



# 10 - YEAR DEVELOPMENT PLAN

Ministry of Finance of  
Georgia

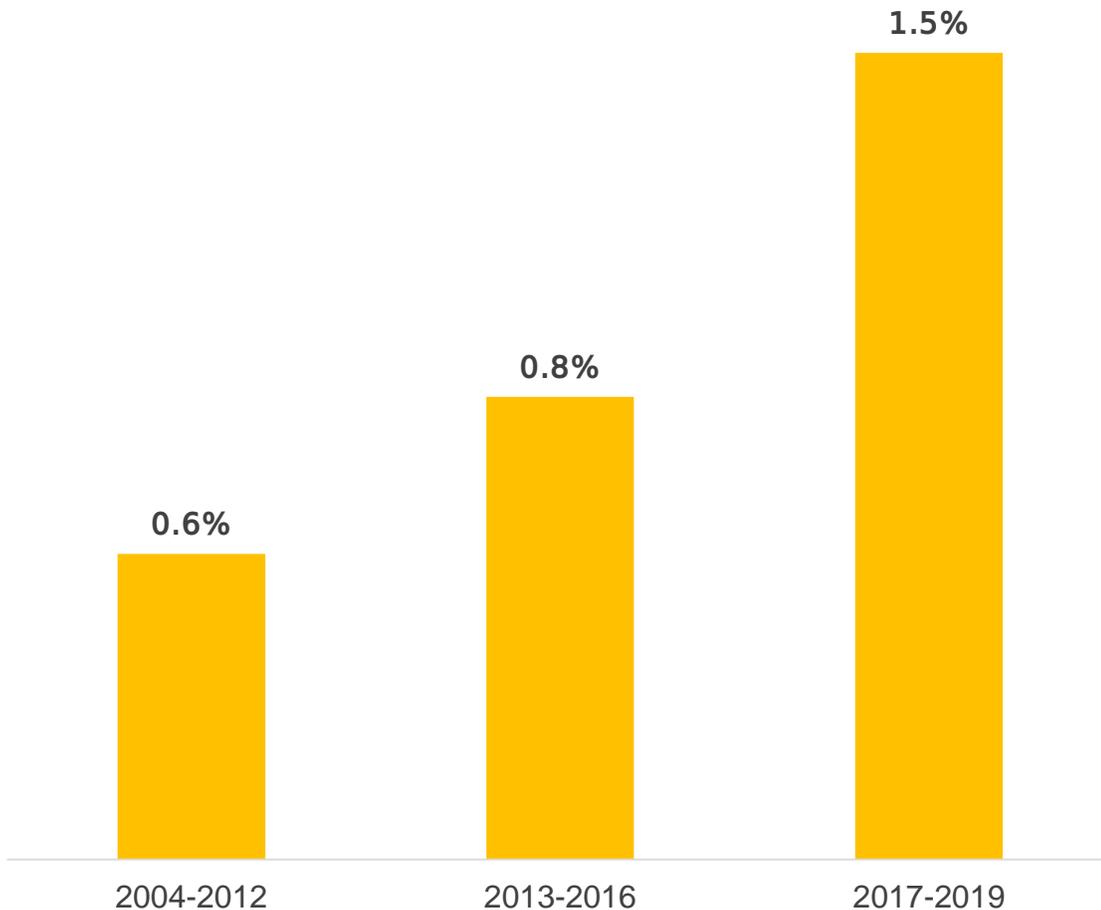
# ECONOMIC GROWTH AS A TOOL OF EVERY ULTIMATE ACHIEVEMENT!



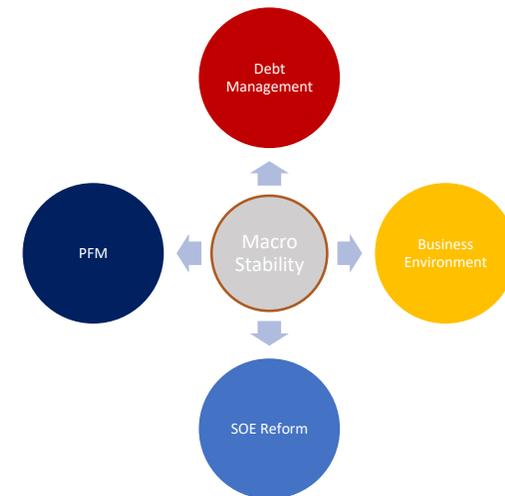
# OUR STRATEGY :

