

საქართველოს სახელმწიფო ბიუჯეტი პანდემიის პირობებში

ნოდარ გრძელიშვილი

ეკონომიკის დოქტორი,
ახალი უმაღლესი სასწავლებლის აფილირებული პროფესორი

აბსტრაქტი

ნაშრომში აღნიშნულია, რომ ნებისმიერი ქვეყნის ეკონომიკური სიცოცხლისუნარიანობა მეტწილად განისაზღვრება მისი შესაძლებლობებით, რომ დაძლიონ ეკონომიკური ვარდნა და უზრუნველყონ განვითარება. პანდემიითა და არსებული გეოპოლიტიკური რისკებით გამოწვეული ეკონომიკური რეცესიის ფონზე კიდევ უფრო მეტი მნიშვნელობა ენიჭება ფისკალური დისციპლინის მდგრადობას და ფისკალური პოლიტიკის რეაგირების სწორად განსაზღვრას.

საკვანძო სიტყვები: ბიუჯეტი; ეკონომიკა; მაკროეკონომიკა; განვითარება; პანდემია

GEORGIAN STATE BUDGET IN A PANDEMIC REALITY

Nodar Grdzelishvili

Doctor of Economics, Professor,
New Higher Education Institute

Abstract

The paper notes that, the economic viability of any country is largely determined by its ability to overcome economic downturn and ensure development. Against the background of the economic recession caused by the pandemic and the existing geopolitical risks, even greater importance is attached to the sustainability of fiscal discipline and the correct definition of fiscal policy responses.

Keywords: budget, economics, macroeconomics. Development, pandemic

1. Introduction

The economic viability of any country is largely determined by its ability to overcome economic downturn and ensure development.

The fight against the pandemic had a serious impact on the parameters of the state budget for 2021, which was formed on the basis of the forecast of 4.5 percent economic growth and moderate (3%) inflation. According to the project of state budget, in 2021 the budget revenues will be reduced by 9.0 percent and will be 16758.1 million GEL, while payments, by contrast, increase by 15.5 per cent and reach 18,384.5 million GEL.

Growing social, medical spending due to the contraction of the economy (by less than 5% in 2020) has led to an increase in government debt, which will reach 9.1 percent of GDP by the end of this year.

Overall, the main direction of budget funds in 2021 will be to compensate for the damage caused by Covid-19 and to provide social protection for the population.

2. Presentation of the main research material

According to the National Statistics Office of Georgia, in January-October 2020, foreign trade turnover amounted to almost 9.2 billion. USD, which is equivalent to about 75 percent of the country's GDP produced in the corresponding period. The ratio of exports to value added in the country was almost 25 percent. [1]

Georgia has trade relations with 142 countries, with five major trading partners (Turkey, Russia, China, Azerbaijan and Armenia) accounting for more than half (51.2%) of foreign trade turnover.

In January-October 2020, the amount of exports (2715.3 million USD) was 11.1 percent lower than the corresponding period of the previous year, while imports – (6444.2 million USD) – 16.6 percent. Such a reduction in foreign trade is largely due to the reduction in global demand caused by the pandemic and, consequently, the volume of Georgia's re-exports.

At the same time, in the conditions of reducing the total volume of exports, local exports (exports – without re-exports) increased by 4.7 percent and amounted to 1956.8 million US dollar. During this period, re-exports decreased by 36.1 percent (\$ 758.5 million, instead of \$ 1186.1 million in the previous year). Domestic exports account for 72.1 percent of total exports (including 75.8% in October alone).

The consistent and permanent nature of the reforms is great importance for overcoming the crisis and the post-crisis development of the country, both in the public and private sectors, which is welcomed and positively assessed by the International Monetary Fund.

Against the background of the deterioration of macroeconomic indicators caused by the pandemic, the scale of the reduction in the number of jobs in the country and the overall decline in economic activity significantly lagged behind the scale of the economic downturn.

The fourth phase of the government's anti-crisis measures is a 1.4 billion package, it started in November and will last until June 2021. [2]

According to the International Monetary Fund, Georgia's economic growth rate in 2021 will be similar to the 2020 rate – 5 percent. – Such an assessment, at a time when the global fight against coronavirus has not yet taken place in a decisive phase, gives grounds for some optimism, especially since in many countries the rate of economic growth in 2021 will be less than the absolute rate of decline in 2020. So, for example, according to the EU, the GDP growth rate for 2021 will not even reach 2/3 of the 2020 rate of decline (respectively + 4.7% and -7.2%); The situation is similar in our neighborhood and not only: the ratio of economic growth in Azerbaijan to the previous year's decline will be only 50.0% (+ 2.0% and -4.0%), in Armenia – 77.8% (+ 3.5% and – 4.5%), in Russia – 84.6 % (+ 44. % and – 5.2%), in Ukraine – 41.7% (+ 3.0% and -7.2%) ...

Georgia, according to the International Monetary Fund, will have the highest level of economic growth (+ 5.5%) among the countries of the region in 2021-2025, and in 2021-2022 – uniquely among the countries of Europe, the Black Sea and the Caucasus region. It should be noted that the IMF forecast is 1.3 times higher than the average annual economic growth rate for 2013-2019. This confirms the correctness of the strategy used by the Georgian government, in accordance with the anti-crisis plan, to minimize the damage caused by the pandemic, to maximize the support and activation of economic activities.

