



“The impact of the global financial crisis on public service delivery in the economies of the former Soviet Union”

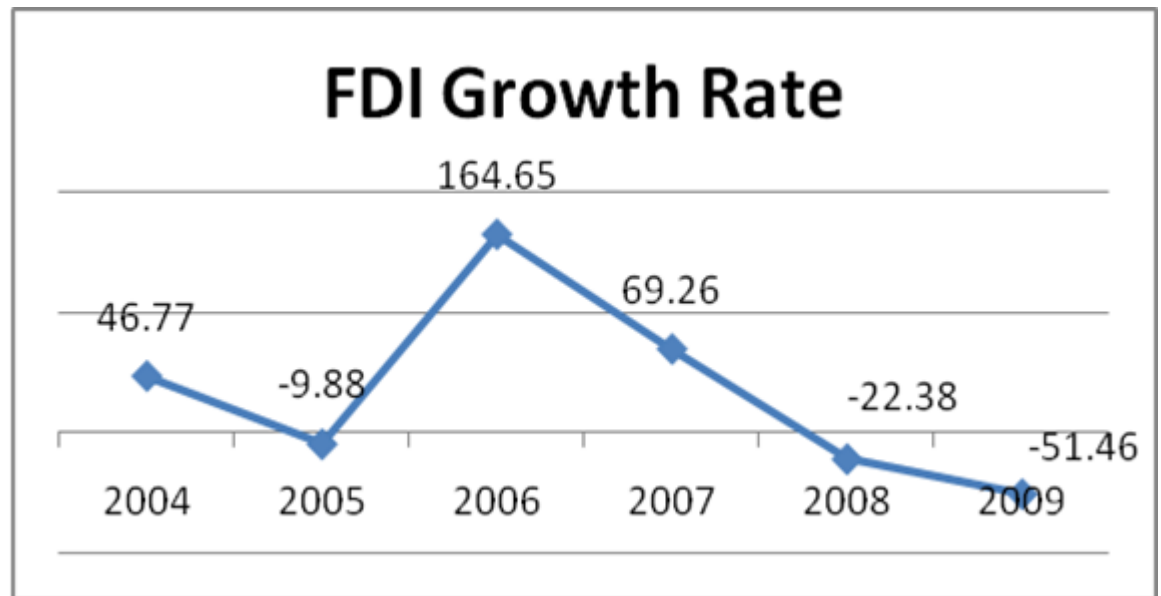
Georgia

Main Macroeconomic Indicators 2003-2010

	2003	2004	2005	2006	2007	2008	2009	2010 (projection)
Nominal GDP (million GEL)	8564.1	9824.3	11620.9	13790	16993	19069.6	17989	20791.3
Real growth of GDP (%)	11.1	5.9	9.6	9.4	12.3	2.3	-4	6.4
Inflation (Dec-to- Dec)		7.5	6.2	8.8	11	5.5	3	6
Export (million GEL)	2726.6	3100.1	3921.9	4534.4	5357.2	5469.1	5045.3	5532.2
Import (million GEL)	3975.6	4733.6	5992.7	7842.7	9815.4	11006.4	9625.8	10304.5
Exchange rate USD/GEL, period average	2.1459	1.9170	1.8127	1.7767	1.6707	1.4902	1.6705	1.7823

