

**ECONOMICAL CRISIS CAUSED BY CORONA-VIRUS PANDEMIC AND
THE TENDENCIES OF EFFECTIVE USE OF THE FOREIGN DEBTS IN
GEORGIA**

**KORONAVİRÜS SALGINININ NEDEN OLDUĞU EKONOMİK KRİZ VE
GÜRCİSTAN'DA DIŞ BORCUN ETKİN KULLANIMINDAKİ
EĞİLİMLERİ**

**ЭКОНОМИЧЕСКИЙ КРИЗИС, ВЫЗВАННЫЙ ПАНДЕМИЕЙ
КОРОНАВИРУСА И ТЕНДЕНЦИИ ЭФФЕКТИВНОГО
ИСПОЛЬЗОВАНИЯ ВНЕШНЕГО ДОЛГА В ГРУЗИИ**

Davit BİDZİNASHVİLİ*

ABSTRACT

Recently, the COVID-19 pandemic has become the part of the new reality. We witnessed new measures and actions daily, from the official Government side as well as from the side of the several organizations. This caused the new reality and new challenges. Since the WWII ended, the world did not face with such serious challenge. If ever it could happen that we would face to the necessity of increasing our foreign debts, it is just the moment now because we see that the crisis has involved the whole world and we don't know when and how it will end. We don't know when the vaccine will be invented and used, how will the humanity manage this wide crisis, response effectively to the challenge, so we will have to get used to living with this disease which demands new efforts; it will be difficult for people, for governments, for businesses; the society has to be prepared for the challenges and it is not easy for the separate countries, especially for such small and economically weak country as Georgia. In such serious global crisis our country depends on the help of its friendly, partner countries.

The foreign debt of the country represents the part of the external debts which the country borrowed from the foreign lending entities, among them, from the commercial banks, governments, or international financial institutions. As a rule, the countries take foreign debts when their State entities do not have enough financial resources to achieve the desired goals. Almost all countries have foreign debts. This is an ordinary and important part of the economics. The debt should be returned in the same currency as it was taken.

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Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

The foreign debt enables the country to scale up their production, to grow up their economics, though it is clear that countries should not take excessive foreign debts which would lead them to inability of payment.

How much reasonable is the foreign debt taken by the country this can be measured through comparing the amount of the debt with the GDP (Gross Domestic Product) of the country. The International Monetary Fund (IMF) is one of those organizations which monitor the foreign debts of the countries. Besides that, the World Bank publishes the quarterly statistic reviews of the foreign debts of the countries in the world.

Key words: pandemic, inflation, crisis, restructuring, foreign deb,; own resources.

ÖZ

Son zamanlarda, COVID-19 salgını dünya genelindeki yeni gerçekliğimizin bir parçası haline gelmiştir. Her gün gerek hükümet, gerekse çeşitli kuruluşlar tarafından yapılan yeni müdahale önlemleri ile eylemlere tanık olduk. Bu durum ise yeni gerçeklikler ile zorlukları ortaya koydu.

II. Dünya Savaşı'ndan günümüze kadar dünya, böylesine zorlu ve etkili bir meydan okumayla karşı karşıya kalmamıştır. Salgın, Gürcistan'ın dış borcunu zorunlu olarak hızla artırma sürecine sokmuştur ve durumun ne kadar süreceği tam belli değildir. Ayrıca, salgınla mücadele etmede kullanılacak aşının ne kadar etkili olacağı ve insanlığın bu zorluğun üstesinden nasıl geleceği bilinmemektedir. Mücadelede ekstra çaba gerektiren Covid-19 ile yaşamak zorundayız. Bu durumda halk ve işletmeler de mücadelede aktif rol alması elzemdir. Toplumun buna hazırlıklı olması gerekiyor. Denilebilir ki, hiçbir ülke kendi imkânları ile tek başına başarılı olamaz. Özellikle küçük bir ülke olan Gürcistan gibi ülkeler söz konusu küresel durumda ortaklarının yardım ve desteğine ihtiyaç duymaktadır.

Bir ülkenin dış borcu, bir ülkenin ticari bankalar, hükümetler veya uluslararası finans kurumları dahil olmak üzere yabancı kuruluşlardan ödünç aldığı devlet borcundan oluşur. Kural olarak, devlet kuruluşları belirlenen hedeflere ulaşmak için gerekli kaynaklara sahip olmadığında başka ülkelerin finansal desteğine ihtiyaç duyup borç alırlar. Hemen hemen her ülkenin dış borcu vardır. Bu normal bir durum olup aynı zamanda ekonominin önemli bir parçasıdır ve borç alınan paranın aynı para biriminde geri ödenmesi gerekir.

