We endorse this Country Assistance Strategy and commend the staff for the high quality of the document which they have prepared in consultation with various stakeholders in Georgia, including government officials. Although Georgia experienced unfavorable economic conditions and some political turmoil in the first few years of its independence, it has made significant progress on several fronts, particularly since mid-1994 when the government embarked on a comprehensive reform program to rebuild the economy. Drastic fiscal adjustment combined with a tight monetary policy helped to reduce the fiscal deficit and the high annual rate of inflation. Consequently, the economy was able to register an impressive growth rate of over 10 percent by end 1996. Notwithstanding these achievements, Georgia still faces a number of significant challenges in the years ahead. These include the fragile public finances, removal of the remaining barriers to private sector development, and the risk of an emergence of structural poverty, particularly in the rural areas of the country.

We are pleased to note that in line with the Georgian authorities’ revenue-enhancing efforts, the proposed Bank assistance strategy will continue to focus on supporting Georgia’s efforts to increase revenue and efficiency in expenditure management and allocation. In this regard, the relevance of stepping-up the Bank’s non-lending activities in economies such as Georgia’s cannot be over-emphasized. Given the country’s high rate of literacy, we would urge that technical assistance to Georgia is focused on institution-building with the aim of retraining and redirecting the labor force to competitive and efficient productive activities. This, in my view, would maximize the gains from the Bank’s non-lending services rendered to the country.

The dramatic increase in poverty levels between 1990 and 1994, leading to worsening indicators for the health and education sectors in Georgia has been a serious cause for concern. We are, however, pleased to note that the government has continued to pay close attention to social issues and is undertaking corrective measures where possible. In this connection, we support the direction of scarce public resources to a basic package for health, which includes immunization, and the prevention of socially dangerous diseases. This package should, however, be complemented with some proper targeting of assistance for curative care for the vulnerable groups in the country.
Similarly, government’s efforts to increase school enrollment and improve the quality of education through the promotion of private schools should not be done at the expense of the much-needed public facilities for the education of the poor. In this regard, we welcome the CAS’s support for increased share of public expenditure for the social sectors. We also welcome the call for continuous poverty monitoring and improved administrative capacity to adjust social assistance policies and target benefits.

We commend staff and the Georgian authorities for the high quality of portfolio management, which has produced a very satisfactory rating for every project in the portfolio. We note, however, that there are several outstanding features of portfolio management in Georgia which we would like to see replicated in other countries. These include the appropriate emphasis on capacity building – to mitigate the risks associated with inexperienced project counterparts; a lending strategy that emphasizes relatively simple and small first interventions in key sectors; and intensive support and assistance during project preparation and implementation. However, these factors do not diminish the relative importance of government’s commitment to and ownership of the programs in good portfolio management as we have seen in the case of Georgia.

We found the FY98-00 lending triggers for the Bank in Table 5 to be generally appropriate based on the assessment of the risks and availability of IDA resources. We would, however, urge that these triggers be applied flexibly, with a greater weight given to changing circumstances during the implementation period.

Finally, we would like to commend the Georgian authorities for their steadfastness in implementing their reform program. We also wish them success in the years ahead.