend on a number of factors, including improved links with the EU, improved relations with Russia (which will benefit trade and tourism), continued emphasis on reforms to improve competitiveness, and the impacts of various investment funds.

**Table 1.** Composition of Expenditure Adjustment, 2010–2017

in percent of GDP, unless otherwise indicated

	2010	2011	2012	2013e	2014p	2015p	2016p	2017p
<b>Total Expenditure</b>	<b>34.8</b>	<b>31.7</b>	<b>31.7</b>	<b>30.1</b>	<b>30.7</b>	<b>30.4</b>	<b>29.8</b>	<b>29.5</b>
Current Expenditure	26.4	23.0	24.8	24.2	24.8	24.5	23.7	23.4
Wage and salaries	5.4	4.7	4.6	5.2	4.7	4.8	4.8	5.0
Goods and services	5.4	5.0	5.1	3.8	5.8	5.9	5.8	6.1
Interest payments	1.0	1.2	1.1	0.9	1.1	0.9	0.7	0.6
Subsidies and grants	1.9	1.8	2.1	2.0	1.9	1.7	1.6	1.5
Social expenses	7.8	6.8	6.7	8.5	9.6	9.6	9.5	9.3
Other expenses (incl: clearance of arrears)	4.5	3.7	3.8	3.8	1.8	1.5	1.3	0.9
Capital expenditure and net lending	8.4	8.8	6.8	5.8	5.9	6.0	6.1	6.1

Source: Georgian authorities; and Bank and Fund staff estimates and projections.

**Private investments are expected to strengthen in the medium term, contributing significantly to economic growth.** The government's medium-term program prioritizes competitiveness, business environment reforms and financial access<sup>8</sup>. These measures are expected to encourage private sector activity. The implementation of the Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU will also help to improve investment and attract foreign investments. As a result, the gross investment rate is projected to rise steadily and reach 28 percent of GDP by 2017.

**The Deep and Comprehensive Free Trade Agreement (DCFTA) with the EU will contribute to new sources of growth in the medium term.** A trade sustainability impact analysis commissioned by the EU suggests a potential increase in GDP growth of 4.3 percent in the long-run, i.e. over the period of time necessary for resources to shift between sectors in line with the incentives provided by the DCFTA. The gains from the DCFTA stem mainly from reduced tariffs, non-tariff barriers and technical barriers to trade, and from liberalization of services trade. The economic impact varies by sector depending on the extent to which the above factors currently constrain trade. However, to maximize the impact on employment and wages of the DCFTA, given the need for labor and capital reallocations to more productive sectors, a number of measures will have to be taken to ease transition costs, support the business environment, provide capacity building on regulatory approximation particularly in trade facilitation, technical barriers to trade, intellectual property rights.

**Fiscal consolidation remains a policy priority for the government.** In 2014, due to lower revenues and higher expenditure commitments, the government is expected to run a larger fiscal deficit of 3.8 percent of GDP. Over the medium-term however, revenues are expected to rebound along with the recovery in economic activity and tax income as a percent of GDP is expected to reach 25 percent by 2017. Public expenditures will also recover but their share in GDP will be lower than the pre-2013 level, due to the government's commitment to fiscal consolidation. In the medium term, with recovery in revenues and decline in expenditures, fiscal deficit as percent of GDP is expected to reduce to 2.1 percent by 2017. Social expenditures are expected at over 9 percent of GDP over the medium-term, given the government's policy focus (Table 1).

<sup>8</sup> As outlined in the government's Socioeconomic Development Strategy (SDS) document.

With the increased focus on strengthening competitiveness, the current account deficit is projected to gradually narrow during 2015–2017. With a significant decline in the government’s import-intensive capital spending in 2013 along with reduced levels of business and consumer spending, the current account deficit narrowed from 11.7 percent of GDP in 2012 to an estimated 6.1 percent of GDP in 2013. With the pick-up in economic activity, the current account deficit is expected to deteriorate in 2014 driven by increased government expenditures and investment related imports. It is then expected to gradually narrow down over the next 3 years supported by the beneficial impact of the ongoing structural reforms.

