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New Government, New Social Benefits

Expert Vladimer Papava Says Prices will Climb further, while NBG Pledges to Maintain Single Digit Inflation

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Georgia's newly appointed Prime Minister Lado Gurgenidze has promised to offer new social benefits to unprotected sections of the population and has stated that the country's budget would at last "turn its face to the people". The government says it will double pensions, create new workplaces and prevent the growth of inflation.

"The minimal monthly pension will be GEL 55 starting from December 1, which is a significant increase. It will increase to GEL 76 within the year. This change will apply to over 880,000 pensioners, with an additional GEL 250 million to be allocated from the exchequer to cover the cost," assured Gurgenidze during his TV speech.

Similarly, Presidential contender Mikheil Saakashvili has placed emphasis on social programmes in his campaign. He has promised to increase public school teachers' salaries to 200 GEL. He has also noted that teachers would now receive privileges at hospitals, like policemen and soldiers. "All public school teachers will receive the full package of state medical insurance. Teachers should know that the state cares for their health," Mikheil Saakashvili said.

This new social initiative is a continuation of the Presidential funding programme, that comprised issuing gas and electricity vouchers in the value of 50 GEL each. In addition firewood and wheat flour are being delivered to regions and villages, intended to ease the burden of high prices. These initiatives specifically target the most vulnerable households that do not have enough resources to heat their houses during the cold Georgian winter.

Some Georgian regions and villages do not have gas installed. In such cases, people receive two electricity vouchers equal to 100 GEL. Firewood is delivered to those villages, where people use ovens for heating. Wheat flour is mainly used for baking bread, which is a vital staple of Georgian villages.

"I'm happy that our government has thought about us at last. Of course, 100 GEL is not enough for

heating in the winter period, but it will definitely help. At the same time, I suppose these initiatives were introduced due to the Presidential campaign”, said Tamila Gogoberidze, pensioner, 63.

The Georgian government has put social assistance into its main agenda simultaneously with new Prime Minister’s entry into politics. Mikheil Saakashvili appointed him after the largest opposition rally since the Rose Revolution in 2003. The opposition demanded the President call early parliament elections. But main reasons many Georgians took to the streets once again were the level of their incomes, continual price rises and high unemployment levels. The minimal salary in the government sector in Georgia is 115 GEL and a pension is 38 GEL, hardly enough to survive hunger. Now commentators have concluded that the Georgian authorities have understood one of the main signals from the people on the streets.

The new government has introduced an employment programme based on giving people new work placements. GBW was informed by the Ministry of Labour, Health and Social Affairs that 100,000 people will take part in this programme and they will receive 200 GEL from the government during their three month internships. This three month period could be considered a probation period, because these work places are empty for now and companies are seeking people to fill these positions.

But will these steps really help poor people? – this is the main question at the moment. Especially as employment programmes are not popular with economists as a rule. They say these kinds of measures always boost inflation.

“Georgia can afford these changes if they reason from the budget income figures. But we should not forget that an increase in pensions and salaries in the government sector would lead to inflation. A large amount of money will appear on the Georgian market in a short period of time and it is clear that prices will increase. In a such situation we can see that on the one hand, the government helps people, but on the other hand, these steps will increase the number of poor people,” says expert Vladimir Papava, speaking with GBW.

Papava sees a similar danger in the government’s decision to distribute wheat flour. “This product will be removed from the market, which means that the marketable mass would be reduced. This also will lead to inflation. So the government policy helps for only a short period of time. Unfortunately, after these steps are taken the situation will turn for the worse. And I’m sure we will feel the tough impact already in January or February”, Papava said.

But Georgian authority is of the firm belief that living standards will grow and the National Bank of Georgia will be able to hold inflation at a single digits. “National Bank is looking in general at the amount of income and expenditure in the budget, rather than at individual programmes. It is very important for us to know how much the government will spend in general. Money supply will be under NBG control and I suppose that we would keep inflation at 8% next year”, acting NBG president David Amaglobeli told GBW.

The Georgian authorities expect an investment boom next year. This was one of the main targets of the previous government under former Prime Minister Zurab Nogaideli. The latter has found himself a sacrifice of the November events which badly influenced the image of Georgia both internally and internationally. Mikheil Saakashvili, however, is sure that transparent and democratic presidential elections will solve this problem, and Georgia will win back its credibility.