## ECONOMIC GROWTH GENERATED THROUGH PRODUCTIVITY!

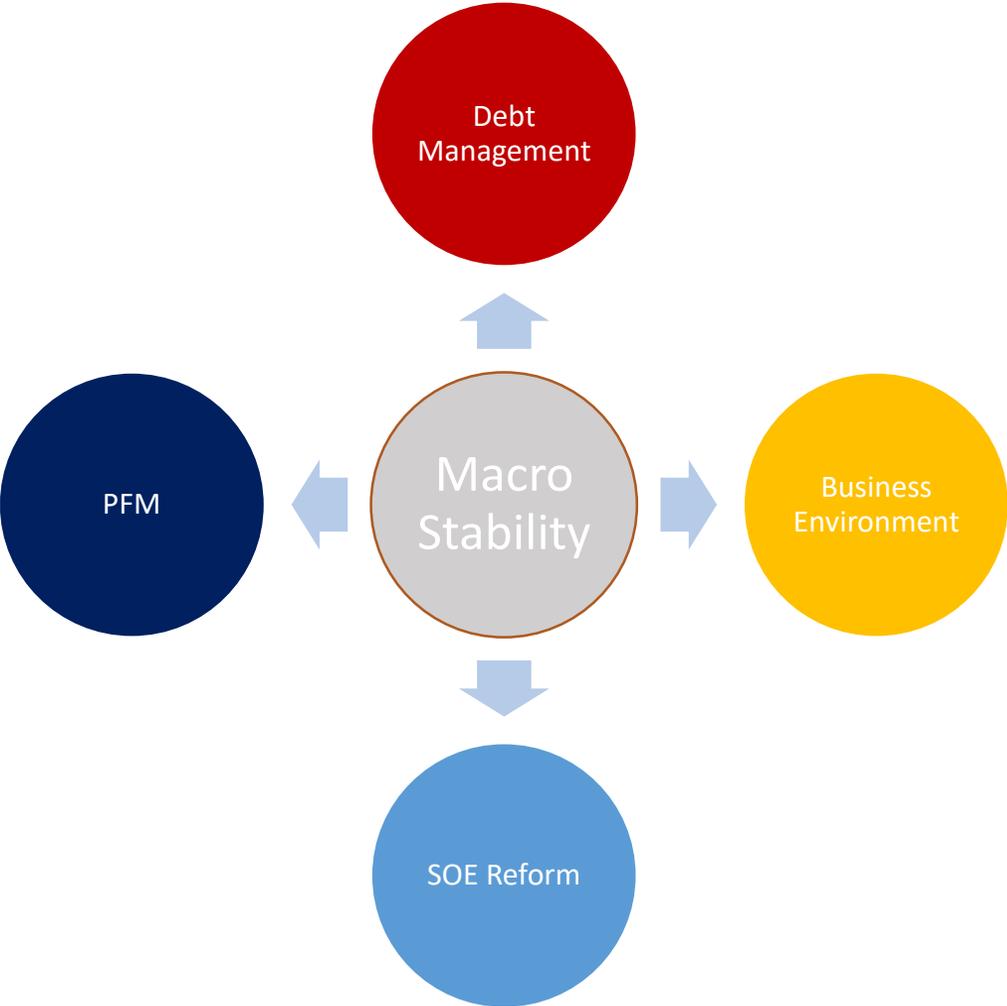
### Endogenously Generated Growth



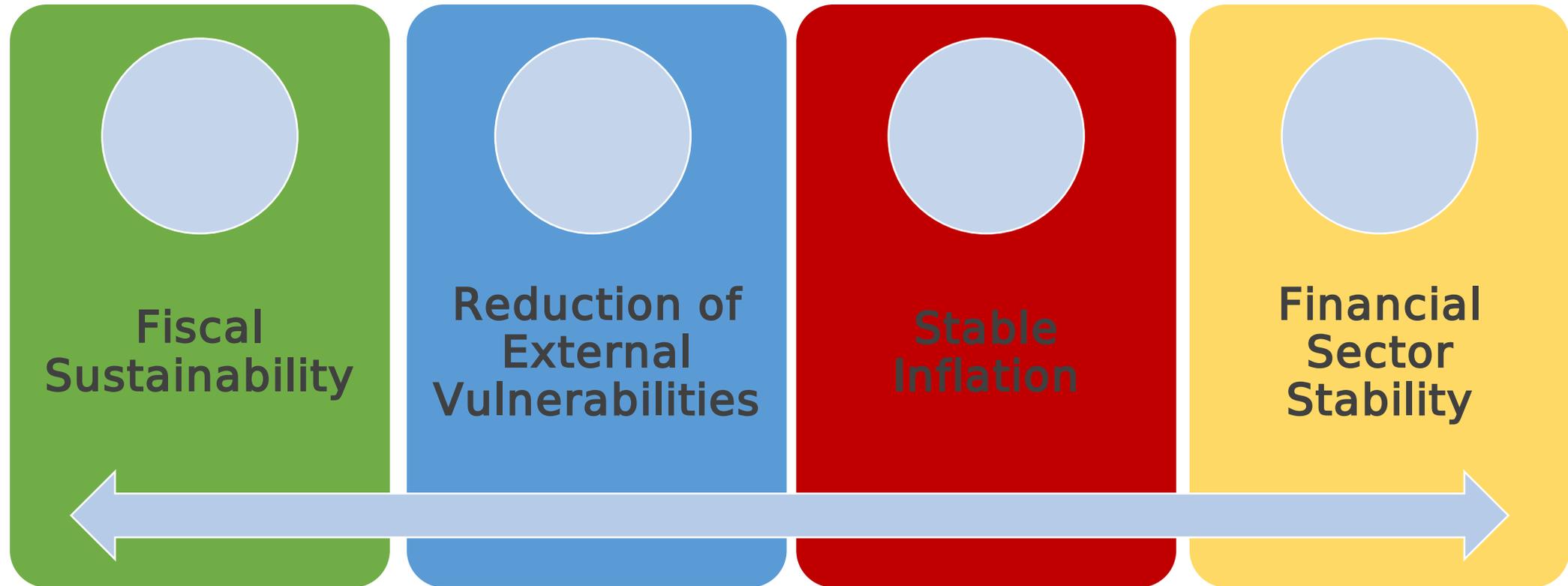
- Due to external risks, our goal is to achieve an economic growth generated through productivity;
- High productivity gets directly reflected in net export and investments that create the endogenous growth;
- Improvement of productivity is achieved through reforms and macroeconomic stability.