The growing pace of economic growth and the reduction trend in foreign debt are crucial to ensuring the country's macroeconomic stability and sustainable development.

Economic parameters are gradually improving, the rate of decline is virtually halved compared to the same period last year and looks better than in many other countries (GDP decline in the second quarter of 2020 compared to the same period last year was: Georgia – 12.6%, EU – 15.0%, United In the Kingdom – 21.7%, in the US – 32.9%)

It is clear what a negative impact the pandemic has on an important segment of the Georgian economy, such as the tourism industry, for its financial sustainability and current account. – It is true that Georgia has a much better situation in terms of COVID-19 compared to its land neighbors, but the severe consequences of the coronavirus pandemic in these countries, which traditionally come to foreign tourists entering Georgia, negatively affect the country's tourism revenues and ultimately macroeconomic indicators. Overall, the dynamics of the Georgian economy over the past period was better than the average of 27 EU countries, including 11 countries (Austria, Belgium, Spain, Italy, Malta, Portugal, Greece, France, Slovenia, Hungary, Croatia).

In 2021, the state budget revenues will be 14.8 billion GEL, which is 3.7 billion GEL less than the 2020 budget revenues. The decrease is due to the fact that in 2020 the government will borrow GEL 8 billion, and in 2021 it will borrow GEL 3.2 billion.

Budget expenditures are reduced by GEL 1 billion. The decline is due to the completion of pandemic-related programs. Basically, this refers to subsidies and social programs that are no longer provided for in the 2021 budget.

Administrative expenses will be reduced by 99 million GEL and it will be up to 3 billion GEL in total. The decrease is due to the decrease in the purchase of medical goods and services related to the pandemic. However, compared to 2019, administrative costs will be 210 million GEL more.

The total number of employees in budget organizations will increase by 429 people and will reach 112,643. Of these, 227 people are added to the management of the health care program. The number of employees in the Ministry of Economy, in particular, in the management of state property, increases by 110. The number of police officers increases by 82.[3]

From January 1, 2021, the pension of pensioners under the age of 70 will increase by 20 GEL to 240 GEL, while the pension of pensioners aged 70 and over will increase by 25 GEL to 275 GEL. The increase in the pension leads to an increase of budget expenditures by 370 million GEL.

The 2021 budget does not allocate funds to finance quarantine and other measures related to Coronavirus. However, it is clear that the rental of quarantine spaces will be necessary in early 2021 and a significant amount of money will be required. The budget deficit will be 2.8 billion GEL (5.2% of GDP), of which 528 million GEL will be covered by new debt, and 2.3 billion GEL – using the budget balance.

By 2021, the government forecasts 5% economic growth. In general, it is easier to achieve economic growth after a crisis year as the economy returns to its pre-crisis state. However, it is clear that the pandemic will be a problem at least early next year, and in the first quarter of 2021 the Georgian economy will be reduced. Added to this are tighter monetary policy, reduced foreign direct investment and the volatile political situation in the South Caucasus region. Accordingly, achieving 5% economic growth by 2020 is an optimistic scenario.

According to the pessimistic scenario presented by the government in the budget annex, the Georgian economy will shrink by 5.7% in 2020, and will grow by 2% in 2021.

For 2021, the exchange rate against the dollar is 3.29. Income per capita should increase to \$ 4,451 in 2021,

which is 7% less than in 2019. The expected level of annual inflation is 3%. [4]

Against the background of the economic recession caused by the pandemic and the existing geopolitical risks, even greater importance is attached to the sustainability of fiscal discipline and the correct definition of fiscal policy responses.

3. Conclusion

The analysis of economic shocks presented in the Macroeconomic Scenario Analysis document does not provide detailed information on the extent to which their varying degrees of materialization will affect economic parameters. It is important that the risk factors presented in the document and the effects caused by them are based on relevant quantitative indicators, which will make it possible to assess and analyze the realization of the given shocks;

It is noteworthy that, unlike in previous years, the draft budget is not accompanied by information on the appropriate fiscal policy responses in the event of pessimistic and optimistic economic scenarios. Against the background of the pandemic and the existing economic challenges, great importance is attached to flexible and timely responses to fiscal policy, which facilitates the existence of pre-determined / planned actions;

In view of all the above, it is important for the Ministry of Finance to update „Government debt management strategy for the medium term, which reflects the government’s vision of how the government debt portfolio will return to the pre-crisis level“. [5]

References

1. <https://www.geostat.ge/ka>
2. <https://mof.ge/5355>
3. <https://matsne.gov.ge/document/view/5071216?publication=0>
4. <https://transparency.ge/ge/post/sakartvelos-2021-clis-saxelmcipo-biujetis-proektis-mokle-analizi-darekomendaciebi>
5. <https://sao.ge/ka/%E1%83%93%E1%83%90%E1%83%A1%E1%83%99%E1%83%95%E1%83%9C%E1%83%90-%E1%83%A1%E1%83%90%E1%83%A5%E1%83%90%E1%83%A0%E1%83%97%E1%83%95%E1%83%94%E1%83%9A%E1%83%9D%E1%83%A12021-%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A1%E1%83%A1%E1%83%902020120212182996ka.html>