The current account will continue to be largely financed by FDI. As the government further improves its business environment and attracts investors, net FDI is expected to increase from 6.2 percent of GDP in 2013 to 6.8 by 2017 (Table 2). This would continue to finance the current account deficit. Inflows from IFIs will also provide stable financing. The government’s commitment to a flexible exchange rate regime would help support external sustainability.

**Table 2.** Projected Sources of External Financing, 2010–2017

in percent of GDP, unless otherwise indicated

	2010	2011	2012	2013e	2014p	2015p	2016p	2017p
Current Account	-10.2	-12.7	-11.6	-6.1	-8.1	-7.8	-7.6	-7.5
Capital Account	1.8	1.1	0.8	0.6	0.5	0.4	0.4	0.3
Financial Account	8.5	15.4	11.1	9.6	7.7	9.9	8.8	9.3
FDI net	5.8	6.7	3.8	6.2	6.2	6.3	6.3	6.3
Other private inflows net	-0.4	6.5	5.0	1.4	-2.4	2.2	1.0	2.7
Public sector net	2.9	2.1	3.5	2.0	3.9	1.5	1.5	0.4
Monetary authorities net	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Errors and omissions	-0.1	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0
Other financing	0.3	-3.6	-1.0	-4.1	-0.1	-2.6	-1.6	-2.1
International reserves	-1.8	-4.0	1.3	-1.7	-0.7	-2.2	-1.7	-2.0
Use of IMF resources	2.4	-0.4	-1.6	-2.4	0.6	-0.3	0.1	0.0
Exceptional financing	-0.3	0.8	0.0	0.0	0.0	0.0	0.0	0.0

Source: Georgian authorities; and Bank and Fund staff estimates and projections.

**Georgia’s public debt remains sustainable.** Total public sector debt has been decreasing since 2010 and is projected to fall to 31.9 percent in 2013 and 32.1 percent in 2017 due to continued fiscal consolidation efforts. The share of external and domestic debt is not expected to change significantly over the medium-term.

## Structural Reforms

The government introduced universal healthcare in 2013, increased pension benefits, and enhanced cash assistance to families in need. Universal healthcare (UHC) was introduced in March 2013 and initially covered only out-patient and emergency healthcare services. In July 2013, UHC was expanded to include a broader package of services. In April 2013, the GEL125 pension benefits were extended to all pensioners. Subsequently in September 2013, benefits were raised again to GEL150 per month for all pensioners. In

addition, beneficiaries of the Targeted Social Assistance (TSA) benefit started to receive GEL60 for the first household member and GEL48 for each additional member, (double the amount before) from July 2013.

**The tax code was amended in 2013 to introduce a non-taxable minimum income.** Under the new tax code, individuals with annual employment income under GEL6,000 are entitled to a deduction of GEL1,800 from taxable income and can claim a tax refund on the said amount.

**A decentralization reform aimed at empowering local governments was initiated in 2013 and adopted by the Parliament in February 2014.** The new law envisages direct election of mayors in twelve towns as well as heads of all municipalities and this law will be implemented in 2014. This new law is designed to promote engagement of locals in political decision-making.

**Changes to the labor code and the competition law were also initiated in 2013 to improve the business environment.** In June 2013, an amendment to the labor code was adopted which sought to protect the rights of employees and create better labor market conditions. The competition law was submitted to the Parliament in 2013, and envisages improved competition with the creation of an anti-trust agency.

**To ensure power system reliability, the government took measures to develop a transmission grid code.** The technical document detailing the grid code has been fully harmonized with EU requirements. Development of the grid code is part of the government's commitment to a broader set of sector reforms within the Georgia Electricity Market Model (GEMM) 2015. The code is expected to be approved and become effective by March 2014.

**The government adopted the modified cash-basis International Public Sector Accounting Standards, in accordance with IPSAS2, in all the central government budgetary organizations.** All line ministries submitted their financial statements by May 1, 2013. These statements were brought together and a consolidated financial statement was prepared on the modified cash-basis IPSAS by the end of June 2013.