# MACRO-STABILITY AND REFORMS FOR HIGH ECONOMIC GROWTH

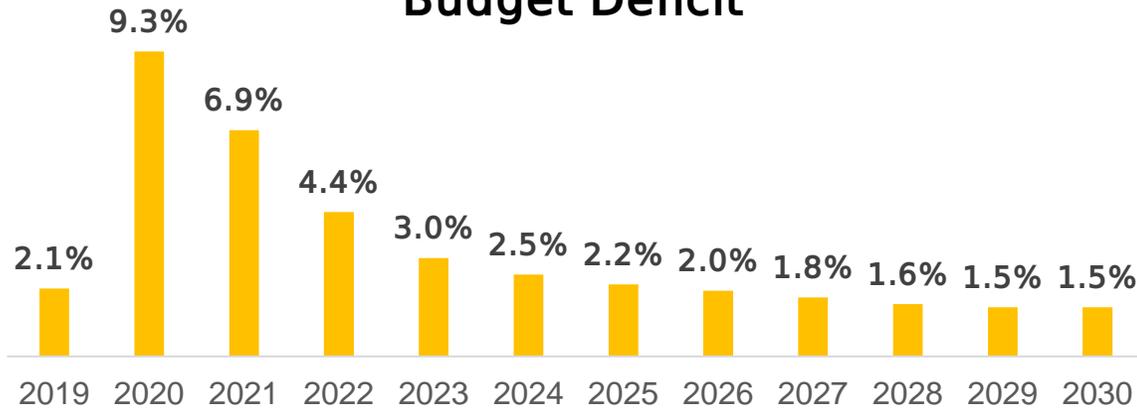


# MACROECONOMIC STABILITY

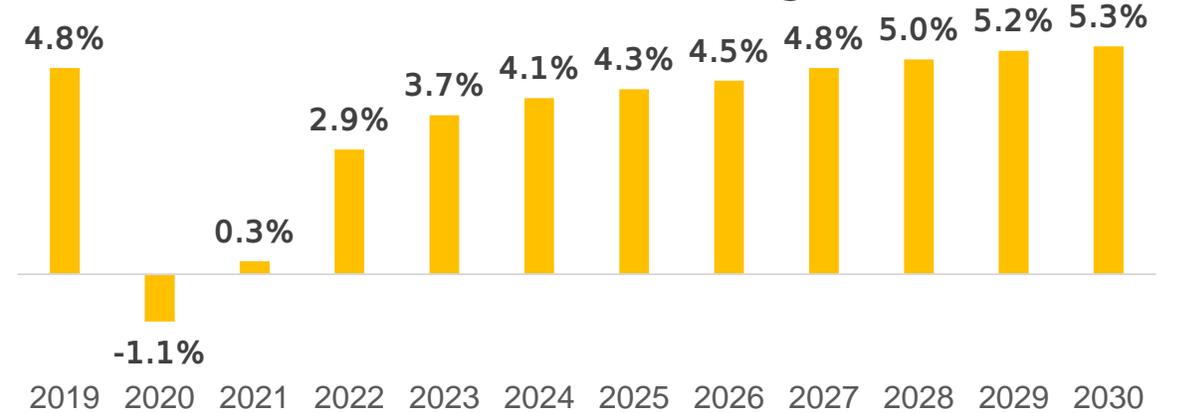


# FISCAL SUSTAINABILITY

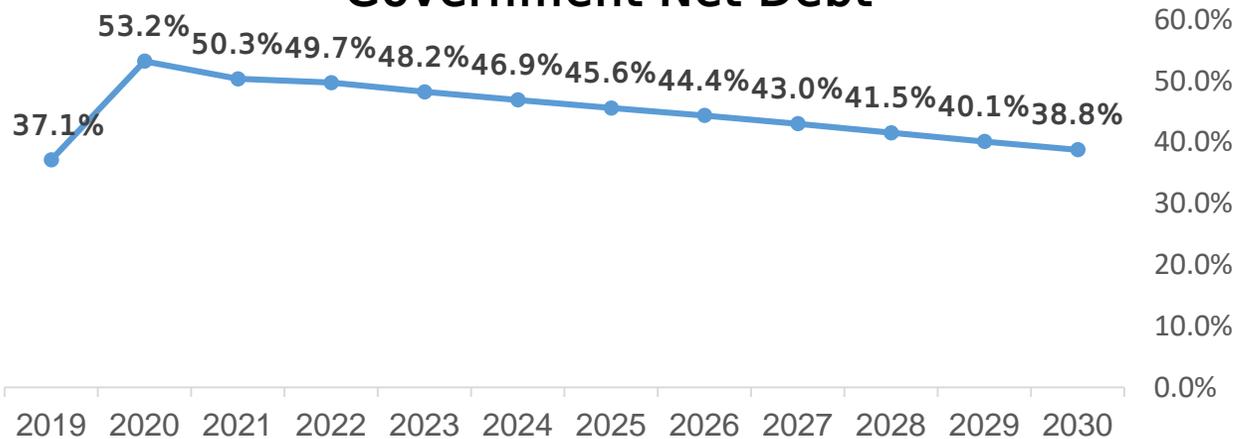
## Budget Deficit



## Public Sector Savings



## Government Net Debt\*



FISCAL SUSTAINABILITY BENCHMARKS FOR 2026:

