



საქართველოს
ფინანსთა მინისტრი

Minister of Finance
of Georgia

N^o 07-01/35787
24 / 03 / 2020

Mr. Cyril Muller
Vice President, Europe and Central Asia
The World Bank Group

Dear Mr. Muller,

Thank you for your March 17, 2020 correspondence and offer to support Georgia in mitigating the negative implications of the COVID-19 pandemic. The World Bank Group has been our trusted partner since Georgia's independence in the early 1990's and we appreciate your support through all stages of our country's development, including this current health and economic crisis.

The impact of the COVID-19 pandemic is threatening to be dramatic, with projections and social implications becoming dimmer by the day. This calls for a strong response to ensure the health risks are contained, people's livelihoods are protected, and the stage is set for a robust economic recovery. Allow me to briefly introduce some of the measures we are undertaking:

- As part of our containment efforts, we have increased steps to identify, isolate, and treat suspect cases. This requires imposing growing restrictions on interactions and economic activity, such as closing borders, limiting intra-country movement, banning public gatherings, locking down targeted areas, and calling a State of Emergency for the country.
- As the economic impact of these measures begin to take hold, we are preparing a budget supplement to help protect the livelihoods of the poor. These are in principle containment measures and compensation to those who are affected by the lockdown. The measures include:
 - Helping workers that have lost their jobs with 120-150 GEL transfer for the period of up to 6 months;
 - Preserving jobs by introducing a 6-month moratorium on the payment of Personal Income Tax within the salary amount of GEL 600,
 - accelerating and expanding the VAT refund program;

- For tourism and hospitality sector deferring payments of personal income tax and property tax;
- Helping the vulnerable by expanding coverage of Targeted Social Assistance;
- We want to cover with our support so called informal workers who will identify themselves as ones who lost the job, while having robust validation mechanism on our side;
- These are in addition to a large number of health and broader monetary, fiscal, and financial sector interventions the government has recently undertaken.

With the COVID-19 pandemic eroding our revenue sources, the fiscal impact of our policy response will be sizeable. Our prudent policies have allowed us to build sizeable fiscal buffers, including modest levels of public debt and sizeable deposits; however, we now require the support of our development partners to help close the financing gap and efficiently implement our program. To this end, we requested an augmentation of US\$380 from the IMF's Extended Fund Facility. Other development partners, such as the Asian Development Bank, have also indicated their support. Against this background, we would like to request from the World Bank:

1. Access to the full allocation of US\$ 80 million or more under the Fast Track COVID-19 Facility to further help contain the outbreak, such as medical supplies and equipment, health-workers compensation, and quarantine-related costs (boarding, enforcement etc.);
2. Increase the amount of the Economic Management and Competitiveness Development Policy Operation by up to US\$70 million to help close the financing gap through budget support;
3. Prepare an Investment Project in the amount of up to US\$100 million to: (i) help finance social protection and safety net measures for the poor; (ii) support SMEs in hard-hit sectors, such as tourism; and (iii) help other key sectors, such as financial sector support and remote learning investments in the education sector. Such a project would need to be designed so as to provide rapid financing (potentially through retroactive financing for eligible expenditures), while also helping us manage more systemic issues over the medium-term.

Sincerely,

Ivane Matchavariani

Cc: Sebastian Molineus, World Bank Regional Director for the South Caucasus