**The Government of Georgia's medium-term development vision is articulated in the Socioeconomic Development Strategy 2020 (SDS).** The overarching objective of the SDS is to achieve faster, inclusive, and sustainable growth averaging 7 percent a year and resulting in a per capita income of GEL 13,000 by 2020. These projections assume that aggressive structural reforms will support rapid growth in investment, employment, and firm productivity and also ensure the realization of potential benefits associated with the DCFTA in terms of higher exports and FDI. The new strategy focuses on the private sector as the main engine of growth and, at the same time, emphasizes the need to strengthen the focus of public policy on job creation, sustainability, and inclusion. The role of the state will be focused on addressing market failures and relieving binding constraints that are cross-cutting. The focus on private sector competitiveness is balanced with a redefined role of the state that facilitates growth and inclusion through better delivery of public services for citizens. The SDS also intends to establish an evidence based policy framework, supported by monitoring and evaluation mechanisms, to ensure that policy interventions are relevant and have impact, and to enable course correction.

**The Strategy rests on four pillars and aims to put Georgia on a new growth trajectory that further builds on past reforms while addressing pending gaps.** The pillars are:

- (i) Establishing the pre-conditions for growth in terms of a stable macroeconomic environment, effective public sector management, and fiscal efficiency and responsibility.

- (ii) Improving competitiveness by building on past successes and further enhancing the investment climate, especially for SMEs, and focusing on firm productivity.
- (iii) Strengthening human capital—health, education, and social safety nets.
- (iv) Establishing financial access.

The Georgia SDS provides the overarching policy framework for achieving specific outcomes. It is a results-oriented, broadly operational document that envisages the establishment of a monitoring and evaluation framework to facilitate policy design and course correction. The implementation framework includes annual reports to be reviewed by the National Development Council. A midterm review is planned for 2017 to assess progress against outcome indicators. Key outcomes are included in Table 3.

**Table 3.** Georgia’s SDS targets

Action Area	Target
Macroeconomic stability, effective public sector management, and fiscal responsibility	<ul style="list-style-type: none"> <li>• External debt sustained below 40 percent of GDP</li> <li>• Current account deficit falls to below 5 percent of GDP</li> <li>• Domestic savings increases to 27 percent of GDP by 2020</li> <li>• Regulatory quality (WGI) score improves from 0.68 in 2012 to 0.78 in 2020</li> </ul>
Competitiveness	<ul style="list-style-type: none"> <li>• FDI increases from 6.8 percent of GDP in 2012 to 13 percent of GDP in 2020</li> <li>• GCR improves from 77 in 2012 to 40 in 2020</li> <li>• Access to financing through domestic capital markets GCR improves from 126 to 50 by 2020</li> </ul>
Human capital development	<ul style="list-style-type: none"> <li>• Unemployment falls from nearly 16 percent in 2013 to less than 12 percent in 2020</li> <li>• Pre-school enrollment increases from 46 percent in 2012 to 80 percent in 2020</li> <li>• Share of students above the threshold of reading literacy and math and science literacy based on PISA scores increases from 38 and 31 percent respectively in 2011 to 50 percent for both in 2020</li> <li>• Coverage of the poorest decile by the TSA increases from 40 percent in 2012 to 80 percent in 2020</li> <li>• Population below 60 percent of the median consumption falls from 22.4 percent to 18 percent</li> <li>• Salary replacement rate (pension) increases from 22 to 25 percent by 2020</li> <li>• The GINI improves from 42.1 to 37 by 2020</li> <li>• Budget expenditure on health increases from 2.4 percent in 2012 to 7 percent in 2020</li> <li>• Access to state funded health care increases from 50 percent to 100 percent</li> <li>• Share of out of pocket spending in total health spending by households decreases from 70 percent to 30 percent</li> <li>• Share of (spending on) pharmaceuticals out of total OOP spending falls from 60 percent to less than 20 percent</li> </ul>