Net Debt declining to under 45%;

Deficit declining to under 2.0% from 2026;

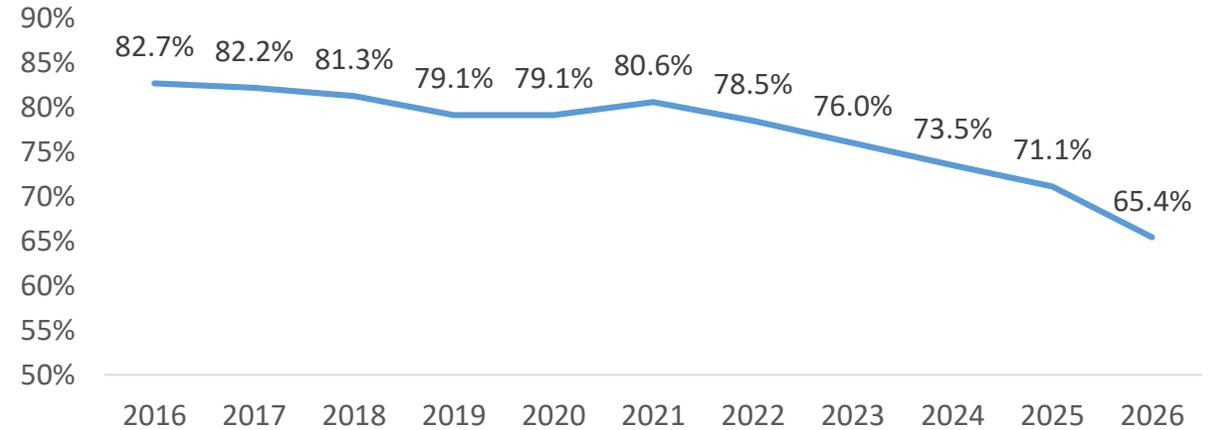
\*Gross government debt minus government deposits.

# EXTERNAL VULNERABILITIES

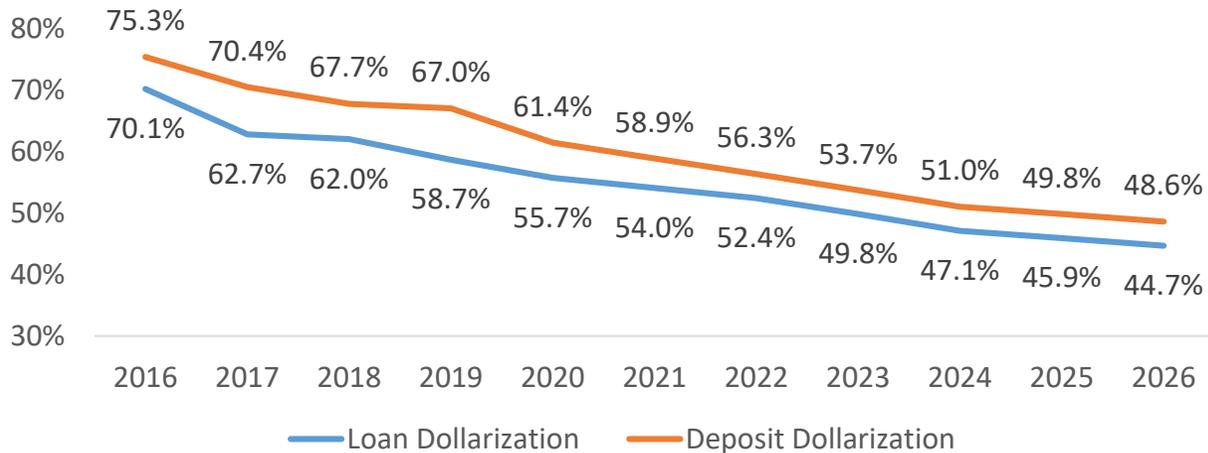
### Current Account Deficit



### Public Debt Dollarization



### Dollarization



### BENCHMARKS FOR EXTERNAL VULNERABILITIES :

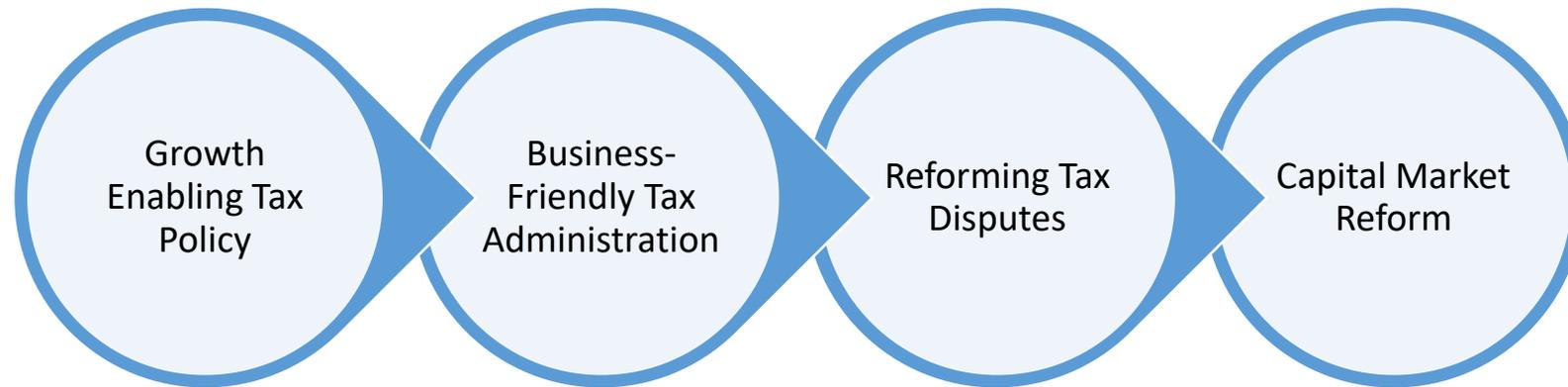
Current account deficit under 4%;