Dış borç, ülkenin üretimini genişletmesine ve ekonomisini canlandırmasına olanak tanır; ancak devlet ödeyemeyeceğinden fazlasını borç almamalıdır.

Ülkenin ihtiyacına göre ne kadar dış borç aldığı, dış borç GSYİH (Gayri Safi Yurtiçi Hasıla) ile karşılaştırılır. Ülkenin ne kadar akıllıca dış borç aldığını değerlendirmek için dış borç GSYİH ile karşılaştırılır. Uluslararası Para Fakfı (IMF), ülkelerin dış borçlarını denetleyen kuruluşlardan biridir. Dünya Bankası ayrıca ülkelerin dış borç istatistiklerine ilişkin üç aylık raporlar yayınlamaktadır.

Anahtar Kelimeler: pandemi, enflasyon, kriz, yeniden yapılandırma, dış borç, özkaynak.

АННОТАЦИЯ

Недавно пандемия COVID-19 стала частью нашей новой реальности во всем мире. Каждый день мы становились свидетелями новых ответных мер и действий - как со стороны правительства, так и со стороны различных организаций, которые, в свою очередь, создавали новые реальности и проблемы. Со времен Второй мировой войны у мира не было такой серьезной проблемы. Если мы когда-либо сталкивались с необходимостью мгновенного увеличения внешнего долга, прямо сейчас это необходимо, потому что мы видим, что весь мир вовлечен в этот кризис, и мы не знаем, как долго он продлится. Мы не знаем, насколько эффективна вакцина и как человечество сможет преодолеть эту проблему. Придется жить с Ковидом, а это

требует дополнительных усилий. Люди будут бороться, бизнес будет бороться, и общество должно быть к этому готово. Для этого ни одна страна не может уйти на второй план с собственными ресурсами. Особенно такая маленькая страна, как Грузия, надеется на таких партнеров перед лицом такого глобального вызова.

Внешний долг страны - это часть государственного долга, которую страна занимает у иностранных заемщиков, включая коммерческие банки, правительства или международные финансовые учреждения. Как правило, страны берут на себя внешний долг, когда у государственных структур нет ресурсов для достижения поставленных целей. Внешний долг причитается почти каждой стране, является нормальным и в то же время важной частью экономики и исходит из той валюты, в которой он был выпущен.

Внешний долг позволяет стране расширять производство и стимулировать экономику, хотя государство не должно занимать больше, чем оно может себе позволить.

Чтобы оценить, насколько разумно страна получает внешний долг, чтобы оценить его, внешний долг сравнивается с ВВП. Международный валютный фонд (МВФ) - одна из организаций, контролирующая внешний долг стран. Всемирный банк также публикует ежеквартальные отчеты о статистике внешнего долга стран.

Ключевые слова: пандемия; Инфляция; Кризис; Реструктуризация; Внешний долг; Собственный ресурс.

Introduction

The pandemic of the new coronavirus (Covid-19) turned to be an unexpected challenge for the whole world. The scale of the disease is unprecedented. Georgia, the Country, as a part of the open world, due to the number of the reasons, the economical challenges among the others, turned to be in the complex situation. In the circumstances where we have the perspectives of the possible humanitarian and economic collapse, the detailed and thorough anticipation of the humanitarian as well as economical damages according the existing data is almost impossible (Bidzinashvili, 2020: 113).

As a rule, in the crisis situations, the governments of several countries, parallel to increasing expences reduce the taxes and the rates of refinancing in order to achieve balancing of the decreased demands which have resulted out of the crisis and to achieve economical stimulation in such way as the real sector of the economy during the process of crisis/recession could retain the position which is near to the balanced situation (Bidzinashvili, 2020: 111).

When a country or any of its State structures lacks the resources to fulfil their economical goals, it takes foreign debts. The foreign debt is the debt taken by the State itself, or by its National Bank or any other State enterprises.

The foreign debt is an important part of the country's economics. and it is usual for all countries but it is accompanied with the responsibilities which often turn to be a heavy burden for the taxi payers; this happens in case if the foreign debt does not correspond to the budget incomes, the rate of the economy growth, rate of export and GDP volume.

