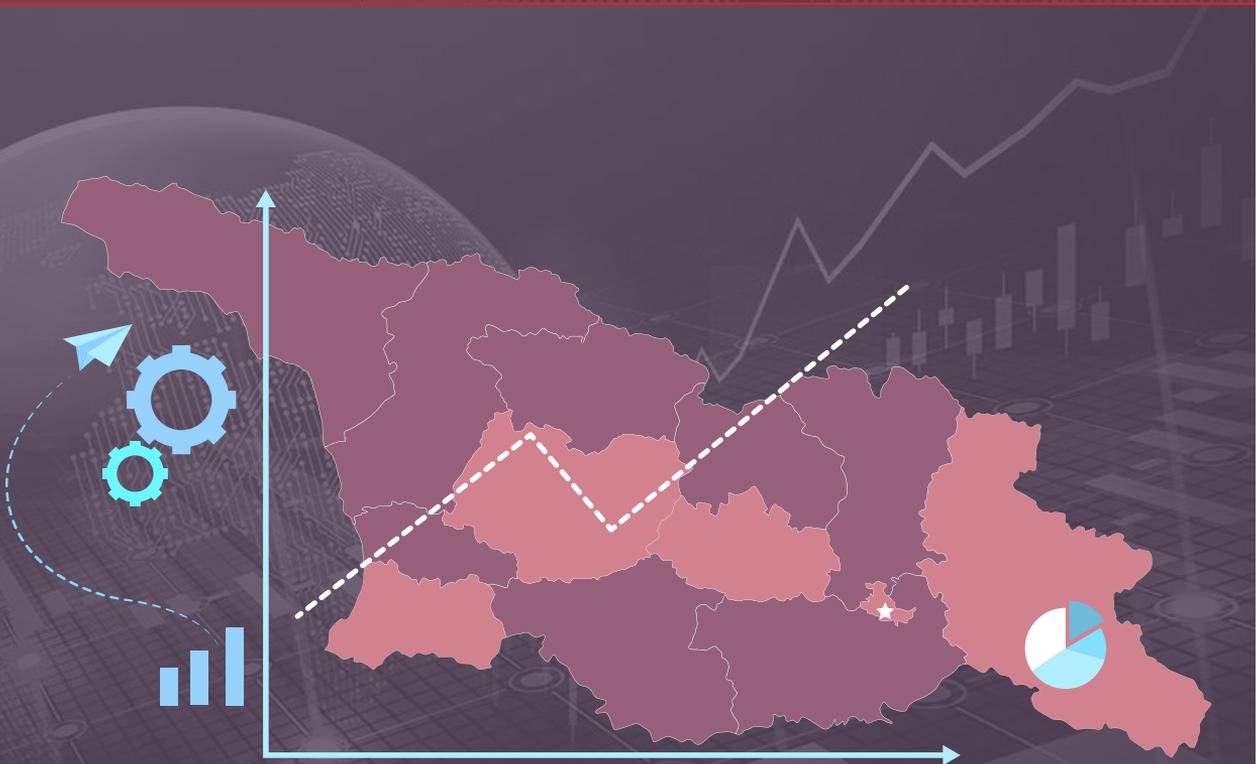


THE COVID-19 PANDEMIC AND ITS IMPACT ON GEORGIA'S ECONOMY - REGIONAL ANALYSIS

(TBILISI, ADJARA, IMERETI, KAKHETI, SHIDA KARTLI)



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In 2020, the Covid-19 pandemic caused a severe healthcare crisis and brought a devastating impact on the economy. The world, including Georgia, started assessing the scale and scope of damage back in Spring 2020, but by the end of the year, the impact became more explicit and measurable, even on the regional level. Therefore, presented projections and recommendations are more grounded and realistic.

THE IMPACT OF COVID-19 – WORLDWIDE TENDENCIES

The Covid-19 pandemic death toll has surpassed 1.5 million people, though the spread of the virus hasn't been halted yet, and the world is facing “the second wave” of the outbreak. Despite the immediate negative effect the coronavirus pandemic has caused on the economy, the summer of 2020 has been relatively loose either in Georgia or worldwide. Before closing borders again, the projections for the third quarter of the year were somewhat positive. International Monetary Fund (IMF) anticipates the world economic decline by 4,4% - a more positive outlook than June projections. Besides lifting up the restrictions, the economy's speedy recovery in developed countries is one of the major contributing factors.

According to the International Monetary Fund forecast,¹ global economic growth in 2021 is projected at 5.2%, 0.6% higher than in 2019.

In May and June, countries started “gradual opening” and removed major constraints. Consequently, the economy started to come out of the shock it received with the severe lockdowns imposed in April. Lifting up the restrictions encouraged retail trade and increased related expenditures, but most of the countries' industrial production rate remains lower than last year, December of 2019.

Countries with developed economy recovered faster than expected. For instance, in the US and China, where the initial damage from the severe restrictive measures was tremendously high, economic activities were somewhat quickly resumed as soon as the restrictions started to loosen up. Economic activities in China were encouraged by the state investments, while the government stimulus packages played a major role. Unfortunately, due to reduced consumption and significant decline of investments in India, uncontrolled spread of the pandemic in Mexico, decreased external demand on export-oriented in South Korea and drastic drop of remittances in the Philippines, made economic recovery challenging and slow.

¹ International Monetary Fund - “World Economic Outlook International Monetary Fund a Long and Difficult Ascent”, October 2020. Available at: <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

Followed by the removal of major restrictions, foreign trade resumed in June of 2020. China, where the export promptly resumed in light of increased international demand for medical products, played a decisive role in restoring world trade. Though the international trade is still significantly lower than at the beginning of 2020. International Monetary Fund forecasts a 10% reduction in world trade, somewhat similar to what happened in the 2009 world financial crisis aftermath. Though it means that all countries' imports and exports will drop, actual damage will be distributed unevenly. Projections are pessimistic for tourism-dependent economies, conditioned by international travel restrictions and the prevalent fear of getting infected while traveling. According to the Organization of Economic Cooperation and Development (OECD)² international tourism will drop by 80% in 2020 and its restoration is only expected in 2021 earliest. Almost similarly, the World Tourism Organization forecasts³ 70% decline of international tourism and projects the back to normal earliest in four years. The UN Conference on Trade and Development anticipates⁴ that if international visits decrease by 66%, this will cause the world economy to drop by 2.4%. Tourism dependent economies will experience tougher hit: Croatia's economy will drop by 8%, Portugal – 6%, Morocco – 4%, Greece – 3%, Ireland – 3% and Spain – 3%.

