

## Opinion & Analysis

Misunderstanding in Georgian Parliament

FULL STORY ON Page 2

Preventing COVID-19: Council of Europe supports prison systems in Armenia, Georgia, Moldova, Montenegro and North Macedonia

FULL STORY ON Page 2

## Economics

Foreign direct investment falls by 41.7% in the first quarter of 2020



FULL STORY ON Page 3

# PM presents anti-crisis budget for 2020



With an anti-crisis budget, the economy will shrink by 4%, the deficit will be 8.5%. Photo: Gov't Press

BY NATALIA KOCHIASHVILI

The Government of Georgia has presented a draft anti-crisis budget for 2020 on 9<sup>th</sup> of June, before sending it to the Parliament of Georgia later yesterday. It was prepared by the Ministry of Finance due to the economic crisis caused by the Coronavirus pandemic.

According to the Prime Minister Giorgi Gakharia, the parameters of the anti-crisis

budget have been agreed with the International Monetary Fund.

With these settings economic growth will be -4%; ₾1.8 billion will be deducted from the budget revenue; Current and capital expenditures will be reduced by about ₾600 million; The budget projection deficit will increase from 2.5% to around 8.5%; The current account deficit will shrink to 10.3% of GDP; Exports will decrease by more than 6%; Tourism

and remittances will be reduced significantly; Consolidated budget tax revenues will be reduced by more than ₾1.5 billion.

According to Gakharia, the anti-crisis budget has nothing to do with the post-crisis plan, which the government is working with local and international experts to restore the economy in 2021-2023.

The PM says the biggest problem of the economic crisis is unpredictability,

and this challenge is even more severe for Georgia's open and small economy.

"In 2020, consolidated budget revenues (excluding debt and donor grants) were planned at ₾13.70 billion. Because of the pandemic, the loss of revenue amounts to just ₾1.81 billion," reads the budget.

As announced, ₾3.4 billion will be mobilised for the anti-crisis plan. Additional resources mobilised in the budget to prevent the pandemic and its consequences amount to ₾5.63 billion, which includes credits allocated by the international partners (4.47 billion GEL): EU grant - ₾330 million; StopCoV foundation - ₾133.5 million; Interest receivable as a result of placing additional mobilised resources on deposits - ₾53.5 million; Increase in domestic debt - ₾650 million.

According to Natia Turnava, Minister of Economy and Sustainable Development of Georgia, more than ₾600 million has been saved in the anti-crisis budget to mobilize financial resources, which also affected part of wages.

According to the Minister, the public sector has been reduced by ₾60 million in terms of wages, which she calls 'tightening gov't's belts.' She said that besides the urgent need trips, business trips will not be funded, entertainment or sports events planned until now will be postponed, and so on.

The Minister said at a briefing after the end of the Coordination Council that the budget has been adjusted to the





# Misunderstanding in Georgian Parliament

BY MALKHAZ MATSABERIDZE

Georgia will hold parliamentary elections in late October 2020. However, much remains unclear about the election. It is unknown whether the constitutional changes will be implemented, it is unclear what the composition of the government will be before the elections and what the Georgian Dream's electoral list will be, or how long the opposition will remain united and what it will be able to agree on before the election.

The public hearing of the constitutional amendments began on June 4<sup>th</sup>, and the discussion will continue in the second half of June but the future of the constitutional amendments is still unclear. The United Opposition also said it would not support constitutional changes without releasing Giorgi Rurua from prison. The government is not going to do that. Both sides blame each other for the possible disruption of the March 8<sup>th</sup> agreement.

Against the background of these mutual accusations, it is noted that the government can

make constitutional changes in case of mobilization of its own parliamentary deputies and the votes of independent parliamentarians. In the current situation, the issue of changes in the parliament may be raised in such a way that the results of the voting are still unclear.