The goal: The goal of the represented work is broad analyzis of the economical problems caused by the pandemic and to develop the measures and recommendations supporting the effective economical activities to overcome the

Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

complex situation which will help the population of the country to withstand the hard times.

The Research Methods The appropriate special literature available in Georgian and foreign languages was used in the process of researching the mentioned issues along with the legislative and statutory acts, statistic information; also the methods of analysis and synthesis, induction and deduction, empiric method, sociological questionnaires and mathematical statistics were used during the researching process.

The problematics of the process of financial crisis overcoming is studied in many ways by Georgian and other scientists (R. Abesadze, I. Archvadze, N. Chikhladze, V. Papava, V. Charaia, P. Aroshidze, M. Jibuti, A. Nadaraia, Hadi A., Kadhom M., Hairunisa N., Yousif E., Casselman B., Roubini N., and others.). These problems are studied by practical workers as well. Our main contribution in the process of researching the financial problems caused by COVID-19 lies namely in the fact that we studied this problem and worked out several recommendations on the regional level on the example of Georgia.

The Results

- Much special attention is necessary to be paid to the development of the local production especially to the goods which will be able to replace the imported ones. I hope that the government can response to this challenge with special efforts and increased financial support. The state should activate all the means in order to keep the local production safe, to develop it, keep it safe, and ensure its producing abilities develop and competitiveness capacities will grow (Bidzinashvili, 2020: 115).

First of all, to response to the requirements of our own market, and then, as soon as the global markets enable us to do so, we can expend exports at the maximum and support the activities;

- Human lives and health are the main things and the state of emergency is absolutely necessary in the quarantine situation. Though the government and the economists as well all should strain their imagination and should reach to the conditions in which as many segments as possible could stay able to function as otherwise it will be impossible even to imagine how our economy can escape the collapse. In this especially hard situation, all the necessary resources should be activated in order to save the country and to save the people. The overall responsibility on overcoming the crisis, save people and retain the economic potential lie on the government. Correspondingly, the government and the State are obliged to mobilize all the resources (financial or non-financial) in order to stay ready to solve the tasks (Bidzinashvili, 2020: 115).

- Reaction of the National Bank of Georgia to the current processes was overdue and from the very beginning they switched on the standby mode. It became active quite late. The reserves of currency should have been used (spent) earlier; in that case our currency market would be less damaged and it would be easier for all the Georgian economics;

- We should know that today devaluation of lari is an inevitable process, it must be devaluated by all means. It cannot be otherwise. But it is bad that there are large leaps as they destroy our currency market and create additional difficulties. For today that is the weakest point of the Georgian economy. This doesn't need any programs it only needs to extinguish the fire and not to spend money in pointless manner but spend them very carefully.

- Today we need minimal expenditures, minimal loss to the economic, we need today to make minimal expenditures and minimal loss for the economics, then end of the epidemic and after all that events, according the existing loss of money, first of all we should decide which sector is more damaged and first of all support it and regarding the loss, we should stimulate which are able to develop the economics of the country;

- It is necessary to fight against the corona-virus though the different countries in the world are comprehending that staying at home can bring even the worse results . As the problems brought by ruining of the economics will be much worst and severe than the virus itself. Battling with the virus should go on but by effective methods and not by ruining of economy;

- It is most important that in the period when the economical activities are descended to the minimum the government must ensure minimum financial injection in the social sphere in order the population could overcome this hard period relatively easy and painless;

- Finding the credit resources will not be difficult but how to set its amount, where to borrow and how to spend those money resources but when borrowing, it is more important to define correctly the amount of the loan than its purposes. For this aim it is necessary to underline more or less exactly the scale of the negative influences of the corona-virus on our economics;

- Covid 19 is a very serious danger, it has already brought us serious negative effects and will bring them even more. But we think that the main danger is not the corona virus but it is the possible economical collapse. It will take place all over the world and surely in Georgia too. We have the signs of this danger implying the stock markets which are in fact collapsed the scales of which depend on how long the virus will be raging;

- The world's economical crisis begun in 2008, and after the Russia - Georgia war we were able to stop the collapse of the economics and financial system only by means of the five billion dollars received from The USA and EU. At least half of the sum was spent for this goal... but today the USA and EU themselves are in great difficulties. As far as I know they have already begun negotiations with the international monetary institutions - the International Monetary Fund and the World Bank and their help will be of great importance for reanimation of our economics. In such situation the government needs our help and support in order to avoid ruining of the economy and to achieve its rebuilding as near in the future as possible.

