




Public Expenditures on the Frontline: Tackling the Growth and Jobs Agenda in Georgia

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Generating growth and creating jobs within a sustainable fiscal framework is Georgia's biggest macroeconomic challenge, says the Georgia Public Expenditure Review (PER) report titled Public Expenditures in Georgia: Strategic Issues and Reform Agenda, presented by the World Bank today. The report points out that fiscal consolidation will be important for Georgia to generate strong growth with macroeconomic stability in an uncertain global environment.
The report presents an array of policy options that could help to reduce Georgia's fiscal deficit from 3.7 percent of GDP in 2014 to 2.5 percent in 2018.
Tackling the growth and jobs agenda in Georgia will require significant investments in human and physical capital and the government has a large role to play here, said Henry Kerali, World Bank Regional Director for the South Caucasus. "However, all these expenditures need to be undertaken within the fiscal consolidation framework of the government, designed to help restore the macroeconomic buffers needed to secure stability and growth in the future.
Fiscal policy played a crucial role in Georgia's recent growth performance. The post-crisis recovery was driven by a fiscal stimulus, which increased the deficit and debt levels. Once recovery took hold, fiscal consolidation took place during 2010-12.
The report takes a detailed look at the challenges and reform options associated with public expenditure policy in several areas. To keep government finances on a sustainable path, this public expenditure review offers reform options in the areas of macro-fiscal policy, social protection and health, education, the state owned enterprise sector and inter-governmental fiscal relations. These policy options have a three-fold objective: (i) increase savings in selected budget items to help build fiscal buffers, (ii) strengthen the efficiency of expenditures to improve outcomes, especially in the areas of education, capital spending and inter-governmental finances, and (iii) enhance fiscal management by eliminating off-budget expenditures and improving the availability of data, especially on local governments and state owned enterprises.
This Public Expenditure Review is the result of a body of programmatic fiscal work directed at identifying policy options to manage fiscal consolidation in Georgia. The programmatic fiscal analysis has been conducted in close coordination with the Government, independent experts, and the donor community, said Mariam Dolidze, World Bank Senior Economist for Georgia and lead author of the report. "We believe that this report comes at a critical juncture as Georgia seeks to balance its expenditure priorities across several sectors.
While the key champion of expenditure reforms is the Ministry of Finance, the role of line ministries and their capacity to align sectoral strategies with development priorities and the fiscal envelope is crucial. It is also important to recognize that different kinds of reform require varying lengths of time for preparation and implementation.
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