

PM Garibashvili holds high-level meetings in New York

By KHATIA BZHALAVA

Georgian Prime Minister Irakli Garibashvili is attending the 76th Session of the UN General Assembly which is taking place on September 21-27 in New York. The Head of the Georgian Government will address the 76th Session of the UN General Assembly on September 24. Within the framework of the UNGA, Garibashvili holds meetings with his counterparts and leaders of different countries in a bilateral format.

PM of Georgia held a meeting with Turkish President Recep Tayyip Erdogan where Garibashvili noted that 'Georgia is committed to fulfilling its peacemaking purpose toward long-term peace and stability in the Caucasus Region' as, according to him, supporting peace and stability in the region is the top objective of the country.

The parties underlined that the agreement reached between Armenia and Azerbaijan through the mediation of Georgia and the US, which resulted in the release of Armenian war prisoners, is an 'excellent' foundation for further cooperation between the neighbours.

Georgian PM also met with Prime Minister Sabah Al-Khalid Al-Sabah of the State of Kuwait and discussed deepening the partnership at all institutional levels. The PM of Kuwait expressed an interest in implementing investment projects in Georgia. The conversation also focused on developing trade and economic potential between the two countries and supporting tourism. The importance of opening an embassy of Kuwait in Tbilisi was also emphasized for further deepening partnership in various directions.

According to the governmental press service, Georgia's progress toward European integration was highlighted at the meeting with Austrian Chancellor Sebastian Kurz. The sides pointed out that this year marks the 30th anniversary of the diplomatic relations between the two countries and welcomed the fact that their relations are actively progressing in both bilateral and multilateral formats. Parties expressed commitment to even deeper cooperation in the areas of



Georgian Prime Minister Irakli Garibashvili and Turkish President Recep Tayyip Erdogan.

the economy, tourism, environmental protection, agriculture, education and culture, regional cooperation, and other fields. Prime Minister of Georgia thanked the Austrian Chancellor for supporting Georgia's initiatives and Georgia-related resolutions in the UN and invited him to Georgia.

The sides talked about Georgia's role in the evacuation efforts from Afghanistan as well and as Garibashvili stressed, Tbilisi International Airport has become a transit hub for evacuating coalition

forces from Afghanistan, receiving more than 250 flights. After the meeting, Georgian PM participated in a high-level dialogue organized by the Austrian Chancellor, where country leaders discussed the protection of the rights of the Afghani people, especially women and girls, both in Afghanistan and in the region.

Garibashvili, together with Moldovan President Maia Sandu, also attended an event organized by Polish President Andrzej Duda.

"The parties emphasized that the three

countries (Georgia, Moldova, Poland) are exceptional partners under the Eastern Partnership, and it is crucial to highlight their role even clearer at the upcoming Eastern Partnership Summit," governmental press service reports.

At the meeting, Prime Minister Garibashvili emphasized EU membership as Georgia's main goal and stressed the importance of support from European partners in the country's plan of applying for EU membership in 2024.



Prime Minister of Georgia Irakli Garibashvili and Austrian Chancellor Sebastian Kurz.



Representatives of Georgian, Polish and Moldovan delegation.

Exchange Rates: US Dollar - 3.1155; Euro - 3.6551; GBP - 4.2514; 100 Russian Ruble - 4.2814; Swiss Franc - 3.3783

IMF: Georgia's economic recovery will continue in case of strong vaccination rate



Moody's gave Georgia a Ba2 level credit rating at the end of 2017. The Georgian government had hoped the country would be able to improve its rating by another step, but due to the pandemic this expectation has lost much of its real basis for at least a few years.

Every employed citizen in Georgia pays income tax in the form of 20% of their salary - IMF estimates this a disproportionately high tax burden for low-income and vulnerable populations.

By NATALIA KOCHIASHVILI

The International Monetary Fund (IMF) published a new review, assessing the risk factors in Georgia. According to the document, the economic recovery in Georgia will be maintained only if a strong pace of life vaccination is achieved. Fund notes that Georgia has launched a more delayed and slower vaccination campaign than neighboring countries, but with the increase in COVID-19 cases in August has accelerated.