The issue of constitutional changes, despite its importance, was covered by the Prime Minister's topic last week. Giorgi Gakharia, the head of the Georgian government, visited the parliament twice in a row - once presenting a government report and the second time - at the request of the opposition. An ordinary citizen, watching the noisy argument between Gakharia and the opposition, remembers the insulting statements and the two main messages: "Everything is going well," says Gakharia, "Everything is going South," replied the opposition.

Suddenly, on June 3<sup>rd</sup>, information was spread about Gakharia's expected resignation in the coming days. According to backstage reports, Bidzina Ivanishvili, a leader in the shadow of the current govern-

ment, has decided that Gakharia should resign (according to one version recently, according to another - a few months ago, before the outbreak of the Coronavirus epidemic.) Several possible candidates for the post of the Prime Minister have also been nominated.

Prior to the announcement of Gakharia's resignation, it was rumored that Gakharia would join the opposition before the election and form his own political party. If Gakharia is really released from power and he stays in politics, he will really be able to gain the support of a certain segment of the electorate, presumably the people who are demanding a tougher policy towards the United National Movement.

Last week, the issue of the Prime Minister was followed by great excitement among the opposition, but Giorgi Gakharia had nothing to do with it. The case concerned a possible prime ministerial candidate for the opposition if he wins the election. One of the opposition politicians named Giorgi Vashadze, which was followed by statements from

several parties in the United Opposition that Giorgi Vashadze would not be considered a candidate for the post of Prime Minister. The statements were as harsh as if they had already won the election and really needed to elect a new prime minister. This dispute showed the weakness of the unity of the opposition.

It seems that the opposition will not be able to reach an agreement on the common candidates of the MPs. This topic was actively discussed last week. Some parties, such as Lelo, have said they will field candidates in all majoritarian constituencies, while others have called on the United National Movement and European Georgia to be more lenient with small parties and support their proposals in majoritarian constituencies. Some urge that if not in all constituencies, Tbilisi may still agree on common candidates. So far, the opposition has agreed on only one thing - they will support the opposition candidates in the second round. But first the case must go to the second round.

The nomination of many candidates by the opposition in the majoritarian constituencies gives

a great advantage to the candidate of the government, because in his favor important finances and the entire administrative resource will be mobilised. Against the backdrop of the pre-election unrest, the government has made major macroeconomic predictions for parliament. It forecasts the country's economy to shrink by 4%, while the Georgian government's debt to GDP ratio will reach 58% by 2020 (the allowable limit is 60%), but it promises to be reduced to 54.5%. In 2020, the government will receive a foreign debt of 7.1 billion GEL, and the total foreign debt will reach a historical maximum of 30 billion GEL. This is obviously a very worrying indicator in the long run,

But solving short-term tasks is more vital for the government - the 2020 parliamentary elections are at the door, and it is important that the current situation of ordinary voters in the crisis-stricken and impoverished country is relatively improved and motivated to support the government.

(Translated  
by Mariam Mchedlidze)

## PM presents anti-crisis budget for 2020

CONTINUED FROM Page 1

country's anti-crisis needs. She expressed hope that the anti-crisis budget will be approved in the near future. A few days ago, the government submitted a revised version of the budget to parliament. Discussion of the document has not yet begun in the legislature.

According to the budget, primary current expenditures have reduced by ₾199.6 million, while capital expenditures were reduced by ₾347.5 million.

On the other hand, primary current expenditures for the pandemic increase by ₾1.87 billion; capital expenditures - by ₾

123.8 million; Debt service and repayment increases by ₾42 million.

As a result state budget allocations increase by a total of ₾1.49 billion and amount to ₾15.92 billion.

Gakharia said that the government is working with international partners and predicts Georgia will be one of the first countries that will be able to recover.

The government of Georgia will take a new loan worth ₾4.47 billion to handle the crisis caused by the coronavirus pandemic, according to the anti-crisis budget for 2020.

The increase in the deficit is directly related to the increase in government debt. According to the current forecast, by the end of this year, the volume of debt will approach 55 % of the GDP.

According to the budget, it is necessary to gradually reduce

the government's debt in the coming years and to return to the pre-crisis parameters as soon as possible.