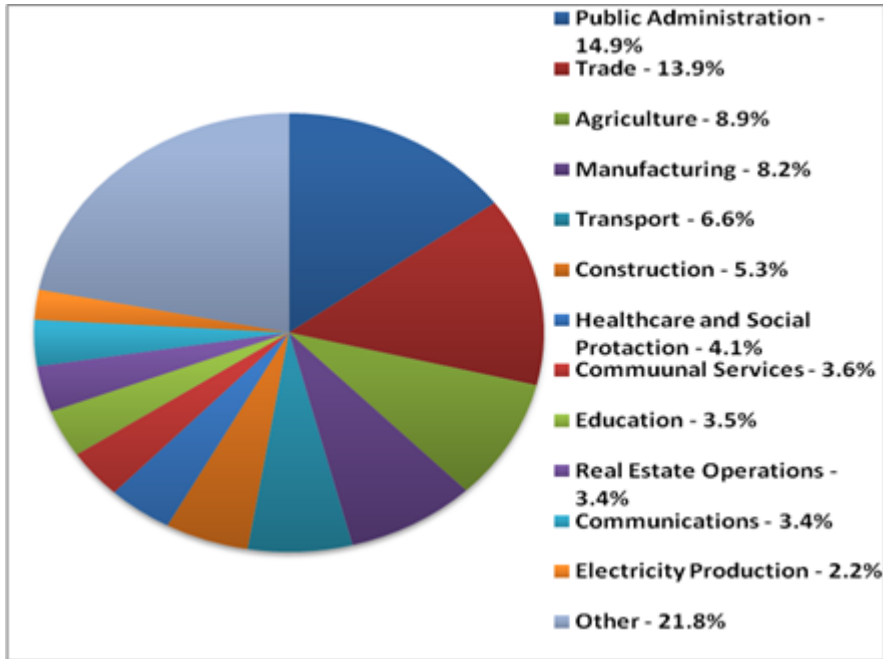
Foreign Direct Investments

Year	FDI (million USD)
2004	499.1
2005	449.8
2006	1,190.4
2007	2,014.8
2008	1,564.0
2009	658.4
2010*	553.1



- In 2008 FDI decreased by about 22.4%
- In 2009 downward trend continued, FDI dropped more than twice compared to 2008.

Share of Economic sectors in real GDP (%) 2008



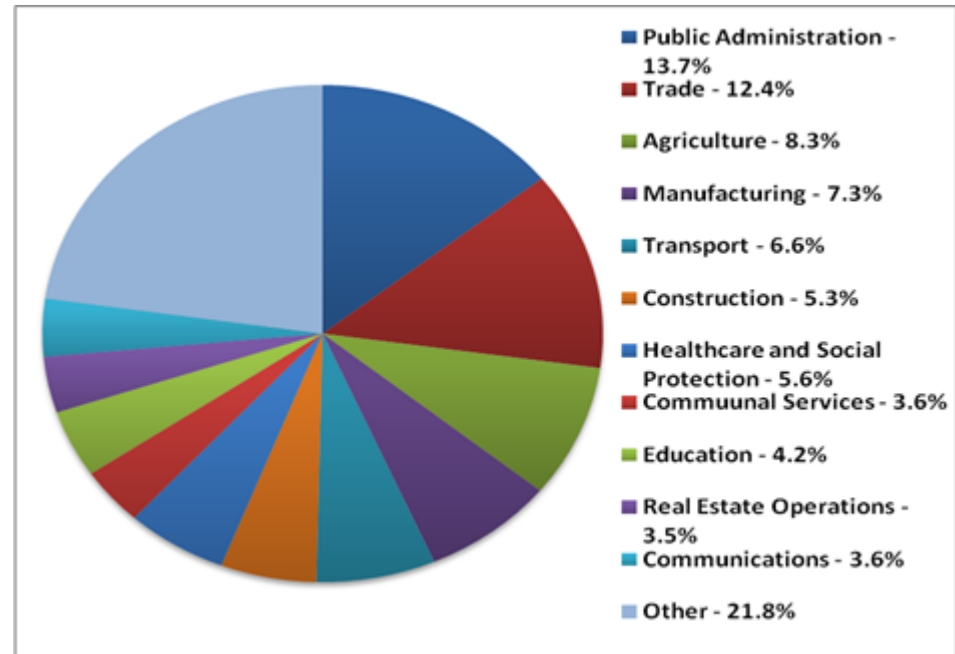
Comment

Real decline of GDP was 3.9% in 2009. In 2009 negative contribution to the GDP subsidence were posted by the trade sector (-2.8%), manufacturing (-0.9%) and agriculture (-0.7%). The main positive driving force in GDP made the sectors where the budget financing plays important role (Healthcare and Social protection, Education, Public administration) and in electricity, gas, and water production-distribution sector.