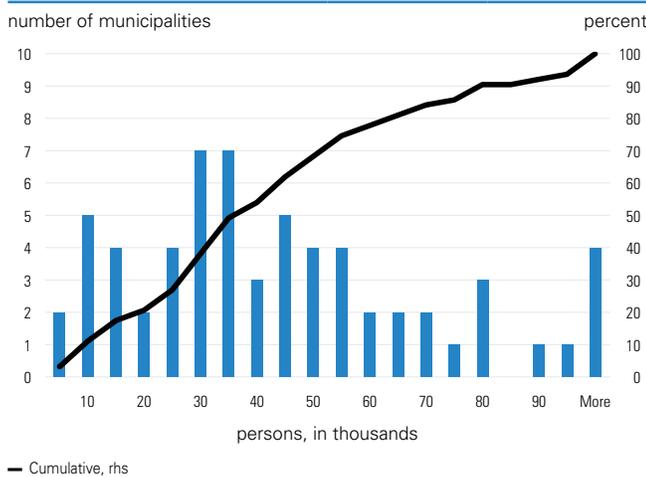
## Annex

### Special topic—Intergovernmental Fiscal Relations in Georgia

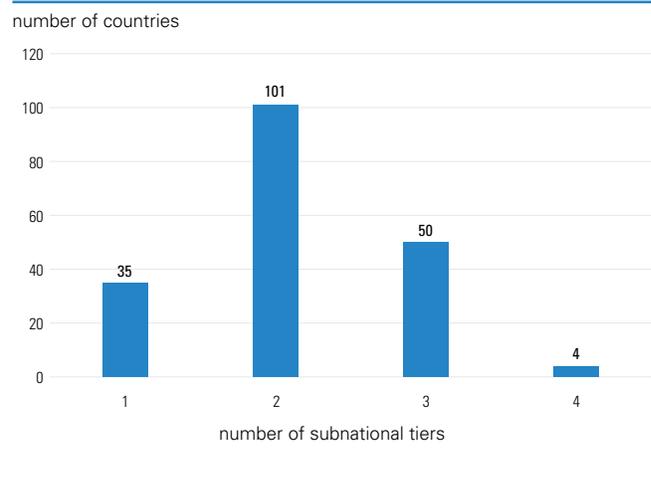
#### Context

In 2006, Georgia completely revamped its system of local government.<sup>9</sup> Other than the five largest cities, genuine self-government was established only at the district level while governance structures (separate budgets, elected public officials, etc.) were completely abolished at the levels below and above districts.<sup>10</sup> As a result, the number of subnational government units in the country dropped from about one thousand to just seventy: five self-governing cities, 64 district-wide municipalities, and the Autonomous Republic of Adjara.

**Figure A1.** District municipalities by size of population



**Figure A2.** Subnational tiers by number of countries



Georgia’s size would seem to warrant one subnational tier of government, or at most two. While the majority of countries have two subnational tiers, smaller countries tend to have only one subnational tier. In fact in terms of its size, Georgia is in the middle of the range of comparable countries with two subnational tiers (Figure A2). The only four benchmark countries with three subnational tiers are all larger than Georgia (Ukraine, Belarus, Bulgaria, and Slovakia).<sup>11</sup>

The recent change of leadership at the national level in 2013 has prompted calls for policy changes in the area of decentralization. In particular, the Cabinet developed a new decentralization strategy and adopted

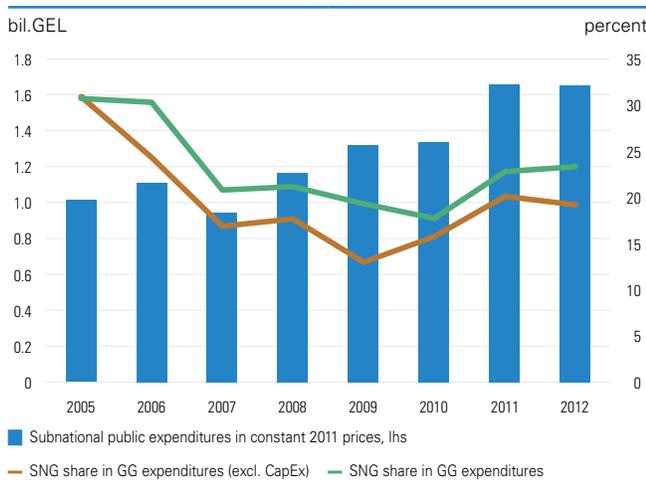
9 New organic law was adopted in December 2005 and subsequently new local governments elected in October 2006.  
 10 More formally, the previous rayon-district level was abolished and the previous local self-government units.  
 11 Throughout this chapter, as benchmark countries we use the following: Armenia Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Cyprus, Estonia, Hungary, Latvia, Lithuania, Malta, Moldova, Poland, Romania, Slovakia, Slovenia, Ukraine.