Initially, drastically dropped remittances are now gradually resuming, going back to normal. Also, International Monetary Fund predicts that the share of foreign direct investments in the gross domestic product will not drop and will stay above 1%.

International Labor Organization (ILO) notes that decreased number of business hours in the second quarter of 2020, equals the loss of around 400 million jobs, which is far more than 155 million lost jobs in the first quarter of the same year. Pandemic has especially and disproportionately deteriorated the situation of women employed in informal economics. According to ILO, 42% of women employed in informal economics were engaged in the sectors most severely affected by the pandemic.

As the price for medical products rises, other goods become more and more expensive too. In developed countries, the current inflation rate is as low as the pre-pandemic number. Though in developing countries, in the initial phase of the pandemic, the inflation rate dropped drastically but now it's getting back to earlier numbers. According to the prognosis, developed countries will sustain the inflation rate as low as 0.8% in 2020, it will increase up to 1.6% in 2021. Though in developing countries, inflation will reach 5% and assumingly, will slightly decrease to 4.7% in 2021.

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- 2 Organization of Economic Cooperation and Development - "Rebuilding tourism for the future: COVID-19 policy response and recovery", 2020 October. Available at: https://read.oecd-ilibrary.org/view/?ref=137_137392-qsvjt75vnh&title=Rebuilding-tourism-for-the-future-COVID-19-policy-response-and-recovery
 - 3 World Tourism Organization - "World Tourism Barometer", 2020 September. Available at: <https://www.e-unwto.org/doi/epdf/10.18111/wtobarometereng.2020.18.1.5>
 - 4 The UN Conference on Trade and Development - "Covid-19 and Tourism, Assessing the Economic Consequences", 2020 July. Available at: https://unctad.org/system/files/official-document/ditcinf2020d3_en.pdf

Governments' generous stimulus and other types of assistance packages saved the economies from devastation. Such budgetary expenses accounted for 9% of their GDP in developed countries, while an additional 11% was directed to other financial initiatives, such as funding projects, buying stocks, credits, and credit guarantees. Such stimulus packages were more modest in developing economies, but considerable: 3.5% - budgetary expenses, more than 2% - financial initiatives.

As the restrictive measures continue to persist in many countries to a varying degree, it will have a lasting influence on the economy; As the second wave of coronavirus infection is more severe than expected. This will be negatively reflected on economic projections.

ECONOMIC CONSEQUENCES OF COVID-19 PANDEMIC – GEORGIA

Either subjective or objective factors drive the Covid-19 pandemic's negative effect on Georgia's economy. Objective factors are conditioned by the circumstances, such as the worldwide decline of investments, international travel restriction, holding up international trade, drop of remittances, especially in the first phase of the pandemic, etc. The other set of contributing factors are subjective and are related to government decisions, including the decision on lockdown which went into force twice in 2020 – in Spring and in fall. These objective and subjective factors in combination define the country's economic reality, while they also have a significant impact on public health. In a centralized economy, such as Georgia, government decisions are defining for regional economic development too. Several major economic spheres will be more deeply discussed below:

GROSS DOMESTIC PRODUCT

Traditionally, regions' share in the gross domestic product (GDP) is uneven. In 2019, the Gross Domestic Product (GDP) of Georgia at current prices amounted to 49 252.7 million GEL before the pandemic. The largest share of GDP by regions is held by Tbilisi (51.2%), followed by Adjara A.R. (10.1%), Imereti (8.5%). Kakheti (5.1%) and Shida Kartli (3.9%) have lower than average shares in Georgia's GDP.⁵

Regional GDP shares by its components provide the following picture:

In Tbilisi, the largest share of GDP is held by activities, such as wholesale and retail trade, repair of motor vehicles and motorcycles (21.1%), real estate activities (12.3%) and construction (10.1%).

⁵ National Statistics Office of Georgia – “Regional Gross Domestic Product 2019“.

In the Adjara Autonomous Republic, the largest share of GDP is held by construction (19.9%), followed by real estate activities (13.9%) and accommodation and food service activities (tourism-related activities) (10.3%).

In Imereti region, GDP shares are held by the different types of activities. The largest share is held by mining and quarrying (13.2%), agriculture, forestry and fishing and real estate activities (12%).

In Shida Kartli, the agriculture, forestry and fishing sector (19%) holds the largest share of GDP, followed by the public administration and defense; compulsory social security (16.6%), and manufacturing (12.4%).

In Kakheti region, at the expense of winemaking, agriculture, forestry and fishing holds the largest share and account for 36.9% of regional GDP, followed by manufacturing (9.8%) and real estate activities (8.2%).

Obviously, the sectoral development of the regional economy has been conditioned by the negative impact of the coronavirus pandemic. Tourism dependent economy of Adjara (10% of regional GDP) has been the most severely affected. Though the tourism sector and tourism-related activities are one of the major employers in other regions too. The same applies to the trade and hospitality industry, especially restaurants, also severely damaged by the lockdown.

It's interesting to observe GDP structural fluctuations in the second and the third quarters of 2020. In the second quarter, GDP decline compared to the same period of the last year reached 12.3%, followed by the steep drop in the third quarter, down to 5.6%. As the lockdown period coincided with the second quarter of 2020, some sectors of economic activities sharply declined. Namely, administrative and support service activities (-54.7%); accommodation and food service activities (-40%); professional, scientific and technical activities (-28.8%); construction (-24.5%); arts, entertainment and recreation (-24.1%); transportation and storage (-22.6%); financial and insurance activities (-15.5%); wholesale and retail trade; repair of motor vehicles and motorcycles (-13.2%) and manufacturing (-12.1%).