- At the same time, we should learn to live and work in the environment of the Covid pandemic because in the earnest future this disease will one day disappear.

Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

-This is the global challenge and when it happens, many countries and Georgia among them, will start escaping the economical crisis and the main process of competition will emerge namely here; and the most important thing for Georgia at the moment will be maintaining competitiveness within the regional and local economical development, knowing that we need new vision, new approach to the post-crisis events which will be conducted by the State in order to help the private sector and the business to escape the crisis situation and begin successful economical activities as fast as possible, to increase employment, and return to the pre-crisis starting situation, that is most important.

-When assessing the public debt both the positive and negative effects should be considered. If it is used efficiently, the public debt can play the important role in stimulating the national economy, for example, new investments can be funded, the growth of the taxes reduced. In order to influence positively the economy growth, it is necessary for the country to follow the recommendations of the international organizations about the limits of payment and to guarantee the fiscal stability.

-The amount of money put in the budget of the year 2021, cannot be sufficient for the country's large-scale social programs and the government of the country will have to take additional debts; it is known that the government does not even have enough amount of money in the budget 2021 for the large-scale social programs. So, the government will have to take additional foreign debts as the mentioned amount money is not enough even for the financial help to the socially vulnerable people though the necessity of help was determined. The needed amount partially depends also on the amount of the foreign debts to be compensated. The debt amount of 2,5 billion dollars is considered in advance, in 2021 budget i.e. which is borrowed this year but implying that from January 2021 it actually will begin to be spent which means that it will become necessary to spend the above mentioned amount of debt now and then to make a new Statement about the new debt.

Discussion

„The crisis resulting from the „Covid-19 situation all over the world has damaged the world economy much more faster and severly in comparison with the global financial crisis (GFC) of 2008 or even the Great Depression. In the mentioned episodes the capital markets decreased for more than 50%, the credit markets were frozen which caused mass bankruptcy, unemployment rate increased to 10% , GDP decreased to but these results appeared about in three years from the beginning of the crisis. In case of the present situation the analogous macro economical and financial results were “achieved” just in three weeks.”(Roubini N., 2020: 1-2).

„The tempo of the world's economic growth had been quite low even earlier of the virus attack – it was only within the 2% and thus, it is not difficult to understand what can happen in case if it turns impossible to defeat the pandemic as soon as possible”(Casselman, 2020: 2).

As it is pointed in the report of the UNU WIDER (**United Nations University, World Institute for Development Economics Research**) the

nowadays poverty indexes can come back to the indexes documented 30 years ago. It can happen that additionally, in total about half a billion people will appear beyond the poverty line.”(Summer, Hoy, Ortiz-Juarez, 2020: 2).

The world economics was hit by the pandemic very seriously, the incomes decreased globally, and correspondingly, the amount of money which the Georgian citizens, working in the different countries all over the world used to send steadily to their families, found themselves in the difficulties as the working places reduced all over the world; for example, in Italy almost all the activities were restrained which were the working places for the immigrants and this influenced the amount of money transfers which represented the important financial flow. In its turn, decreasing of the monetary flow caused diminishing of the foreign currency delivery.

The pandemic of the new coronavirus (Covid-19) turned to be an unexpected challenge for the whole world. The scale of the disease is unprecedented. Georgia, the Country, as a part of the open world, due to the number of the reasons, the economical challenges among the others, turned to be in the complex situation. In the circumstances where we have the perspectives of the possible humanitarian and economic collapse, the detailed and thorough anticipation of the humanitarian as well as economical damages according the existing data is almost impossible.

The pandemic crisis, if it is prolonged, can obviously bring considerable damage on both - macro and micro economics. Generally, there exist different views about the question what kind and what scales the responsive measures should be. The character of those views depends on different ideological approaches.

Basically, in the crisis situations, the different governments parallel to growth of expenses reduce the refunding rates in order to balance and stimulate economically the reduced requests caused by the crisis, in such way that the real sector of economics retains the position near to balanced during the crisis/recession period.