Dollarization declining to under 45%;

Share of foreign currency denominated debt declining to 65%;

# PRO-BUSINESS REFORMS

---



- Role of the private sector in the economic growth is irreplaceable
- It is the government duty to ensure stable and growth-oriented macroeconomic and pro-business environment

# ECONOMIC GROWTH-ENABLING TAXATION



## Reduction of Direct Taxes in the Total Tax Burden

- Economic growth stimulating measure: export and export-driven FDI get incentivized
- Reduction of Current Account Deficit through increased savings

# BUSINESS-FRIENDLY TAX ADMINISTRATION

---

A lot of transactions between taxpayers and Inland Revenue Service will be simplified and removed altogether

Dishonest taxpayers will be deprived of opportunities to benefit from a competitive advantage

# ADMINISTRATION: ZERO-STOP-SHOP PRINCIPLE

Full automation of  
tax return filing

Automated tax filing  
through applicable  
accounting systems

Payments automatically  
followed by:

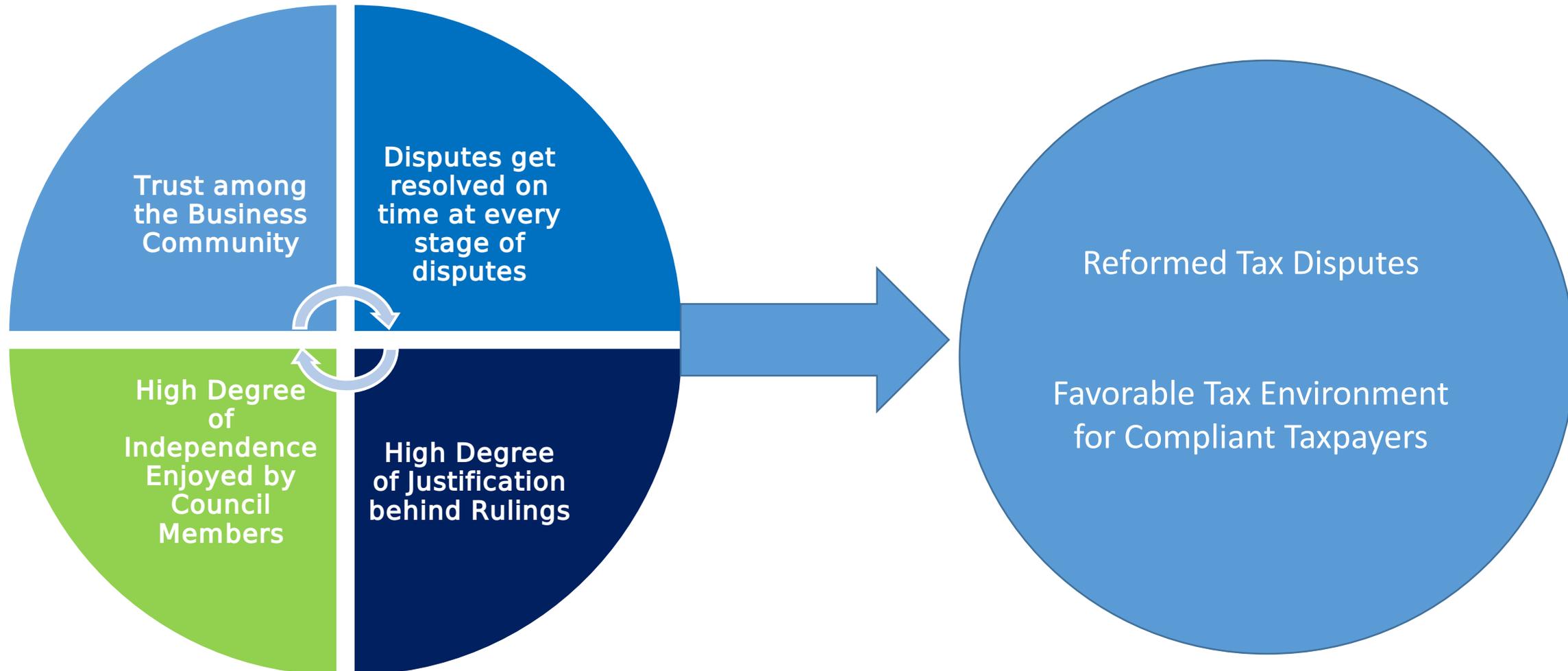
- Tax payments
- Tax filing
- Mandatory or voluntary

Routine procedure of tax  
payments and tax filing will  
disappear and resources will  
be saved;

Risk of errors will go down  
to zero

Malpractices will be  
reduced

# TAX DISPUTE REFORM



# CAPITAL MARKET REFORM

- Legal framework compatible with best international practice
- One of the most liberal regimes for taxation of the capital market
- Increasing investment resources
- Growing benchmark market
- Low number of issuers remains a problem