Some sectors of economic activity experienced growth – namely, human health and social work activities (14.3%); education (11.7%); agriculture, forestry and fishing (4.7%); mining and quarrying (6.4%). In the third quarter of 2020, the tendency of economic decline continued to persist, despite the somewhat lift-up of the lockdown restrictions. Consequently, the structure of the economy has considerably changed: construction sector slightly grew (2%), accommodation and food service activities experienced the sharpest drop (-53.1%), followed by two sectors most closely connected to tourism - transport and storage (-25%) and arts, entertainment and recreation (-32.4%). This document will discuss these sectors and their damage later in greater detail.

Notably, many spheres experienced the decline of economic activities, such as administrative and support services (-49%); professional, scientific and technical

activities (-12.5%); electricity, gas, steam and air conditioning supply (-11.5%) and financial and insurance activities (-4.4%) while the growth was observed in the spheres such as public administration and defence; compulsory social security (4.3%); human health and social work activities (6.6%); education (5.6%); mining and quarrying (14.7%) and agriculture, forestry and fishing (1.5%).

Worth noting that maintaining GDP parameters on the level of last year demonstrates economic decline. Georgia's finance minister stated that according to IMF's projections,⁶ Georgia's economic damage in 2020 will amount to USD 1.3 billion, in 2021- USD 800 million. 2020 tax revenue projections are also pessimistic (Diagram 1), which will undoubtedly be reflected in the next year's actual budgetary expenditures.

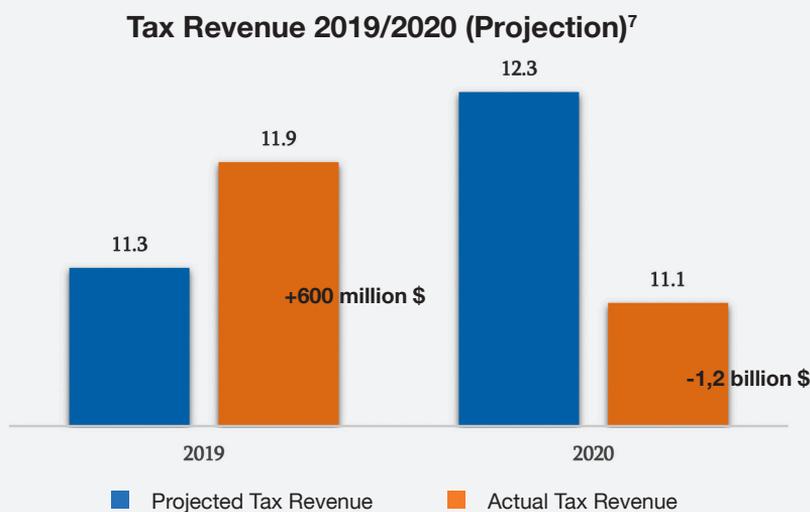


DIAGRAM 1

BUSINESS SECTOR

The current state business sector⁸ is well depicted on the 2nd Diagram, which demonstrates the business sector turnover and production value in the last years. Notably, the first and the second quarters of 2020 show a significant drop. This has been partially conditioned by the government policies of paralyzing restrictions on business enterprises and transport, as well as some other economic activities.

⁶ Address of the Georgia's Finance Minister at the Parliament, Discussion on the Draft Budget 2021, December 2020; <https://1tv.ge/news/ivane-machavariani-2021-wels-saqartvelos-ekonomikis-danaklisi-8000-milioni-dolaris-farglebshi-iqneba/>

⁷ Ministry of Finance of Georgia – “Government Report to Its Citizens 2020”, December 2020.

⁸ National Statistics Office of Georgia. Results of Activity of Enterprises. The 3rd Quarter, December 2020.

Change in the Volume of Business Sector Turnover and Production Value by Quarters (billion gel)

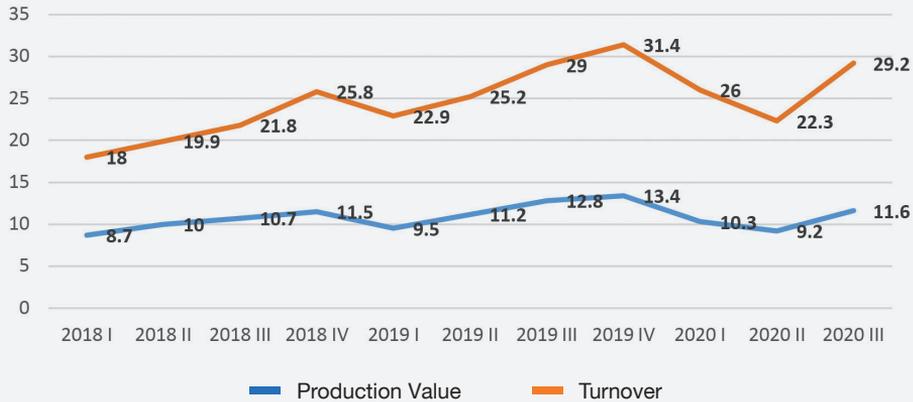


DIAGRAM 2

Source: Geostat.ge

In the 3rd quarter, business activities gradually restored and overall turnover reached almost 2019 level, but production value remained 1.8% lower compared to 2019.

What is the structure of the business sector turnover by economic activities?

The largest share of business sector turnover is held by wholesale and retail trade (including repair of motor vehicles and motorcycles) (38.8%); followed by arts, entertainment and recreation (28.4%); manufacturing (7.9%); transportation and storage (4.5%); electricity, gas, steam and air conditioning supply (2.6%) and other service activities (8.7%).

The production value structure creates the following picture: manufacturing (23.7%) and construction (20.7%) hold the largest share, followed by trade (18.8%), transport and storage (8.3%) and other service activities (28.5%).

Tbilisi, Batumi and Imereti experienced the biggest drop in turnover and production value (Diagram 3 and 4). Slight growth has been observed in Kakheti and Shida Kartli compared to the 2019 business sector turnover and production value.