According to the IMF mission, encouraging vaccination is critical to maintaining the current pace of economic growth. Based on the assumption that this year the target 60% of the country's population will get vaccinated, IMF estimates that Georgia's economy will grow by 7.7% in 2021 and by 5.8% in 2022 - both forecasts are.

According to the NCDC, the rate of primary vaccination has decreased and currently 2/3 of vaccinations come from second doses. As of September 22 - 956,417 people have been vaccinated with at least 1 dose, 25.6% of the total population, and

729,995 people (19.6%) - with 2 doses.

The IMF does not make its own forecast for the GEL exchange rate, although the review says that due to the strengthening of the GEL, the NBG has suspended foreign exchange interventions in the country.

Given the high dollarization, the GEL exchange rate is a key indicator impacting financial stability and inflation expectations. From February 2020 to April 2021, the lari depreciated against the dollar by 20.5%, and since then, from May to July, it has strengthened by 9%.

The NBG sold \$248.1 million in foreign exchange reserves in January-April 2020, after which foreign exchange interventions were almost halted and the only intervention was the sale of \$30 million in August. By the end of July 2021, Georgia's international foreign exchange reserves amounted to \$3.9 billion.

"Significant assistance from Georgian donors has helped to balance spent foreign exchange reserves," the IMF review said.

The IMF considers the high level of unemployment in the country to be a critical issue. The report says that as a result of COVID-19 pandemic, the situation in this regard has worsened.

From the 4th quarter of 2019 to the 2nd quarter of 2021, the number of employees in Georgia

decreased by 62,000. 90,000 people became unemployed during this period, while approximately 27,000 joined the workforce. As a result, unemployment in Georgia rose by about 5 percentage points to 22.1%. Unemployment among youth in Georgia is one of the highest in the region and almost half of the unemployed are under 34 years old.

Significantly, with an unemployment rate of 18.5% by 2020, Georgia was ranked among the top 10 countries with the highest unemployment rate by the International Labor Organization (ILO). Against the background of the current 22.1% unemployment rate, Georgia would have advanced even further in this regard, although this rating has not yet been updated by the ILO.

The IMF review also reminds that Georgia has committed to implementing several key reforms under the IMF's 3-year program, underlining the low pace of implementation of these reforms, including judicial and education reforms. The review discusses the need for judicial reform, which the IMF considers necessary preconditions for good governance and a transparent business environment in Georgia. The IMF team reiterates the importance of legal system reform.

Review reads that the govern-

ment has taken a number of steps to modify the system and introduce more transparent rules for the appointment of judges in line with the Venice Commission's recommendations.

"The implementation of the existing recommendations for structural reforms is slow. The government launched a large-scale education reform in 2019, which aimed to improve the qualifications of teachers and provide compensation to teachers who did not intend to upgrade their competencies, which is why they left schools." The education reform, as the IMF points out, began under Prime Minister Mamuka Bakhtadze, but since his ouster, the government's vision has shifted to a smaller scale.

In terms of capital market development, a pension agency has been launched and it should help create local savings nominated in GEL, although the pension agency is still in the early stages of development and has so far only invested in bank deposits. Relatively more diversified investments are expected in the future. In addition, there was an attempt to develop a mediation system as an alternative dispute resolution space.

Meanwhile, the international rating agency Moody's also published another report, affirming Georgia's sovereign credit rating unchanged at Ba2, while rating expectations are still 'stable'. Agency believes that in 2021 the Georgian economy will grow by

7.3%, and in the coming years economic growth of 4-5% is expected.

According to Moody's, Georgia's implementation of reforms such as improving the governance of state-owned enterprises, education reform and the reform of the insolvency proceedings will improve the country's economic situation despite political difficulties. However, it noted that in the event that the country's fiscal performance deteriorates and external vulnerabilities increase, the country's credit rating expectations may be revised to 'negative'.