Thus, every country tries to determine the amount of the debt according their abilities and to use this amount of debt for the right way of the stimulation of the country's economy. As a rule, giving the amount of debt which exceeds the abilities of the economics, turns the direct cause of the crisis. It goes without saying that the larger the country's economy is, the larger resources it has to fulfill debt repaying obligations. As for the countries of minor economies which would gather certain amounts of debts anyway, without any strategies, and the economic results of using those debts are almost unnoted.

But despite all we have just mentioned, the highly developed countries are also trying to work towards reducing the debts of the other countries, for example: for the Euro-zone countries, there is quite strict policies are used in relation of the debts payments: if a country is eager to be within the Euro zone, its foreign debt should not exceed 60% of its GDP.

The gross foreign debt of Georgia according to the data of 31st December 2020, amounted up to 7,5 billion US dollars (24, 6 billion Georgian GEL) (see Table1.1+1.2).

Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

External Public Debt of Georgia

Creditors	Currency	Debt Stock (thousand)					
		in Credit Currency		in USD		in GEL	
External Public Debt					7		24
			535 168			689 731	
Government External Debt					5		16
			7 162 138			467 463	
Multilateral					5		16
			010 415			417 126	
Asian Development Bank (ADB)	U		41		41		1
	SD		0 024		0 024		343 484
	S		46		66		2
Asian Infrastructure Investment Bank (AIIB)	DR		3 616		7 732		187 889
	E		29		36		1
Asian Infrastructure Investment Bank (AIIB)	UR		7 896		5 783		198 525
	U		38		38		12
Asian Infrastructure Investment Bank (AIIB)	SD		071		071		4 743
	E		98		12		39
Council of Europe Development Bank (CEB)	UR		692		306		832
	E		2		3		10
European Bank For Reconstruction and Development (EBRD)	UR		2 209		9 175		2 617
	E		16		19		65
European Investment Bank (EIB)	UR		2 901		0 295		425 650
	E		60		74		2
European Union (EU)	UR		3 000		3 309		5 099
	E		13		16		53
International Bank For Reconstruction and Development (IBRD)	SD		6 508		6 508		773 669
	E		23		28		93
International Development Association (IDA)	UR		1 629		4 415		1 914
	S		63		92		3
International Fund for Agriculture Development (IFAD)	DR		8 935		0 239		015 254
	S		23		34		11
International Fund for Agriculture Development (IFAD)	DR		664		082		1 673
	E		1		1		5
International Monetary Fund (IMF)	UR		418		741		704
	S		14		21		69
Nordic Environment Finance Corporation (NEFCO)	DR		7 000		1 719		3 720
	E		2		2		8
Nordic Environment Finance Corporation (NEFCO)	UR		088		564		402
	E		2		2		8
Bilateral					1		5
			650 025			406 472	
menia	Ar						
	SD		5		5		17
			485		485		973

Davit BİDZİNASHVİLİ

zerbaijan	A	U	5	5	17
ustria	A	E	15	19	62
hina	C	C	6	92	3
ance	Fr	E	47	58	1
ermany (KfW)	G	E	59	73	2
n	Ira	U	4	4	13
pan	Ja	JP	22	21	71
azakstan	K	U	8	8	28
uwait	K	K	2	9	30
etherlands	N	E	31	39	1
ussia	R	U	40	40	13
rkey	Tu	U	10	10	34
rkmennistan	Tu	U	21	21	69
kraine	U	U	47	47	15
nited State	U	U	15	15	50
zbekistan	U	U	52	52	16
Bonds			500 000	1 638 300	
robond	Eu	U	50	50	1
Guaranteed			1 698	5 564	
Germany (KfW)	UR	E	1	1	5
External Debt of National Bank of Georgia			373 030	222 269	1
საერთაშორისო სავალუტო ფონდი (IMF) International Monetary Fund	DR	S	25	37	1