Business Sector Turnover by Regions of Georgia I-II Quarters, 2019-2020 (Million, gel)

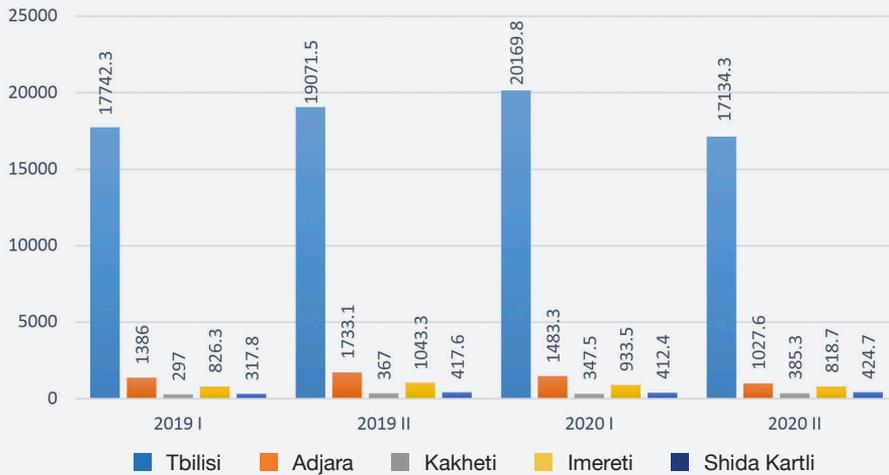


DIAGRAM 3

Business Sector production Value by Regions of Georgia I-II Quarters, 2019-2020 (Million, gel)

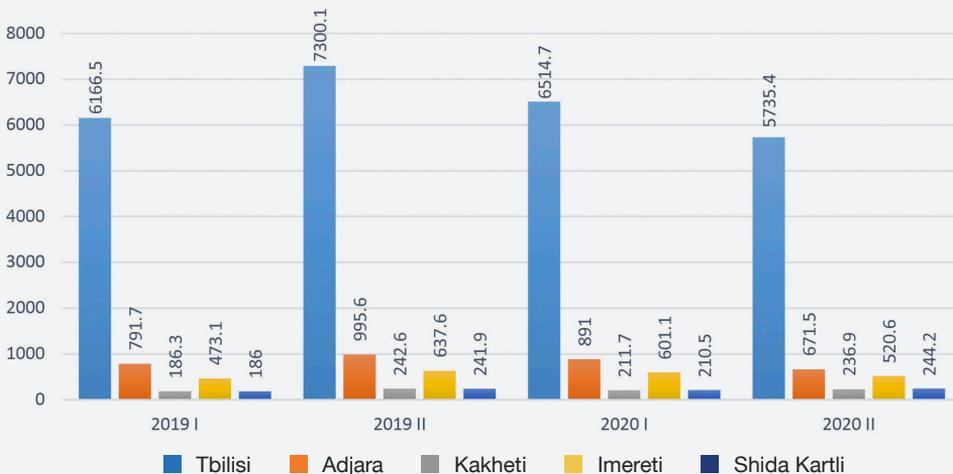


DIAGRAM 4

Source: Geostat.ge

Data demonstrates a disastrous effect coronavirus pandemic has had on number of business sectors in the regions of Georgia. This negative impact also caused a deteriorating effect on employment, especially in the business sector, compared to the public sector, where the switch to remote mode helped the industry keep its employees.

EMPLOYMENT AND UNEMPLOYMENT

In December of 2020, the National Statistics Office of Georgia revised the methodology of calculating employment and unemployment, resulted in substantial changes in the labor force structure⁹ – namely, unemployment statistics increased, employment statistics decreased and somewhat approximated to the real picture. The key factor of this change is that the self-employed persons are no longer considered self-employed – they are reclassified into other categories and consequently, in 2020, the share of self-employed decreased from 49.7% to 30.7% compared to 2019.

According to the statistics developed using the new standard methodology, the unemployment rate in the last years and the first to the third quarters of 2020 demonstrates that the unemployment situation countrywide has changed compared to the second quarter of 2020. The urban-rural dynamic is quite different in this regard – in urban areas, the unemployment rate has increased, while in the rural areas, the unemployment has slightly even decreased (Diagram 5). This tendency is conditioned by the vehicles and driving forces of economic development that are functioning in the urban areas. So, pandemic-driven economic decline and the sharp spike of the unemployment rate have particularly affected urban areas. Also, labor force distribution by sectors is considerable, which will be discussed in detail below.

