IMF Refuses Loan Tranches To Georgia

Author: Otar Soselia

A recent International Monetary Fund mission to Georgia has refused to authorise 32 million dollars in loan tranches to the country for the year 2000. IMF experts blame Tbilisi's budget imbalances and Georgia's widespread corruption.

According to John Odling-Smee, the IMF's European II Department Director, Georgia made considerable headway in economic reforms during the period 1994-97.

But Odling-Smee, whose recent visit was his fourth to Georgia, believes that pace of reform in the years that followed had been too slow. Data for economic growth indicated a decline from 10 per cent to 2-3 per cent. Following a rise in gross income of five per cent in 1995 and nine per cent in 1997, there has been no increase since.

The IMF representatives point to corruption as the principal reason for this stagnation. Several dominant groups in the economic field are exploiting their financial and political influence to halt reform in the country.

It is anticipated that the IMF decision will have a knock on effect on the World Bank, leading to refusals on their loan tranches too. Hence, the Georgian government's renewed efforts to increase domestic revenue receipts.

Teimraz Basilia, President Eduard Shevardnadze's advisor on economic reform, believes, however, a compromise with the IMF is not out of the question. The IMF is scheduled to consider new forms of collaboration with Georgia in February 2000. These talks are expected to focus on social issues such as health care and education.

The question of corruption aside, the Georgian budget imbalance another obstacle facing the further disbursement of funds. The IMF has rejected the proposed budget for 2000. The estimated deficit for 1999 is 200-220 million lari (100-110 million dollars).

Odling-Smee said no new tranches would be forthcoming until Georgia implements a "targeted economic policy" that will enable the implementation of the budget. The IMF is insisting that Georgia presents a more realistic budget proposal, linked to realistic estimates of revenue and thorough improvements to the tax collection system. The 2000 budget is not now expected to pass before February 2000.

The people of Georgia now associate the IMF mission with their unpaid salaries and pensions, the lack of energy resources and the instability of the national currency.

The IMF has defined the main directions for economic reform - the expansion of the taxable base, the acceleration of privatisation in the communications and energy sectors and the modernisation of the agricultural sector.

The IMF is scheduled to visit Georgia once more before the presidential elections next year. Meanwhile the Georgian government will have to try and solve the nation's economic problems alone.

A vital component of any strategy must be the annihilation of the corrupt groupings blighting the Georgian economy. Without quashing this problem, Georgia faces being labeled "persona non grata" by international financial organisations.

The IMF council decision on further collaboration with Georgia will follow reports from the mission experts and is expected in early February 2000.

Otar Soselia is an economic analyst for EcoDigest newspaper in Tblisi.

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