## GOALS:

### By 2025:

**At least 5 SOEs shall have debt or share securities in public offering. Out of this 2 share offerings**

### By 2025:

**At least 5 private companies will make public offering of share securities**

# SOE REFORM - 5 PILLARS

## Ownership Goal & Degree of Participation

- Compliance of SOE ownership with public goals
- SOE ownership as the only means for reaching public goals
- Assessment of rationale behind the degree of participation
- Share in SOE should be justified

## Facilitating Role of Competition

- Maintenance of competitive neutrality
- SOE should not hamper competition or entry to the market
- Eradication of principle breaches or separation of the function from SOE

## Corporate Governance

- Introduction of OECD principles
- Role segregation of shareholders, board, management
- Transparent standards for electing an independent board
- Board responsible for SOE

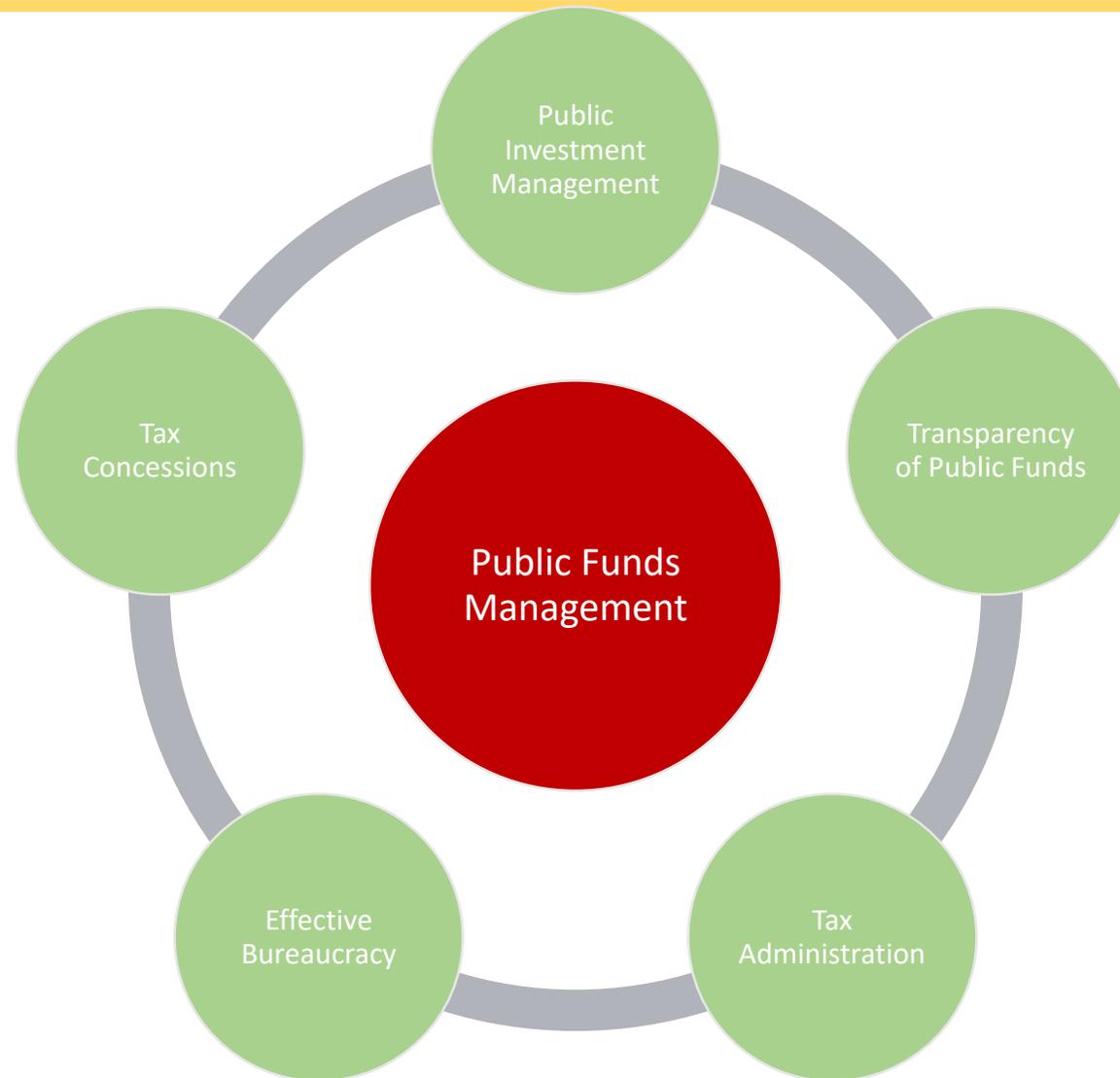
## Commercialization as a Key Goal

- Restriction of deviation from commercial operation
- Prevention of uncommercial activity
- Uncommercial activities under public interests get transparently funded from the Budget

## Corporate Goal Management

- Corporate Goal Statement key document for the assessment of management quality
- Document defines key performance indicators (KPIs)
- Shareholders assess whether KPIs are adequate or ambitious
- Shareholder effectively controls compliance with KPIs

# PUBLIC FUNDS MANAGEMENT



# PUBLIC INVESTMENT MGMT REFORM

## Goal: Improving Effectiveness of Public Investments

Effectiveness of CapEx will increase and only high social and economic impact-bearing project will get funded