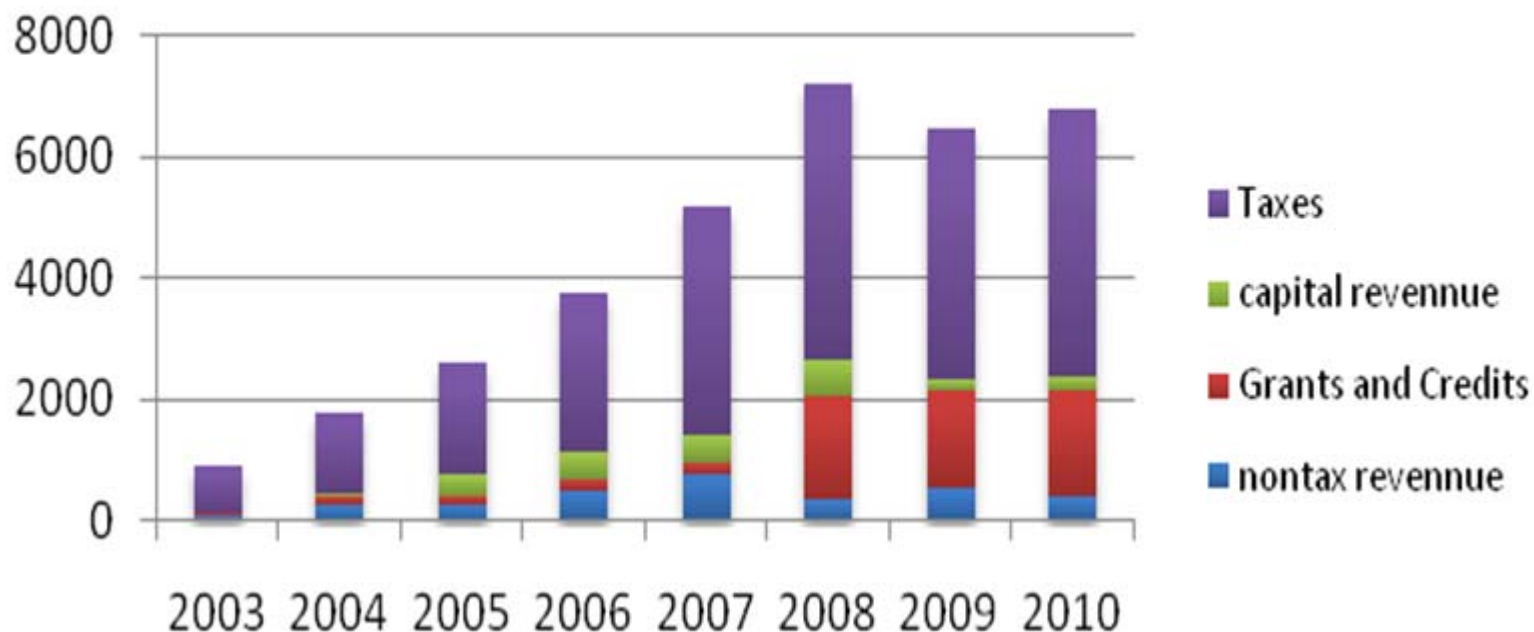
Comment

In 2008 the traditional economic sectors –trade and agriculture, also held significant shares of 13.9% and 8.9% of GDP, respectively. As expected, in 2008 the shares of manufacturing industry and construction in the GDP decreased year-on-year, equaling 8.2% and 5.3% respectively. It is noteworthy that the six sectors produced 60% of the value added to the economy.