Unemployment Rate in Urban and Rural Areas

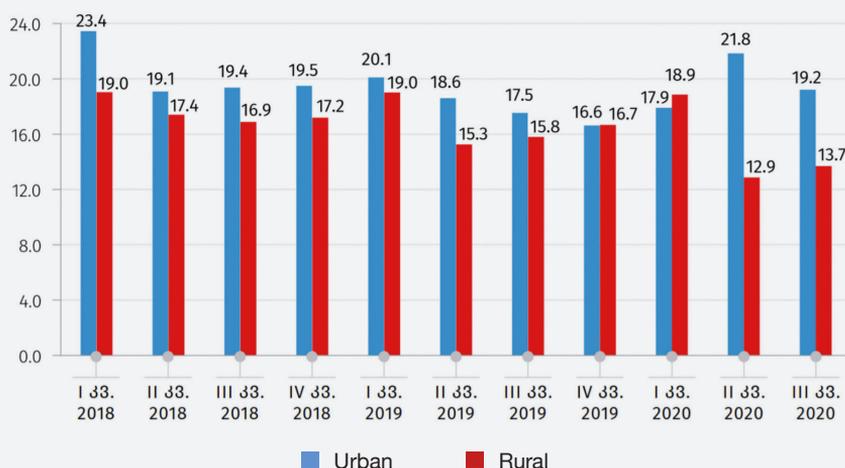


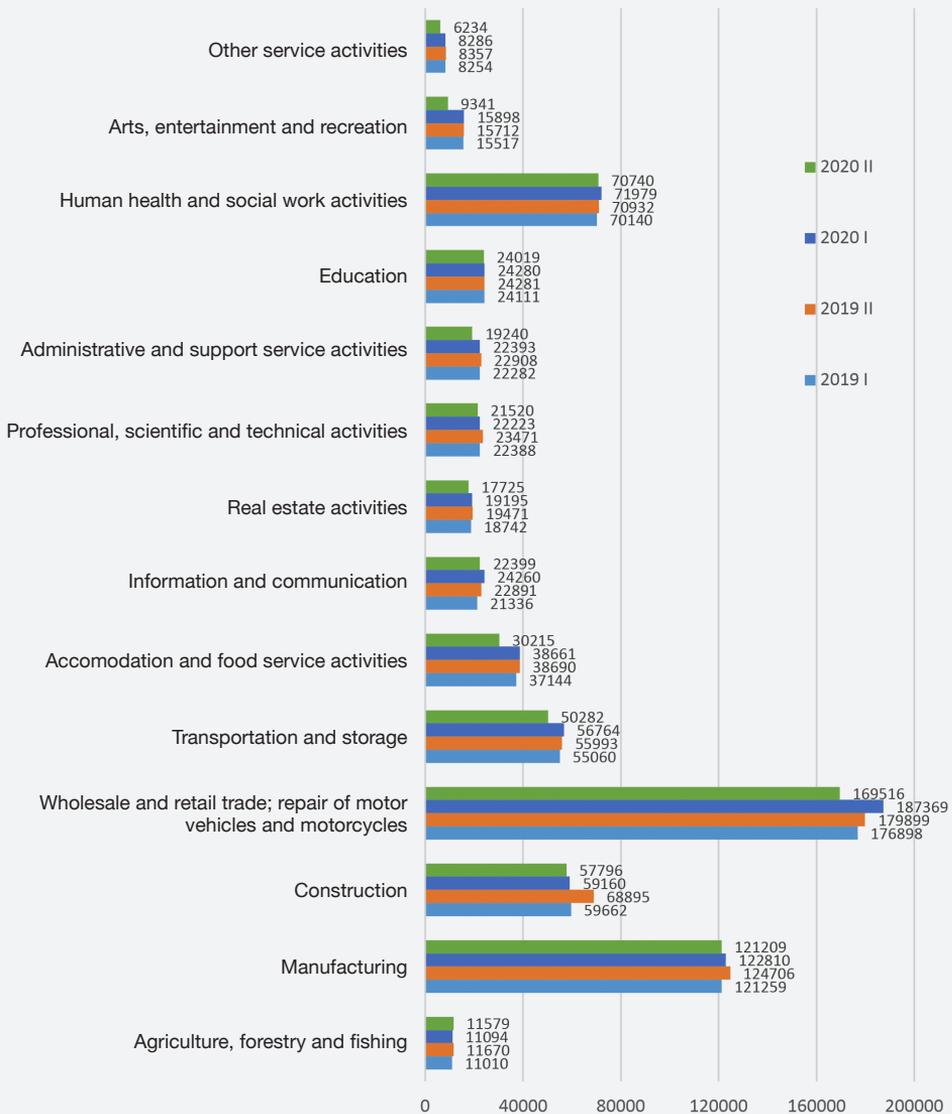
DIAGRAM 5

Source: Geostat.ge

⁹ National Statistics Office of Georgia - „New standards in Labor Force Statistics developed by the International Labor Organization”, December 28, 2020

These statistics demonstrate employment structure by regions, which is not still yet elaborated and published according to the new standard of calculating the labor force. Therefore, obsolete data is not worthy to present. Regional employment structure does not reflect the regional parity of employment and unemployment rates but allows us to infer the major conclusions.

Employment by Sectors I-II Quarters, 2019-2020



Wholesale and retail trade is the biggest employer in Georgia's business sector (almost 200 000 employers). Government-imposed lockdown policy has severely affected this sphere, resulting in the reduction of the number of employed persons by nearly 20 000 in the second quarter of 2020, compared to the first one. Also, the most negatively affected spheres are real estate activities, accommodation and food service activities, arts, entertainment and recreation (as reflected in GDP and business sector turnover statistics). In the first quarter of 2020, these sectors of business activities used to employ 70 000 more people than in the second quarter. Naturally, in regions too, people employed in these spheres were hit the most. In its 2020 report introduced in December, the Georgian government declared that it issued 200 gel social assistance for more than 125 000 employed and 250 000 self-employed citizens. These numbers do not obviously include those employed in an informal sphere or unregistered employees but overall provides a big picture of a grim reality in which around 375 000 citizens officially lost their income.

TOURISM AS A SOURCE OF INCOME AND A CHALLENGE

Georgia is among countries where tourism comprises the largest GDP contributor (11.5% in 2019). Last year, Georgia acquired 9.5 billion dollars from the goods and service export, 3.3 billion dollars revenue from tourism (34%).¹⁰ World economists forecast that countries with more than 20% tourism in their GDP is vulnerable in the face of the pandemic.

According to official statistics, more than 150 000 people are employed in tourism. However, the official statistics do not account for the unregulated and often informal employment practices prevalent in this sector – such as private transportation services, private guest houses, flat rental, and other related services.

Tourism is very special for Georgia's regions and their economic development – nonagricultural economic activities in the regions are mostly tied to the tourism industry and represent the sole important sphere of employment.

What does 2020 data demonstrate? Obviously, the closure of borders and the restrictions on international flights have severely affected international tourism. Starting from April, the number of travelers dropped drastically. For instance, if in April of 2019, Georgia was visited by 550 000 visitors, in April of 2020, only around 35 000 people traveled to Georgia (Diagram 7).

