

Statement by the Staff Representative on Georgia
December 21, 2022

This statement provides an update on developments since the staff report (EBS/22/112) was issued on December 7, 2022, specifically on remaining prior actions, which staff now assess as met, and on passage of the 2023 budget. This information does not alter the thrust of the staff appraisal.

- 1. The prior actions on state-owned enterprise (SOE) governance reform have been met** (MEFP ¶6). Specifically, the prior actions on finalizing and adopting a public corporation (SOE) reform strategy, issuing a timebound plan for implementation of the SOE reform strategy including to pilot it in three major SOEs starting in the first quarter of 2023, and determining the ownership of the Georgian State Electrosystem (GSE) have been completed. This was achieved through the adoption on December 14, 2022 of government decree number 573, which includes the overall SOE reform strategy, a timebound implementation plan, and an action plan to pilot the strategy in three major SOEs in 2023. These documents were developed in consultation with IMF staff. The strategy and the timebound implementation plan stipulate that the ownership of GSE will be shared equally between the Ministry of Finance and the Ministry of Economy and Sustainable Development.
- 2. The final SOE reform strategy reflects IMF policy advice.** The strategy calls for the introduction of corporate governance standards for SOEs such as each SOE having a qualified, independent board to supervise its executives; the operation of SOEs under commercial principles and competitive neutrality; the clarification of state ownership goals and rationales under the dual ownership model (equal ownership of the Ministry of Finance and the Ministry of Economy and Sustainable Development with an exception for power generation companies);¹ and the strategic management of SOEs in line with statements of corporate intent to be submitted to shareholders annually. The implementation plans will advance the strategy's principles, which will also be reflected in a framework law on SOEs (end-September 2023 SB).
- 3. The Georgian Parliament approved the 2023 budget on December 15, 2022** (MEFP ¶7). The approved budget is in line with program commitments with an augmented deficit target of 2.8 percent of GDP, below the 3 percent of GDP fiscal rule ceiling.

¹ To comply with European Energy Community unbundling requirements, power generation companies will be overseen by a new independent council with board members approved by Parliament, but will be subject to the other key elements of the strategy.