a new law on self-governance recently.<sup>12</sup> The strategy envisions the (re)creation of self-governance structures at regional and settlement levels. While the stated rationale for reforms is the strengthening of democratic institutions in the country, these changes are bound to have significant budgetary implications with associated fiscal costs (and benefits), which fall under the scope of the upcoming Public Expenditure Revenue (PER) 2014.

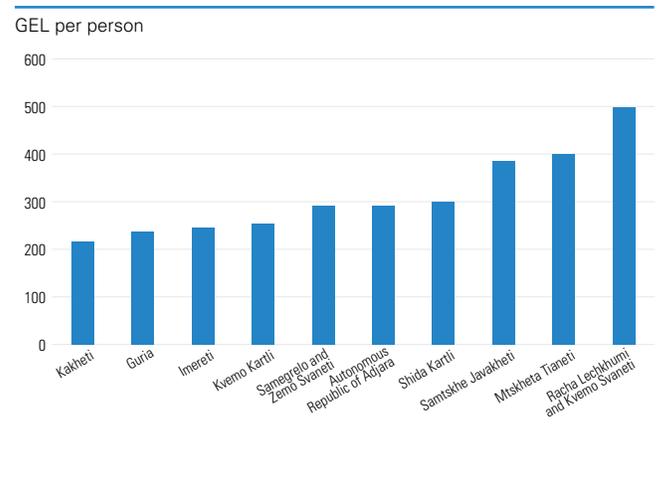
## Expenditure Decentralization

As of 2012 the subnational share in general government expenditures puts Georgia internationally in the middle range of expenditure decentralization levels for its size. The share is just less than a quarter, which is significantly below the pre-2006 levels. However, since 2008 subnational expenditures have been steadily increasing in real terms and relative to GDP, and also as a share in total general government expenditures. Thus, at almost 7 percent of GDP, subnational expenditures in Georgia are now reaching the levels of some countries where subnational governments are responsible for more budget expensive social services, such as primary education, which is not the case in Georgia. This raises some potential questions about the overall efficiency of subnational expenditures in Georgia.

**Figure A3.** Subnational expenditure in real terms and as a share of general government



**Figure A4.** Expenditure Disparities by region, 2012



**Capital expenditures account for nearly a third of subnational expenditures and this is possibly where the inefficiencies lie.** The Public Expenditure Review of 2012 pointed to the identification and selection of projects as one of the most problematic areas of public investment management in Georgia, which is in line with the suggestion that the source of higher than expected local expenditures may be due to inefficiencies in capital spending. This concern directly links to the issue of accountability and civic participation at the local level, which in some cases could be hampered by the large geographical size of a number of municipalities.

**The functional composition of local expenditures is simple and straightforward.** The largest functional category is Housing and Communal Amenities, accounting for 40 percent of total subnational expenditures.

12 “The Main Principles of the Strategy on Decentralization and self-government Development of the Government of Georgia for 2013–2014” developed by the Ministry of Regional Development and Infrastructure.

Besides residential housing, this functional category includes water supply, outdoor lighting and other minor communal services. The distant second largest functional category is Physical Culture, Sports, Culture and Media, accounting for 15 percent of total subnational expenditures. The third place is shared by Economic Affairs—composed mostly of transport/maintenance of local roads and much less important support of agricultural activities—and General Public Services—personnel, operation and administrative expenses of the executive and legislative organs of local government—each accounting for 11 percent of total subnational expenditures. While education, including primary, account for only six percent of local budgets, tuition from parents cover about 30 percent of kindergarten expenses.