"In order to achieve this goal, the borrowing rate will be significantly reduced from 2021, and therefore the volume of debt in relation to GDP will be partially reduced next year," reads the budget.

Georgia's Deputy Finance Minister Giorgi Kakauridze says Georgia's economy has shrunk by more than 16% as of April due to the pandemic.

"Of course, this will be reflected in the annual rate," said the Deputy Minister, adding that the country's economy will shrink by 4 % this year.

He said the country's economic growth in 2019 exceeded the planned rate and was 5.1% instead of 4.5%. Kakauridze also noted that a similar trend continued in January this year and exceeded 5%.

## Preventing COVID-19: Council of Europe supports prison systems in Armenia, Georgia, Moldova, Montenegro and North Macedonia

In response to the emergency of COVID-19 pandemic and to the need of providing urgent support to inmates and prison staff, in the context of its cooperation programmes, the Council of Europe has donated protective materials to five member States: Armenia, Georgia, Moldova, Montenegro and North Macedonia.

In Georgia, donations included 6,500 masks, 2,500 face shields and 500 litres of sanitizer and antiseptic liquid, 20 pulse oximeters; 5,000 disposable plastic shoe covers; and 3,000 medical disposable headcovers.

A total of 13,760 masks; 2,500 facial shields; 1,240 liters of disinfectant/sanitizer for hands and surfaces; 84,000 gloves; 99 infrared thermometers; 2 oxygen generators; 5 portable saturimeters; 10 bactericide lamps; 50 medical uniforms; 100 protective glasses, 20 pulse oximeters; 3,000 head covers; 5,000 shoe covers were delivered to prison administrations in the mentioned countries. 850 pieces of disinfectants and 5,000 gloves are also under way of delivery in North Macedonia, and additional items are expected to be purchased in Montenegro and Azerbaijan until end of June 2020.

These donations aim at supporting the commitment of the Council of Europe member States and their national prison administrations to adhere to the CPT statement of principles for the treatment of persons deprived of their liberty (see the statement also in Georgian here), in accordance with the World Health Organization guidelines in relation to the COVID-19 pandemic.

The donations were delivered following requests from the Ministries of Justice and prison administrations within the framework of the cooperation activities implemented by the Criminal Law Cooperation Unit, Action against Crime Department, Directorate General Human Rights and Rule of Law.

The donation to Georgia was possible in the framework of the project *Enhancement of Human Rights and Health-Care Support to Penitentiary System* (financed through CoE Action Plan for Georgia 2016-2019).

### Weather

Wednesday, June 10

Day  Clear

High: 32°C

Night  Partly Cloudy

Low: 19°C

Thursday, June 11

Day  Partly Cloudy

High: 33°C

Night  Partly Cloudy

Low: 19°C

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# Foreign direct investment falls by 41.7% in the first quarter of 2020



World Bank estimates -4.8% decline of GDP for Georgia in 2020.

BY NATALIA KOCHIASHVILI

National Statistics Office, Geostat released the preliminary data on 9<sup>th</sup> of June regarding the foreign direct investment (FDI) in Georgia. FDI has reached \$165.4 million in the first quarter of 2020, which is 41.7% decrease compared to the same period of last year.

The highest rate in the first quarter of 2017 (\$411.7 million) was recorded in 2017. Since then, this figure has been declining every year: 2018 - \$323.5 million, 2019 - \$283.6 million.

“The main reasons for decreasing the FDI included completion of a pipeline project and transferring of ownership in some companies from non-resident to resident units,” Geostat noted.

The top 3 countries that invested the most in Georgia in Q1 of 2020 were United Kingdom (44%), United States

(17%) and Panama (11.9%). Most of the FDI came from the United Kingdom – \$73.1 million, followed by the United States – \$28.1 million; Panama – \$19.6 million; Denmark – \$11.6 million; Netherlands – \$11.2 million; Turkey – \$11.1 million; Russia – \$10.8 million.

Georgian Finance Minister Ivane Matchavariani said that the decline in FDIs as well as the 16% decrease of the Georgian economy in April was caused by the coronavirus pandemic.