The statement reads that the pandemic effect is gradually decreasing and the volume of public debt in Georgia will be reduced from 60% of GDP in 2020, to 53% of GDP by 2024. A reduction in the current account deficit is also expected, which should return to the pre-pandemic level in the next period. In terms of inflation, Moody's agrees with the NBG's assessment that currently sharply increased inflation (12.8%) from 2022 will return to its target of 3%.

Among the negative factors affecting the rating, Moody's names the tense political situation. It is emphasized that the annulment of the Charles Michel Agreement by the ruling party may have a negative impact on relations of Georgia and its key technical and financial supporting international institutions.

Weather

Thursday, September 23

Day Rain
High: 25°C

Night T-storm
Low: 15°C

Friday, September 24

Day Showers
High: 17°C

Night Showers
Low: 11°C

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ENKA terminates Namakhvani HPP project in western Georgia

ENKA RENEWABLES

“This is a bad signal for further investments, however, we will do everything to ensure the energy independence of the country,” Georgian Dream Chairman Irakli Kobakhidze stated.

BY KHATIA BZHALAVA

Namakhvani HPP will no longer be built as Turkish company ENKA Renewables has terminated the construction project contract with the Georgian government, citing violation of the terms and force majeure. The information was published by the Enka Renewables parent company - ENKA SNSAAT on the Istanbul Stock Exchange on September 20.

The chairman of the Georgian Dream party Irakli Kobakhidze told the journalists that this is an unfortunate decision and pledged that everything would be done to ensure the country's energy independence. According to him, the government has a ten-year action plan, which envisages Attracting billions of dollars of investment in the energy sector.

“Ensuring energy independence is one of the country's top priorities, not only in economic terms, but also in political and

security terms. Therefore, this is a very bad signal for further investments, but the Georgian government will do its utmost to continue attracting them, especially in the energy field,” GD chair said.

The Ministry of Economy and Sustainable Development of Georgia states that the ministry has received a preliminary notification from Enka about a possible withdrawal from the project one month later. As the ministry notes, the company plans to terminate the project in a month, which the ministry has been informed about in advance. Economy Minister Natia Turnava stated that over the next month the government would continue communication with the investor company “to find the right and, most importantly, the state-justified solution that will not harm our investment environment.”

According to Varlam Goletiani, the leader of the Rioni Gorge Defenders civic movement

and organizer of rallies against the construction of the Namakhvani HPP, the termination of the contract is an important precedent. He believes that the agreement should not have been made in the first place and puts the government responsible for bringing the situation into a deadlock.

Turkish company ENKA gained the right to construct the Namakhvani HPP project in 2017. The project was to meet 20% of peak demand energy in the country and increase annual domestic generation by 15%, sig-

nificantly improving the energy independence of Georgia.

Many activists and locals have been protesting the construction of the HPP, stating that the project was launched without sufficient research and thorough consideration of risks, including immediate security risks due to active seismic activity. Over ten months ago protests started in western Georgia as a result of which the Georgian government suspended the construction for 9 to 12 months for the environmental, geological, and seismological surveys.