Credit resources will finance only projects with high economic gain

Social and economic results for **80 percent** of projects funded from the budget will be pre-defined **from 2024**, while **every project** will get subject to this initiative **from 2026**;

Project Selection

Socio-Economic Assessment of a Project

Project Budgeting & Implementation

Post-Implementation Assessment

# PUBLIC FUNDS ACCOUNTING AND TRANSPARENCY

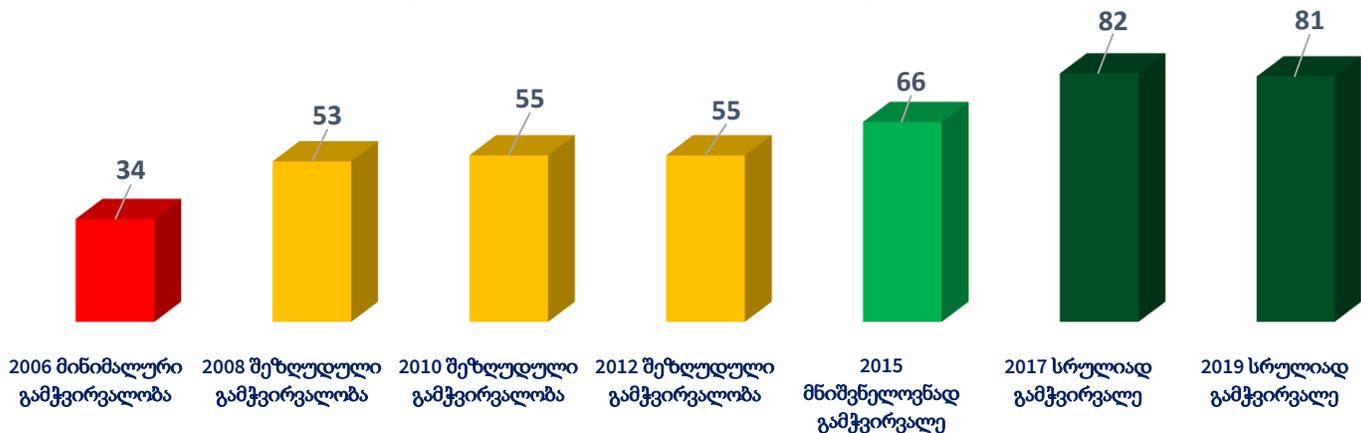
**PEFA** - Public Expenditure and Financial Accountability is a tool designed by the World Bank

- Among the assessed countries Georgia has one of the high score;
- In the assessment performed in 2018 Georgia has good or highest score in 81% of 31 indicators;
- **Target indicators of Good and Highest Score:**

2026 – 90%

2030 – 95%

**OBI** – Open Budget Index deems Georgia be among the most transparent countries since 2017;



Only **6 countries** have the completely transparent status in recent studies;

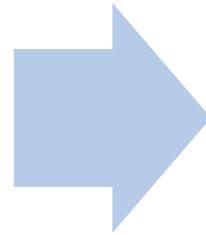
**Our goal is to maintain the status of the constantly and completely transparent country**

# TAX ADMINISTRATION

**TADAT** – Tax Administration Diagnostic and Assessment Tool designed by the International Monetary Fund

- In line with the assessment performed in 2020 almost half of indicators have been improved;
- In line with the current assessment, Inland Revenue Service of Georgia has good or highest score in 53 percent of indicators;
- **Target indicators for good and highest scores:**

2024 – 70%



2028 – 90%

# EFFECTIVE BUREAUCRACY

Salaries in the public service did not increase over the past 5 years

Public sector has lost competitiveness vs private sector

Uncompetitive public sector negatively impacts the development in the county

Remuneration in the public sector should approximate with salaries paid to the private sector employees

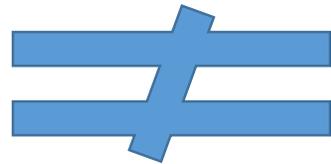
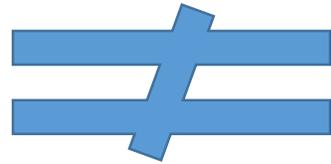
Pay rise in the public service should not be politicized

Salaries in the public service should be increased annually with a pre-defined formula

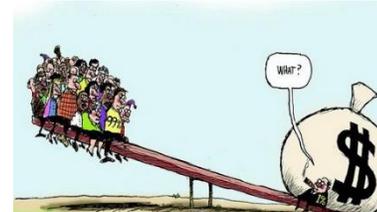
Effective public service is a guarantee of institutional strength

# TAX EXPENDITURES

Tax  
Concessions  
2 BLN GEL



Economic Growth



Social Equality

Effectiveness of tax concessions will be studied in the shortest period of time;

Effective tax concessions will be maintained, while ineffective concessions will be removed;

More effective programs will be implemented with liberated resources.