Share of Economic sectors in real GDP (%) 2009



State Budget Receipts (million GEL)

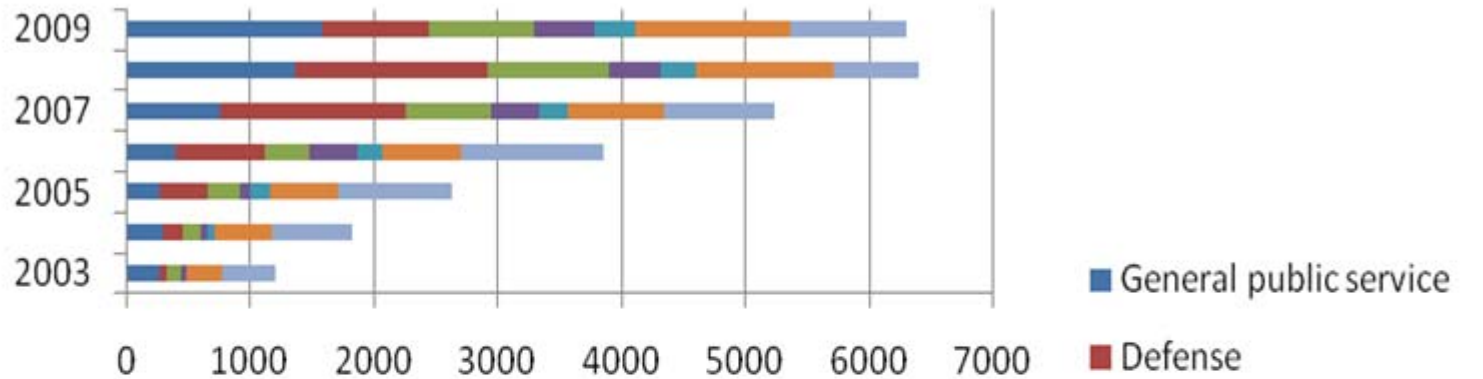


State budget revenues as a share of GDP increased starting from 2003. In 2007 budget revenues accounted for about 30.4% of GDP, compared to 11% in 2003. The budget's share in the total GDP did not increase in 2008, and declined by 2.3% in 2009.

Taxation reforms in 2003-2010 and planned reforms for 2011-2013

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of Taxes	22	7	7	7	6	6	6	6	6	6
VAT	20%	20%	18%	18%	18%	18%	18%	18%	18%	18%
Income Tax	12-20%	12% (flat)	12% (flat)	12% (flat)	Social Tax + Income Tax	Social Tax + Income Tax	20%	18%	15%	15%
					25%	20%				
Social Tax	33%	20%	20%	20%	-	-	-	-	-	-
Corporate Profit Tax	20%	20%	20%	20%	15%	15%	15%	15%	15%	15%
Dividend income tax	10%	10%	10%	10%	10%	5%	5%	3%	0%	0%

Expenditure of State Budget (million GEL)