10 Galt&Taggart - „Challenges to Tourism in the Second Half of 2020”, June 2020, available at: https://galtandtaggart.com/upload/reports/18723.pdf?fbclid=IwAR0G3hO1nxj_EuHKHwDzf0Z-B75UJTavb4mocco3_qY8XFneH-0VWgR5Dv0

Number of International Visitors in Georgia January-November, 2019-2020

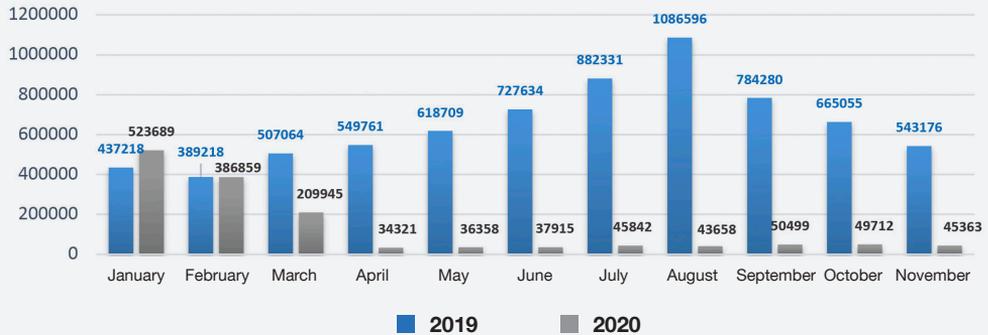


DIAGRAM 7

Source: Geostat.ge

Traditionally, tourist season peaks in August in Georgia. In August of 2019, almost 1.1 million international visitors entered the country, when in the same period of 2020, just 44 000 international travelers visited Georgia. In 2020, the highest number of visitors is recorded in September (50 499 visitors). Overall, compared to 2019, the number of international visitors drastically dropped, by almost ninety percent. The government's policies on utilizing hotels as Covid-19 treatment or isolation facilities saved the sector from the even harder hit. Officially, the government has paid around 100 million gel for Covid-19 hotel services.¹¹ Though worth noting that such government policies mostly included large and medium-size hotels. Guesthouses, accommodation services promoted on international websites, as well as restaurants and other tourism-related services, experienced devastating damage.

Naturally, Tbilisi and Adjara accommodate more visitors rather than other regions of Georgia (Table 1). Shida Kartli has the least number of accommodation spaces, which is quite reasonable as it isn't a popular touristic destination in Georgia. However, even in Shida Kartli, there are two major attractions: Stalin's Museum and Uphlistsikhe, often visited by either domestic or international travelers. However, their proximity to Tbilisi makes it less attractive for accommodation and restaurant services.

¹¹ Address of Georgia's Finance Minister at the Parliament, Government Report to Citizens, December 2020.

Accommodation Places by Regions of Georgia

Region	Number of Accommodation Places	Number of Rooms	Number of Beds
Georgia	2,707	42,214	101,286
Adjara	483	11,154	27,175
Tbilisi	535	11,522	25,772
Imereti	262	3,181	7,716
Kakheti	233	1,999	4,755
Shida kartli	27	219	613

TABLE 1

As noted earlier, these official statistics don't reflect the reality in its entirety because it doesn't include accommodation renting online services and guesthouses, as well as the transportation industry, which is actively involved in transferring groups of tourists in Georgia seasonally.

By the end of the second quarter of 2020, the government declared "domestic tourism" as a priority economic activity supporting regional touristic infrastructure after the damage it experienced in the first wave of the pandemic. However, official data about tourism doesn't support the prevailing perception that the government spurred domestic tourism, and more people traveled internally this year rather than previously. Diagram 8 demonstrates that fewer domestic travelers visited Georgian regions in 2020 than in previous years.

Domestic Visitors (15+ Citizens) in Georgia I-III Quarters, 2019-2020 (Thousands)

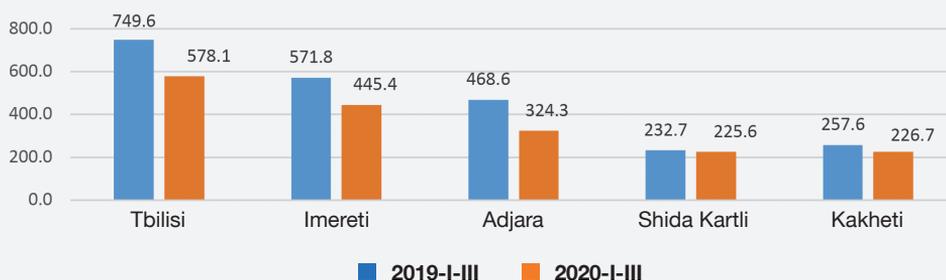


DIAGRAM 8

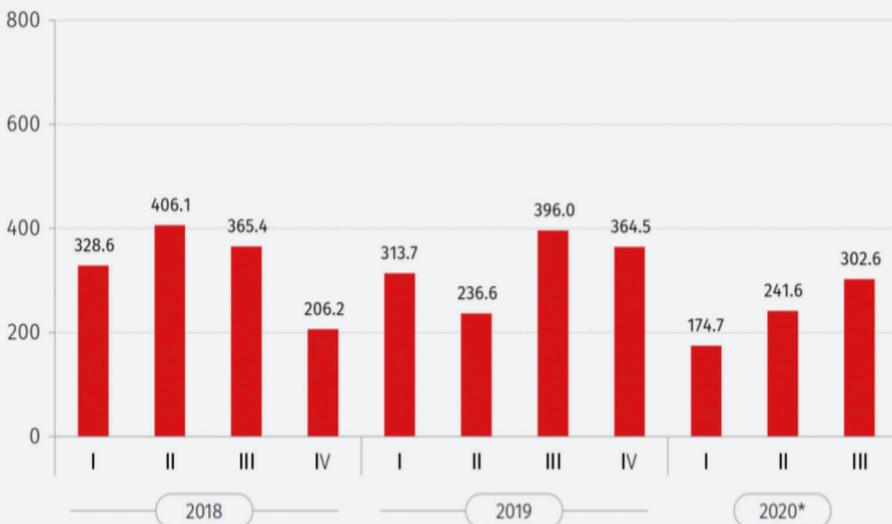
Source: Geostat.ge

FOREIGN DIRECT INVESTMENTS - REGIONAL ANALYSIS

The decline of foreign direct investments in Georgia have started neither in 2020 nor with the pandemic. Despite the fact that Georgia ranks seventh in the doing business rating and the twelfth in the Economic Freedom ranking by Heritage Foundation, a deficit of trust in the justice system, inconsistent economic policies, failure of Anaklia port project, issues with other large-scale investors such as “Frontera Georgia”, unstable visa regime (especially with the countries in the east), regulations and complications related to selling land to foreigners and generally, unstable and perilous investment climate contributed to the drop in foreign investments in Georgia.