Public Debt Management Department
Ministry of Finance of Georgia

E		
UR	1,2279	USD
S		
DR	1,4403	USD
C		
NY	0,1533	USD
JP		
Y	0,0097	USD
K		
WD	3,2830	USD
U		
SD	1,0000	USD

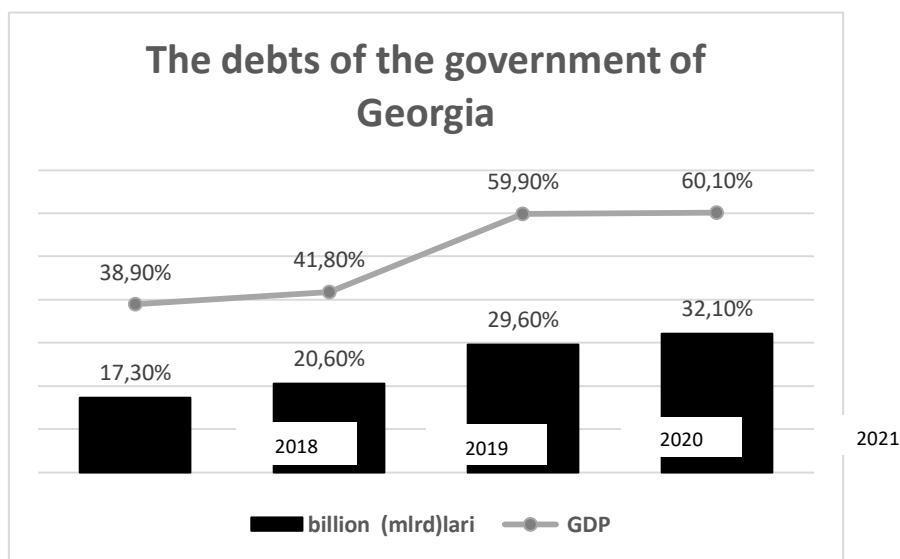
Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

U
SD 3,2766 GEL

The Parliament of Georgia approved the most critical budget in comparison with the budgets of the last 11 years. Its parameters clearly show that the year 2021 and some following years are expected to be seriously hard.

The deficit of the State budget of 2021 makes up to 4,1 billion GEL which means 7,7% of the GDP, instead of 3% which is allowed by the organic law of the “free economy” and we should cover 2,5 billion dollars out of the mentioned sum again through taking the new foreign debt. As for the 1, 6 billion GELS this sum must be paid from the rest of the budget of 2020, which also remained from the foreign debt taken by the government the last year.

In 2021 the government will take additional debt which will mount to 5,3 billion dollars but at the same time, 2.8 must be paid to cover the earlier debts. It means that the next year the debts of the Georgian government will go as forecasted to 32,1 billion dollars which will make up 60,1 - 60,8% of the GDP. According to the above mentioned, it is the first time that the amount of the foreign debt will go beyond the limit of 60% which is considered the critical point of the GDP; (see Table 2).



According the 2021 budget of Georgia, the country’s economy should grow up at least for 0, 3% and this must happen at the background of 5% loss in economy in 2020.

The incomes of the State budget make up 16, 8 billion GELS and this is for 1, 7 billion GELS less than the incomes in 2020. This loss is conditioned by the fact that the foreign debts taken by the government will make 8 billion dollars at the

end of 2020 and additionally, in 2021, this amount will reach up to 5, 3 billion dollars as it is planned already.

The payments for the budget of the year 2021 are increased by 2, 5 billion dollars and will go up to 18, 4 billions out of which the expenditures. Grow up by 222 billion GELS. The taxis are increased most of all as a result of paying the debts in amount of 2, 8 billion dollars.

According the State budget of 2021, the next year, and the government will begin to cover the Euro-obligations issued in 2008 summing up to 500 million dollars for which new obligations of new obligations summing 1,657 million GEL.

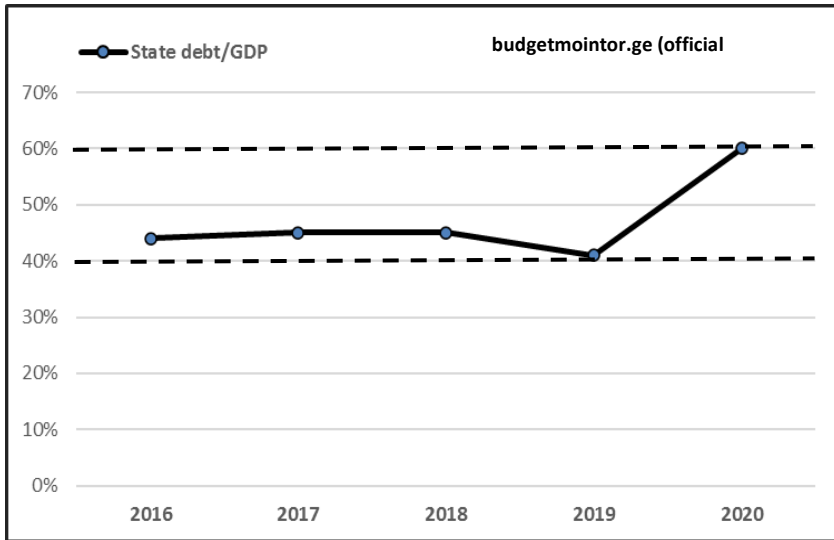
In the new budget for 2021, as much as 3, 3 GEL are taken to be the oriented exchange course to one USA dollar and 3% is admitted as the inflation rate.