**There are no immediately obvious functions that Georgia’s central government would need to decentralize or reallocate between the different levels of government.** This is particularly true for a country of the population size of Georgia; but, beyond arguments regarding population size, country specific issues, such as history or geography, could justify the decentralization of additional services. It needs to be clear that public finance principles and best international practice do not provide a tight assignment of responsibilities to different levels of government. However, based on international experience, education and health services are the areas where Georgia appears more centralized than other countries.

## **Revenue assignment and local tax administration**

**One prominent feature of Georgia’s intergovernmental finance system is the low level of revenue autonomy provided at the subnational level.** This deprives the subnational governments of an appropriate level of accountability and fiscal responsibility. There is heavy dependence on transfers from the national budget which stood at around 70 percent of total local revenues in the last five years. Even the City of Tbilisi, the wealthiest local government, receives two thirds of its revenues in the form of grants from the national budget. Progress had been made in the previous reforms of the transfer system. However, in the current context of fiscal consolidation, it might be useful to revisit the current arrangements of financing subnational governments.

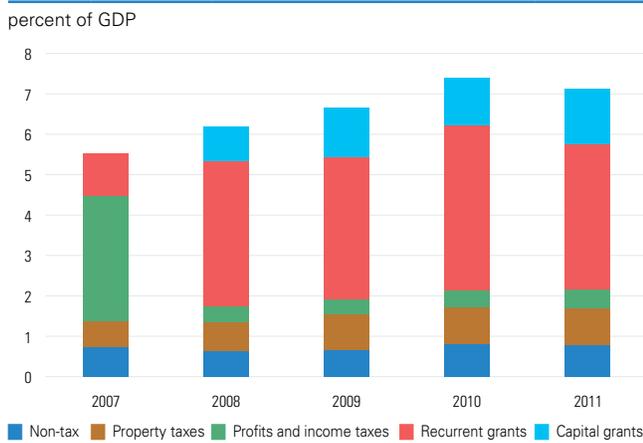
**In the draft Decentralization Strategy it is envisaged to restore revenue sharing on a derivation basis<sup>13</sup>, although there are other more attractive alternatives.** It would be desirable to allow local governments to share the tax base for certain taxes (such as the personal income tax) and be able to set their own tax rates on top of the national tax rate to be administered by central tax administration. For example, the central government could create “fiscal space” for the local surtax on PIT by reducing the national flat PIT rate by several percentage points (for example from 20 percent to 15 percent as currently slated). In the national budget this loss of revenues would be offset by an equivalent reduction in transfers (or revenue sharing in Adjara) to subnational governments. This would infuse additional accountability and fiscal responsibility in the subnational governments.

**The self-reliance of local governments can be greatly improved by fully utilizing the “tax handles” such as user fees, property taxes and betterment levies.** As sources of incremental revenue autonomy at the subnational level, there appears to be little justification for the current suspension of taxes on movable property in Georgia. The suspension not only deprives the system of a perfectly suitable source of local revenues but it

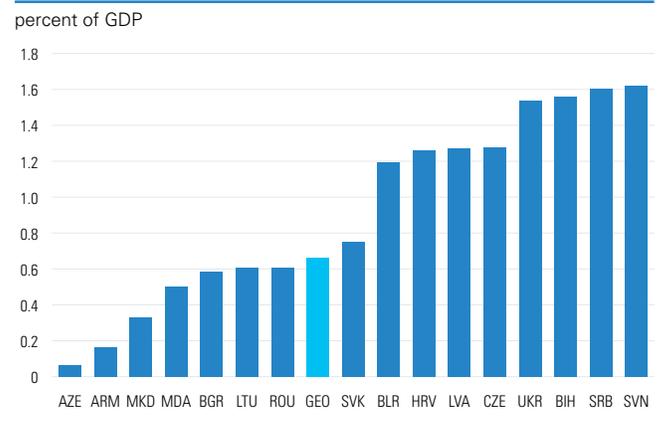
<sup>13</sup> In fact a return to the Soviet practice of local retention of some share of the national tax revenue which is just a less desirable form of transfers.

may also reduce the overall progressivity of the tax system. The current over generous exemptions of immovable properties should be also reconsidered.<sup>14</sup> A widely applied property tax has the potential of increasing revenue collections for local governments by 1 percent of GDP.<sup>15</sup> The intergovernmental finance system in Georgia can make further use of fees and user charges. At 0.66 percent of GDP in Georgia this ratio in Belarus, Ukraine, and many new EU members is around 100 percent higher (Figure A6).