Georgian Economy Minister Natia Turnava said that the economy is shrinking around the world and also affects the Georgian economy.

“This year and the statistics we have in the first quarter of this year are not usual. The economy is shrinking and declining globally,” she said, adding that this will affect investors’ attitudes in general, not only towards Georgia, since when there’s uncertainty on the global markets, decisions about investments and new projects are harder. Thus, the minister says the decline in FDIs is caused by the pandemic.

Turnava emphasized that the Ministry of Economy is working to attract investments in 2021 and noted Enterprise Georgia which has a strategy to attract investments.

The financial sector received the largest share of FDI – \$94.9 million, followed

by the real estate sector – \$34 million; hotels and restaurants – \$15.8 million. The share of FDIs by these three economic sectors reached 87.5% in Q1 of 2020.

Other Sectors were: communications – \$12.8 million; mining – \$10.4 million; construction – \$7.7 million; transport – \$6.4 million; manufacturing – \$4.5 million; health and social work – \$3.5 million.

Hereby, the World Bank’s recent report ‘Global Economic Prospects 2020’ is noteworthy. According to the document, the real gross domestic product (GDP) will decline in 2020 in Georgia and is estimated to be -4.8%, with projected recovery of growth at 4% in 2021.

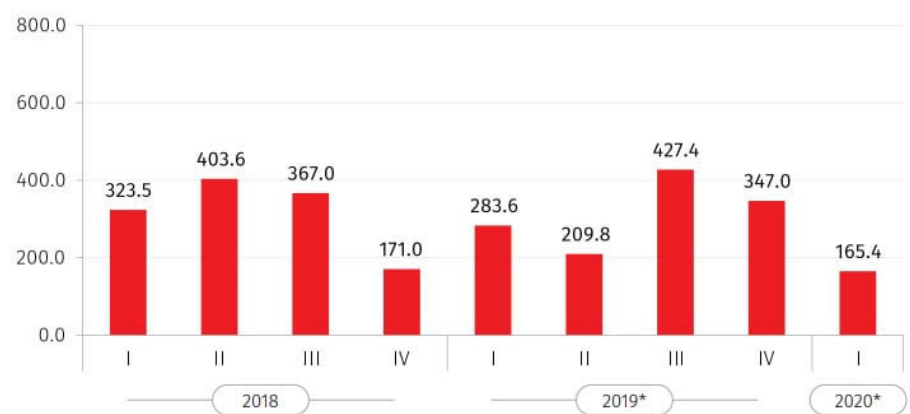
ery of growth at 4% in 2021.

The report also cites Georgia’s announced fiscal measures that are equivalent to 3% of GDP over the next few years, which include additional health spending, support for the tourism sector, accelerated and increased VAT refunds, a moratorium on tax payments for low-income earners, subsidised utility costs of the poor, and unemployment subsidies.

Overall, the Global Economic Prospects 2020 forecasts that growth in the South Caucasus will shrink to -3.1% this year as the subregion faces growth headwinds from the COVID-19 pandemic and, subsequently, low commodity prices.

“Activity is projected to pick up to 3% in 2021, as the impact of shocks related to the COVID-19 pandemic dissipates and tourism recovers alongside improving consumer and business confidence in Armenia and Georgia,” reads the report.

FDI IN GEORGIA IN 2018-2020 (MILLION US DOLLARS)



The chart shows dynamics of FDI during 2018-2020. Photo: Geostat

## CLASSIFIED

### Newly renovated building for sale or rent in the heart of Tbilisi

It is a fully equipped boutique hotel, which also can be transferred into a representation office

- Location – in the heart of Tbilisi, Next to the Ministry of Defense
- Newly reconstructed and newly renovated with high standards
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- 26 rooms, fully equipped with high standard furniture and equipment
- Common spaces (two terraces, one large area for lunches, one conference room)
- Fully equipped restaurant with the EU standard equipment
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- Autonomous supply of water (reservoir) and electricity (generator)

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