The foreign debts of the Georgian government represent 80% of the whole amount of the debts. In case of devaluation of the rate of lari, the foreign debts expressed in the Georgian lari and its ratio to the GDP will grow up once more. Along with the devaluation of Georgian national currency, Lari, the growing budget deficit of Georgia also causes growing of the foreign debts.

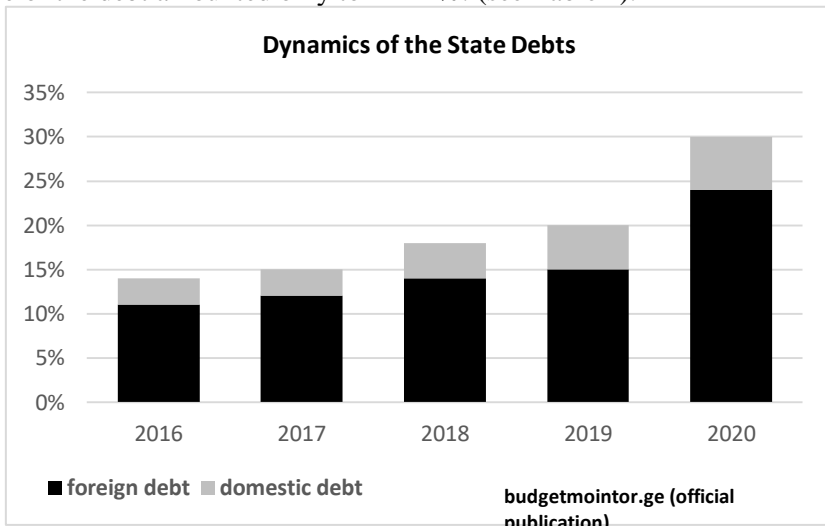
The little amount of the State debt in the minor developing countries is considered to be one of the parameters showing the right development of the economics of the country. The less the State's debts are, the higher is the trust and interest of the foreign investors to that country. In 2011 the parliament of Georgia adopted the organic (constitutional) law on the economical freedom according to which the State debt should not exceed 60% of the GDP. Later, the term "state debt" was changed by the "government in the law of the economical freedom and the budget deficit was stated within 3%.

According the budget of 2021, the deficit, resulted from the growth of the State debt, will be up to 7,7 percents of the GDP, which contradicts the requirements of the organic law; the same can be said about the State debt – about 32 billion dollars which compiles 60,1 percent of the GDP. (see Table 3).

Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...



In our opinion, it is necessary for the government to renew the strategy of debt control. It should reflect the view of the government about how to return the volume of the debt to the pre-crisis period. It was only as long as a year ago that the volume of the debt amounted only to 41-42%. (see Table 4).



In 2020, the Georgian government took the inner debt which exceeded the debt amount considered in the budget as much as by 176 million dollars. According the document published by State treasury, instead of 1.85 billion dollars, the inner debt made up 2.026 billion dollars last year.

The Georgian government took new responsibilities summing up to 7, 28 billion dollars, in 2020.

Nowadays the foreign debt of the State makes total 8, 9 billion USD (29,3 billion GEL) which means 54,6 percents of the GDP. Out of this sum of money, the debt of the government sector represents 6,8 billion USD (22.2 billion GEL) which is 41,4% of the GDP); the obligations of the National Bank compound 457,8 million USD (1,5 billion GEL); (GDP 2.8%) and as for the State produced obligations and loans they are correspondingly, 794.9 million USD and 2.6 billion GEL; this makes 4,9 % of GDP) and 904.4 million USD (3.0 billion GEL; 5,5 % of GDP).

The foreign debt of the bank sector sums up to 4,4 billion USD (14.6 billion USD; 27,2 \$ of the GDP); the foreign debts of the other sectors represents 4.7 billion USD (15,6 billion GEL; 29, 1 GDP) and also, different inter companies debts summed up to 3,3 billion USD, (10.7 billion GEL and 19.9% of GDP). 91,7% of the total foreign debt is denominated by the foreign currency.