**Figure A5. Revenue structure of subnational governments**



**Figure A6. Non-tax revenues of subnational governments**



## Intergovernmental fiscal transfers

The retention and sharing of national taxes at source was replaced in the 2007 reform with equalization grants, special purpose grants (largely capital grants) and conditional earmarked grants. The equalization transfers effectively achieve some level of equalization within the group of districts. The 40-fold difference between the poorest and the richest districts in locally-derived revenues per person is reduced to a six-fold difference after the allocation of the equalization grants. In 2012, per capita pre-transfer revenues of districts, on average, deviated by 100 percent from the district average. Per-capita recurrent expenditures of districts, on average, deviated by 39 percent from the district average.

**The current equalization formula needs to be improved.** Notwithstanding the explicitly prescribed methodology, many municipalities and experts have difficulties replicating or comprehending the current equalization allocation system. The current methodology for calculating expenditure needs lacks transparency, using a rather cumbersome formula. The estimation of expenditure needs is done by apportioning the projection of consolidated local expenditures (an overall financing availability envelope) in proportion to a relative index of six local government characteristics<sup>16</sup>. The index of expenditure needs is adjusted upwards for municipalities with lower revenue base which creates negative incentives for revenue mobilization.

14 The general incidence of property taxes tends to be progressive especially when accompanied by "circuit breaker" provisions that reduce or suspend the tax for households with low income levels.

15 See, for example, Bahl and Martinez-Vazquez (2008).

16 1) population size; 2) share of population of low socio-economic status; 3) population under 6 years old; 4) population between 6–18 years old; 5) length of local roads; and 6) population density.

## Subnational borrowing and local government investments

In Georgia, subnational borrowing is not allowed without an authorization from the Ministry of Finance. This also applies to issuing guarantees as well. Currently, subnational borrowing appears to be quite limited and mostly related to on-lending of donor funds.

There is a need to balance access to borrowing by subnational governments with institutional mechanisms that preserve fiscal discipline. Internationally there are two types of control mechanisms that are relied on: first, a set of rules and regulations for subnational borrowing established and enforced by central government authorities; second, private credit market discipline. Because the second mechanism requires developed private financial markets, most developing countries rely on rules and regulation set by the central authorities. In the medium term the government could consider supporting the creation of a “local credit facility or intermediary bank.<sup>17</sup>” But this move also has its pitfalls. Such an institution would need to operate using strict banking criteria and with independence from political pressures, thus completely avoiding politically motivated project selection or lending criteria.

<sup>17</sup> This was the initial mission of the Municipal Development Fund, established in 1997. However, over time it has reportedly evolved into a project implementation unit, both identifying and financing local infrastructure projects, where the role of municipalities is reduced to simply providing local matching funds.