The downward trend in foreign investments starts earlier than 2020, before the pandemic and its shocking effects reached Georgia. In the 1st quarter of 2020, the total volume of investments amounted to 165.4 million USD, 47% lower than the same period of 2019. Government names two major factors that caused the decline: the nationalization of several major enterprises and nonresident foreign investors who benefited from the reduction of debt service obligations. Besides these factors, the completion of the Shah-Deniz gas pipeline project was one of the major reasons for declining investments in Georgia. More specifically, the launch of the Shah-Deniz pipeline has somewhat blocked (by around 50%) the investment from Azerbaijan. Of course, all the factors mentioned above were exacerbated by the pandemic and economic crisis it spurred.

**Foreign Direct Investments
2018-2019-2020
(Million USD)**



Regional picture of foreign direct investments is not uniform: (Diagrams 10 and 11).

**Foreign Direct Investments by Regions (Except Tbilisi)
I-III Quarters, 2016-2020
(Thousand USD)**

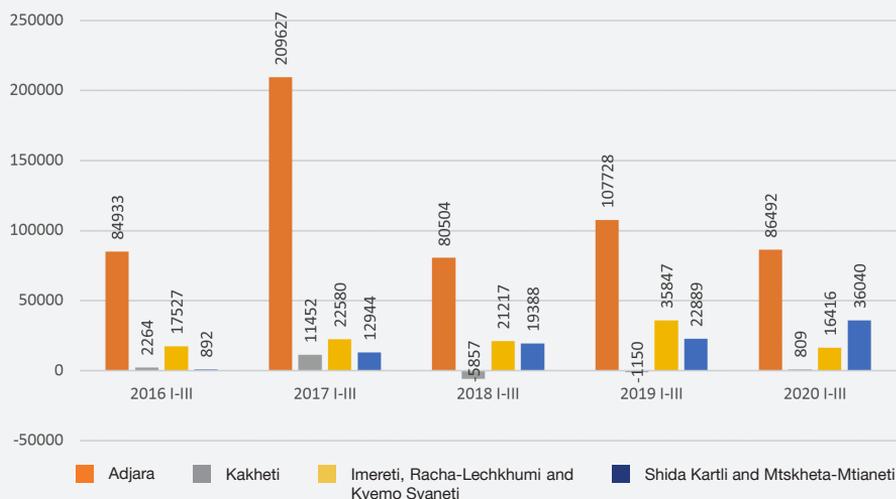


DIAGRAM 10

**Foreign Direct Investments
I-III Quarter, 2020, Tbilisi
(Thousands USD)**

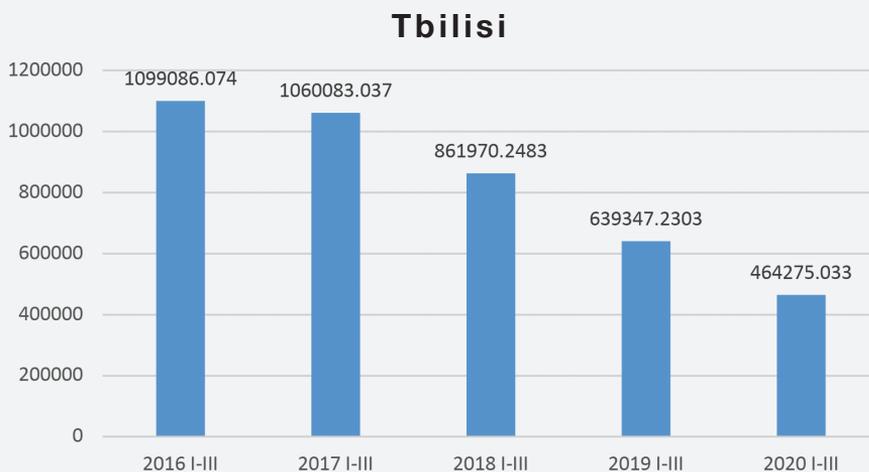


DIAGRAM 11

Data shows that 2017 proved to be positive for investment but later, the regional dynamic changed significantly: Kakheti was the least invested in the first three quarters of 2020 – total investment amounted to just 809 000 USD. As last years were marked by the extraordinary drain of dividends and investments from regions, 2020 statistics show even some minor improvement. Traditionally, throughout Georgia, the biggest amount of investments is made in Tbilisi (465 million USD), though the first three quarters of 2020 is just one third and 175 million USD less of the total investment made in 2019. Adjara is the second most invested region in Georgia. Interestingly enough, compared to the last year, foreign investments in 2020 are reduced by 21 million USD, the equivalent of 2016 and 2018 data. The diagram shows that investments peaked in Adjara in 2017 when the region received 210 million USD, approximately 2.5 times more than in 2020. Compared to the last year, investment in Shida Kartli and Mtskheta-Mtianeti has slightly increased in 2020, from 23 million USD to 36. Obviously, the regional investment climate is conditioned by country and the world investment tendencies. However, some regions have some minor advantages compared to the others: more specifically, Tbilisi and Adjara region – due to their higher self-government level and intensity of business activities, they run a somewhat independent investment climate too. However, as noted earlier, investment resources are shrunk worldwide and Georgia's government will have to undertake innovative measures to divert the descending tendency and improve Georgia's investment climate.