It is the sad reality that 80% of all the Georgia's debts are represent by the foreign debts. I cannot remember any successful country, the debts of which are more than 30- 40% of the instances represent the foreign debts. They have mostly only the inner debts; we can name here the USA, Japan or other highly developed countries which have even 100% of debts but those are only inner, domestic debts which do not cause leaking of sums of money from the country and they do not contain currency risks.

According the present situation, it is dangerous for Georgia to have the debt exceeding the mark of 60%; this will include serious risks for the GDP and we need to diminish the rates of debt. The debt is a serious risk. During the some recent years we had a healthy economic growth The experts often note that the growth of 5% is quite satisfactory for our economics but we should consider at what cost we will have the mentioned 5%? The answer is: at the cost of low deficit, growing debt, remarkable improvement in current accounts and trading balance. In such case the growth by 5% is much better than the growth of 7% and the high deficit. Those years were the years of very healthy economics – we had the frame of approximately 40% and now we have the challenge where we just have jumped up to 60%; this fact is an alert though it means that in the next years we should be very careful as not to let the debts go even higher. In the ideal situation this goal will be reached in the next 4 or 5 years.

The structure of the foreign debts of Georgia is expected at the end of 2021 as shown below:

The credit balance of Georgia to the international financial institutions:

- World Bank (WB) - 6,689,701,000 GEL;
- Asian Development Bank (ADB) - 6,261,402,000 GEL;
- Europe Investment Bank (EIB) - 2,793,372,000 GEL;
- European Union (EU) - 820,893,000 GEL
- European Bank of Reconstruction and Development (EBRD) - 781,278,000 GEL;
- Asia Infrastructure Investment Bank (AIIB) - 721,070,000 GEL

Economical Crisis Caused By Corona-Virus Pandemic And The Tendencies ...

- International Monetary Fund (IMF) - 694,270,000 GEL;
- International Fund of Agriculture development (IFAD) - 128,874,000 GEL;
- Council of European Development Bank (CEB) - 12,026,000 GEL;
- Nordic Environment Financial Corporation (NEFCO) - 8,717,000 GEL;

The credit balance to the different countries:

- Germany- 2,580,477,000 GEL;
- France - 2,009,820,000 GEL;
- Japan - 685,506,000 GEL;
- Russia - 94,826,000 GEL;
- Austrias - 57,141,000 GEL;
- The USA - 43,573,000 GEL;
- Kuwait - 33,473,000 GEL;
- Turkey - 27,013,000 GEL;
- Kazakhstan- 15,091,000 GEL;
- Azerbaijan - 13,873,000 GEL;
- Armenia - 12,238,000 GEL;
- Iran - 10,119,000 GEL;
- China - 1,512,000 GEL;
- Turkmenistan - 699,000 GEL;
- Netherlands - 340,000 GEL.

The Eurobond balance - 1,656,850,000 GEL;

Inner debt balance :

- Treasury liabilities of the Ministry of Finances of Georgia - 600,000,000 GEL;
- Treasury bonds of the Ministry of Finances of Georgia - 5,033,000,000 GEL;

Summing up of the inner and foreign debts - 32,111,495,000 GEL

According the current situation, Georgia is not under the immediate threat of the default. Our potential is enough to observe the future optimistically. Though the situation is serious yet it cannot be perceived as tragic. We consider that there are some ways and better perspectives of improving the present situation. Economic growth and progress of the country are the ways of overcoming the difficult situation. In case everything goes well, the economists predict the growth of economy in 5% the next year and 5,5% the following year. We think it is quite achievable for Georgia.

The shock of pandemic drew the economic situation back and even when some enterprises returned to work it could not make notable results. It should be taken in consideration that to regain the past achievements is not an easy work. The

perspectives of 2-year economy growth were put down by the pandemic lockdown. These 2 years will be considered as omitted out of the economical progress.

Consequently, in the given situation, we should consider attraction of the foreign help obligations to be the most important constituent to retain the economic development. It is clear that those amounts of finances cannot be enough and we should make great efforts to restructuring the past financial obligations alongside with taking the new debts. The coming flows of money should be grow and parallel to it, the process of outgoing of the resources should be postponed.

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