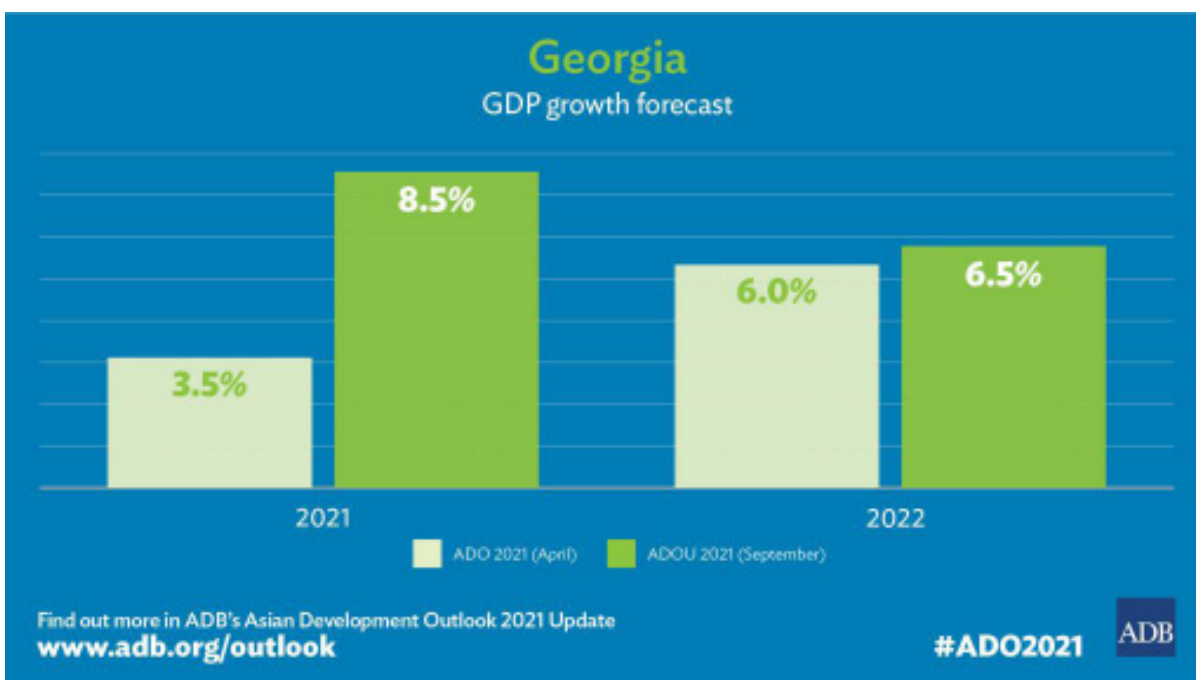
The statement published by the company reads that the reason for the termination of the contract with the Georgian government is the “violation of the terms of the contract and force majeure.”

Georgian Economy Forecast to Grow 8.5% in 2021 and 6.5% in 2022 — ADB

TBILISI, GEORGIA (22 September 2021) — Georgia's economy is expected to grow by 8.5% in 2021 driven by an expansion in agriculture, industry, and services and the gradual lifting of restrictions imposed due to the coronavirus disease (COVID-19) pandemic, the Asian Development Bank (ADB) said in a report today.

According to the Asian Development Outlook (ADO) 2021 Update, ADB's annual flagship economic publication, Georgia's economy is projected to grow further by 6.5% in 2022. The report noted the country's strong rebound from a 6.2% contraction last year to register growth of 12.7% in the first half of 2021 following significant government support to firms and households, and sizable assistance from development partners.

“With encouraging growth figures and optimistic business expectations, the prospects for Georgia's economic growth are looking positive this year and



next, but the country must ensure the accelerated pace of vaccination continues in the months ahead,” said ADB Country Director for Georgia Shane Rosenthal. “ADB is fully commit-

ted to helping Georgia overcome COVID-19 and maintain sustainable economic growth.”

Growth in private consumption, a 15% rise in net exports of food, beverages and industrial

supplies, and public investment spending equaling 8% of gross domestic product (GDP) all contributed to Georgia's economic growth. Foreign exchange inflows are expected to accelerate

following the reopening of land borders in June.

Yet, inflation rose following rapid price increases which began in March for food, health care, transport, and utilities due to higher import prices and the removal of subsidies for certain items. ADO forecasts inflation to accelerate to 9.5% in 2021 and slowing to 4.0% next year.

Despite the pickup in growth, both unemployment and the rate of absolute poverty rose to 21.9% and 21.3% respectively in the first quarter of 2021, each up by about 3 percentage points.

The current account deficit narrowed slightly from the equivalent of 11.2% of GDP in the first quarter of 2020 to 10.7% at the same point this year, mainly from higher exports of copper ore and concentrate, wine and spirits. Accordingly, ADB projects a faster narrowing of the current account deficit in both 2021 and 2022.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate extreme poverty. Established in 1966, it is owned by 68 members—49 from the region.