GOVERNMENT ASSISTANCE

Officially, around 375 000 people who lost their jobs in Georgia were eligible for 200 Gel government assistance. 100 million gel was sent on Covid-19 treatment and isolation hotels; property tax relief was granted to some companies in the tourism sector, exclusive of restaurants and other indirect service spheres; subsidies for hotels and some restaurant businesses (65 million gel); income tax relief was granted to those physical persons hired with employment contracts and whose salary ranges between 750-1500 gel. These assistance packages were dedicated entirely to the private sector, which would contribute to the state budget with 540 million gel revenue in normal circumstances. Apart from the tourism sector, the government implemented some other stimulus and assistance policies. The mortgage deferral program though, didn't burden the state budget but significantly burdened its payers. To assist the construction sector cover mortgage referrals, the government spent around 60 million gel, while 100 million was directed to the business stimulus fund. Government social spending is detailed in the diagram below.¹²

12 Address of Georgia's Finance Minister at the Parliament, Government Report to Citizens, December 2020

Government Assistance Expenses (Million gel)

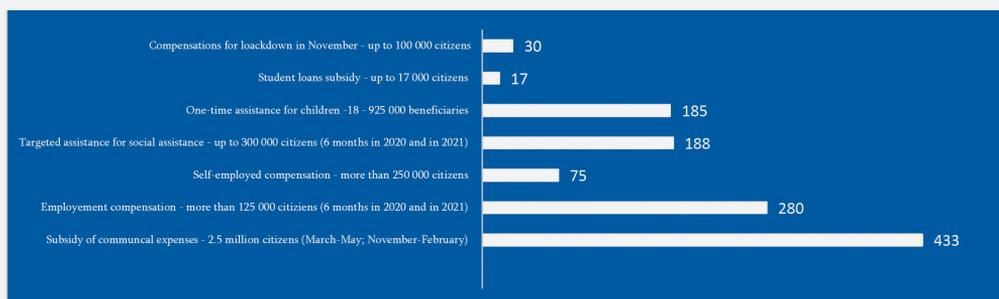


DIAGRAM 12

Source: Mof.ge

Obviously, some questions regarding the transparency and effectiveness of spending government resources arise. Such questions stem from some alleged corruption cases and are connected to doubts on relevance and reasonability. The same concerns apply to the 240 million gel allocated for the coronavirus spread prevention and treatment and healthcare sector infrastructure improvement expenses. As of now, information on government spending by regions is unattainable and those already available provide just a big picture on the government’s assistance efforts.

CONCLUSION AND RECOMMENDATIONS

To support economic development amidst the severe crisis, the government has several direct and indirect mechanisms at its disposal. If effectively implemented, these mechanisms should save the country’s economy and improve the situation regionally too. Below recommendations imply the following long- and short-term measures:

Aiding those who lost their jobs is a direct measure government should implement. This is not just an act of social assistance, but it has an effect of “launching” money in the economy and helps demand generation. Other aid packages, such as one-time compensations, business stimulus, credit reliefs, tariff subsidy and other pandemic-driven social assistance measures have a short-term effect. They can extinguish fire now but not in the long run because the resource is exhaustive.

In 2020, the agreement was reached with international donors about allocating 1.9 billion USD to Georgia. However, Georgia still had to increase its national debt by 60%. 2021 becomes even tougher and more challenging with this amount of debt. Therefore, in these recommendations, we are not concerned with short-term solutions such as social assistance and stimulus packages but encourage to think about longer-term, global strategic moves.

Effectively implementing short-term and rapid response measures, it's crucial to identify social needs for all groups of society so that resources are allocated in a way that children below the poverty line actually survive. Besides, it's crucial that the government supports and aids local producers and entrepreneurs, even with logistical support (for instance, when the border closure prevents Georgian producers from supplying their product on markets).

The world practice of lockdown revealed¹³ that it is not a solution not even from a healthcare perspective because lockdown is always followed by outbreaks and has a devastating effect on the economy. Hence the government should try to avoid this path and instead, create incentives for distance work where possible and strictly monitor the adherence to the safety measures where remote work is not possible.

Support to the strengthening of the healthcare system is the foundational measure to achieve a short-term effect. Also, taking the international practice into account is very important. The government should invest its efforts in securing and importing vaccine in Georgia and debunking vaccine-related myths in the society – stable healthcare service and immunity acquired through vaccination should become enough precondition for economic revival.

Pandemic revealed that the first level of the healthcare system has a significant role in addressing the local level crisis. Therefore, training and equipping medical personnel requires additional effort and investment from the government. It's crucial to strengthen, equip and encourage local medical centers in the region so that first level healthcare service is available locally.

13 “Covid-19 Pandemic – Is the Reaction Relevant to the Threat?”, September 2020, available at: https://eprc.ge/uploads/Lasha_Dolidze_-_COVID19.pdf

Infrastructure is one of the driving factors for the economy – in the time of economic downfall, infrastructure development is the way to create new economic values and employment opportunities. That's why ongoing infrastructure projects should be accelerated and not halted. Projects such as highways, ports and others should be completed. Infrastructural projects – either of national or international importance – create an excellent opportunity to attract investors, at least in a longer-term perspective.

Pandemic in 2020 proved that improving technology, domestic and international logistics and education is crucial – business's successful transfer to the online market would be smoother and more effective if logistics, namely Georgian post service was more reliable and better operational and if online payment systems were functioning properly. Technological capacity and knowledge on international commerce appeared as the only way to save the economy in times of the pandemic and massive lockdown.

When a pandemic has demonstrated an utterly detrimental effect, the restriction on movement might have on the economy. So, ensuring logistical connections is essential to keep the economy functioning, namely for regional trade and engagement in international trade too. In this regard, it would be beneficial to initiate the projects on creating international trade hubs in Georgia, establishing storage hubs for Georgian exported products abroad or assisting Georgian companies successfully transfer to global online markets.

In a country like Georgia, the central government is primarily responsible for attracting investments for the aforementioned policy initiatives. However, the local government can also engage with its innovative and interesting initiatives and increase the competitiveness of the region only in the sphere of tourism, as traditionally expected. Pandemic and previously, Russian imposed travel ban proved how fragile tourism-centered economic calculations can be. Instead, developing regional logistical hubs, educational centers, high tech spaces, or just developing a specific sphere of public health would be beneficial and attractive either for the country or for international investors and consumers.