## Appendix

### Appendix 1. Economic and Social Indicators

Selected Indicators	2008	2009	2010	2011	2012	2013	2014	2015
<i>Income and Economic Growth</i>								
GDP growth (percent change)	2.3	-3.8	6.3	7.2	6.2	3.2	5.0	5.5
GDP per capita (in US dollars)	2,921	2,455	2,614	3,220	3,515	3,584	3,716	4,031
Private consumption growth (percent change)	22.0	0.1	5.6	16.0	4.7	-1.5	7.2	8.8
Gross domestic investment (percent of GDP)	26.0	13.0	21.6	26.2	28.9	20.3	23.4	25.7
Public	8.0	8.2	7.4	8.0	6.8	5.0	5.9	6.0
Private	13.5	7.1	14.2	18.2	22.1	15.3	17.5	19.7
Gross national savings (percent of GDP)	5.0	2.5	11.3	13.4	17.3	15.4	17.1	18.8
<i>Money and Prices</i>								
Consumer price inflation (percent change, year-end)	5.5	3.0	11.2	2	-1.4	2.9	5.0	6.0
Consumer price inflation(percent change, annual average)	10.0	1.7	7.1	8.5	-0.9	-0.4	4.0	4.5
Nominal exchange rate (lari per dollar, year-end period)	1.7	1.7	1.8	1.7	1.7	1.7	1.8	1.9
Real exchange rate (1998=100)	119	114	118	127	121	122	118	119
<i>Fiscal (In percent of GDP unless indicated otherwise)</i>								
Revenues and grants	30.7	29.3	28.3	28.2	28.9	27.5	26.9	27.4
Expenditures	37.3	36.3	35.1	31.7	31.7	30.1	30.7	30.4
Current	28.4	30	26.4	23.8	24.8	24.2	24.8	24.5
Capital	8.0	7.0	7.4	6.9	6.8	5.8	5.9	6.0
Fiscal balance before grants	-9.9	-9.2	-9.1	-4.4	-3.9	-3.1	-4.3	-3.4
Fiscal balance after grants	-6.6	-7.1	-6.8	-3.5	-2.8	-2.6	-3.8	-3.0
External debt (millions of US dollars)	7.7	8.8	10.0	11.2	13.0	12.9	13.2	13.9
External public debt	23.5	31.7	33.6	29.1	27.5	25.8	26.7	25.8
Total public debt	27.6	37.3	38.7	33.6	32.3	31.9	33.9	32.3
Public debt service ratio (percent of revenues)	18.1	24.4	24.4	39.4	36.0	47.1	46.6	29.3
<i>External Accounts (In millions of US dollars unless indicated otherwise)</i>								
Exports growth (percent change, constant prices)	-5.7	8.1	8.1	12.0	11.8	16.0	8.2	7.5
Imports growth percent change, constant prices )	8.0	-11.6	0.7	9.5	12.0	-0.4	11.0	11.0
Merchandise exports	2,428	1,894	2,462	3,254	3,502	4,115	4,499	4,983
Merchandise imports	6,264	4,293	5,052	6,748	7,734	7,734	8,385	9,169
Services, net	21	340	514	748	1,101	1,495	1,600	1,823
Workers' remittances, net	303	316	415	617	711	754	829	887
Current account balance after grants	-2,813	-1,134	-1,192	-1,844	-1,854	-989	-1,365	-1,427
as percent of GDP	-22.0	-10.5	-10.3	-12.7	-11.7	-6.1	-8.1	-7.8
Foreign direct investment, net	1,418	677	679	902	614	1,000	1,050	1,150

<i>Population, Employment and Poverty</i>								
Population (millions)	4.4	4.4	4.4	4.5	4.5	4.5	4.5	4.5
Population growth (percent change)	-0.3	0.1	1.2	0.7	0.6	0.4	0.1	0.1
Unemployment Rate (percent of labor force)	16.5	16.9	16.3	15.1	15			
<i>Poverty headcount (percent of the population)</i>								
National poverty line	22.7	24.7	21.0	17.7	14.8			
At USD1.25 a day (PPP)	15.3	15.2	18.0					
At USD2 a day (PPP)	32.2	32.7	35.6					
Gini coefficient (income)	0.5	0.5	0.5	0.46	0.43			
Life expectancy (years)	73.2	73.4	73.5	73.7				
<i>Other</i>								
GDP (billions of local currency units)	19.1	18.0	20.7	24.3	26.2	26.9	29.4	32.9
GDP (billions of US dollars)	12.8	10.8	11.6	14.4	15.8	16.2	16.8	18.2
Doing Business Rank	21	16	13	12	12	9	8	
Human Development Index ranking	96	89	74	75	72	75		
CPIA (overall rating)	4.4	4.4	4.4	4.4	4.4			
Economic Management	4.7	4.7	4.7	5	4.8			
Structural Policies	5	5	5	5	5			
Social Inclusion and Equity Policies	4.2	4.2	4.2	4.2	4.2			
Public Sector Management and Institutions	3.8	3.8	3.9	3.8	3.8			





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