# STRATEGIC GOALS OF DEBT MANAGEMENT



## REDUCTION OF GOVERNMENT DEBT

- Net debt to GDP to under 45 percent in 2026



## INCREASE OF GEL-DENOMINATED DEBT SHARE IN THE TOTAL GOVERNMENT DEBT

- Share of GEL-denominated debt will increase to 35% in 2026



## GOVERNMENT SECURITIES MARKET DEVELOPMENT

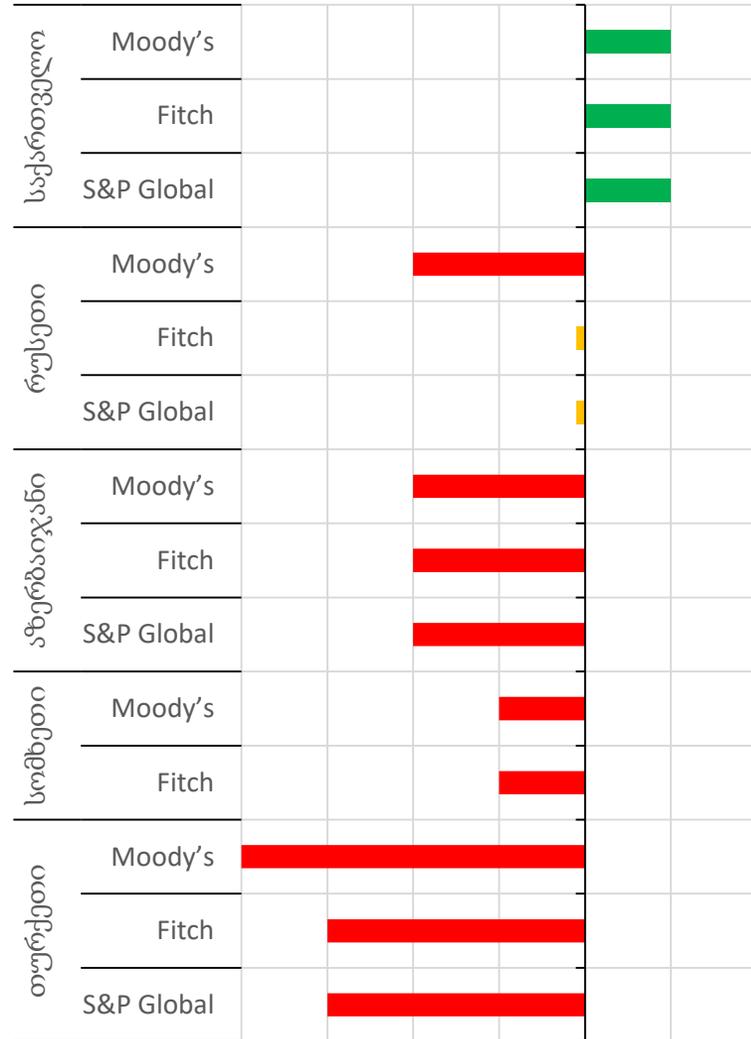
- Share of non-residents investments to increase to 30%
- JP Morgan GBI-EM Index inclusion
- Development of retail bond market



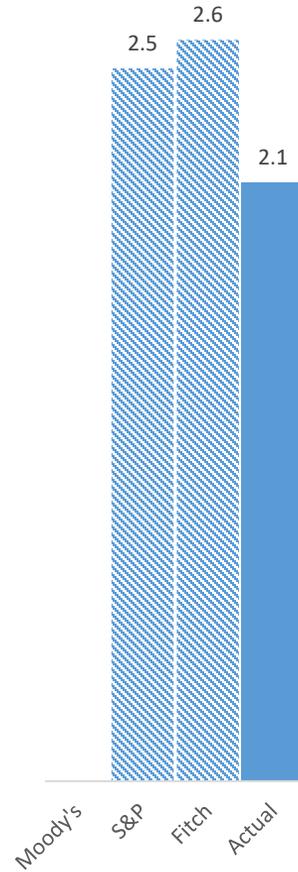
## MAXIMIZED ORIENTATION ON THE DEVELOPMENT OF EXTERNAL BORROWINGS

- Investment loans for large and transformational projects only; positive PIM assessment is essential
- On-lending only to corporatized or reforming companies

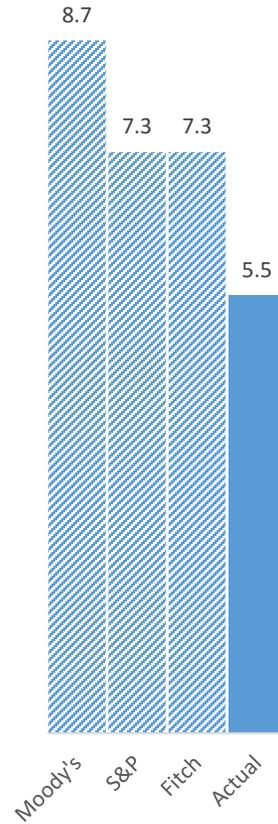
# CREDIT RATINGS



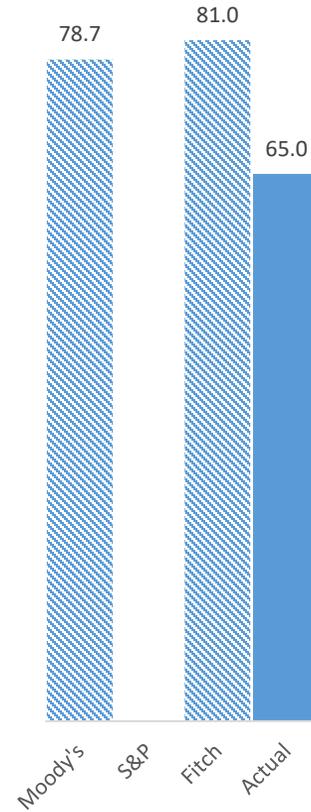
Budget Deficit



Current Account Deficit



Dollarization of Government Debt



Investment  
Rating  
2025

# GDP PER CAPITA