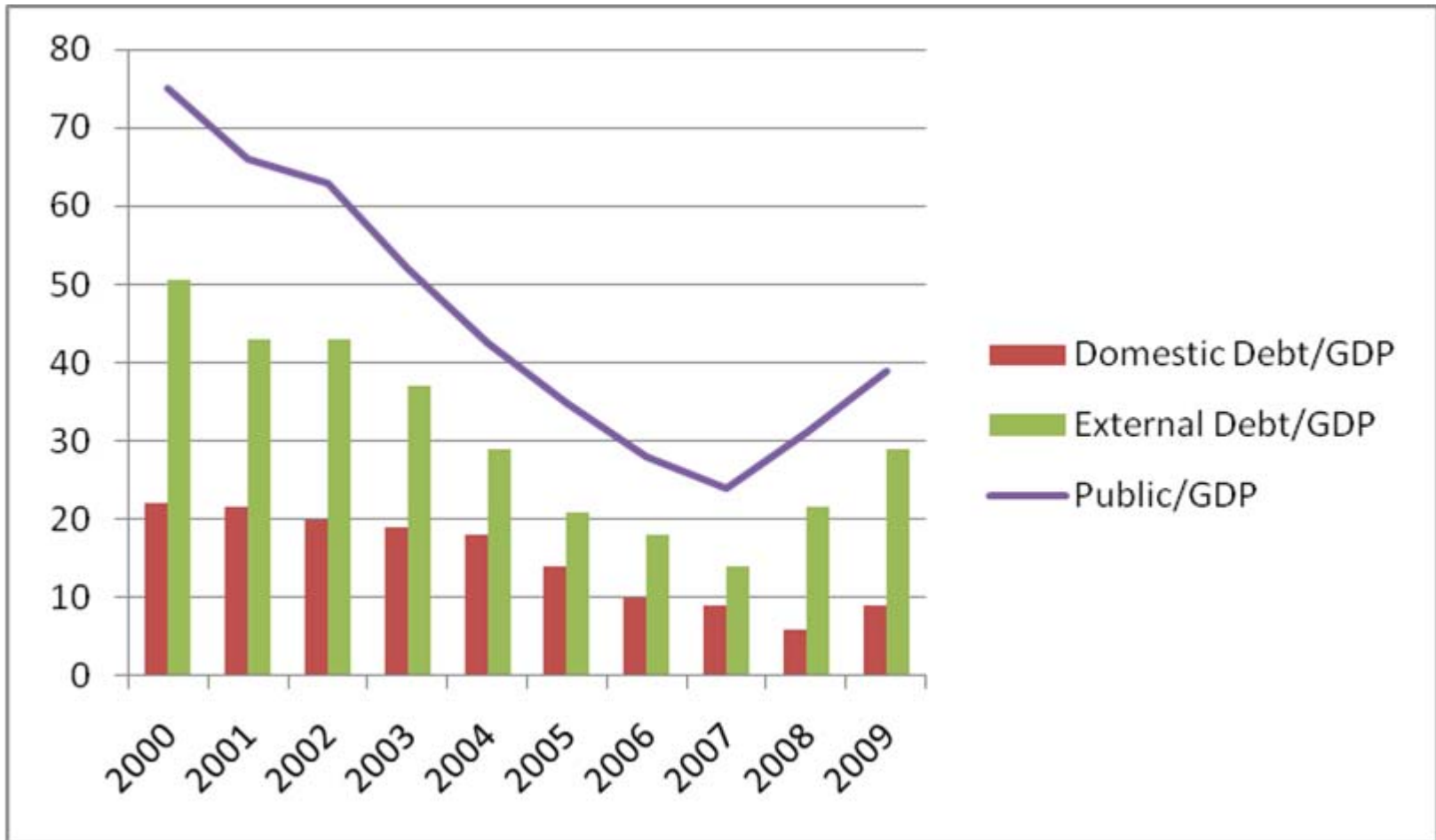


	2003	2004	2005	2006	2007	2008	2009
General public service	272.9	301.7	264	397.3	762.0	1363.1	1577.0
Defense	60.4	158.7	389.3	720.1	1500.3	1548.4	867.7
Public order and safety	107.6	137.4	267.6	369	684.5	983.5	853.1
Education	41	65.3	77.7	384.4	384.0	420.5	488.1
Health	10.3	54.8	165.3	205.5	240.7	283.9	331.6
Social protection	287.8	456.8	539.1	622.7	777.6	1106.4	1249.6
Other expenditure	427.1	655.4	925.6	1158.3	888.1	695.3	933.4

Consolidated Budget Deficit 2005-2010










	2005	2006	2007	2008	2009	2010 (projection)
Deficit (million GEL)	208	420	806	1179	1673	1360
Privatization	439	719	888	698	358	210
Deficit Decline	-67	-173	-87	-430	368	0
Increase in Obligations	-164	-125	5	911	947	1150
• foreign	-35	-62	35	967	683	1013
• domestic	-130	-64	-30	-56	264	137
o/w Treasury Bills					270	200
Deficit/ GDP (%)	1.8	3	4.7	6.2	8.4	6.9

Public Debt to GDP, 2000-2009 (%)



The Donors' Pledges of US\$4.5 billion

Aid by donors

Donor	US\$ million
 World Bank	530
 EBRD	927
 Asian Development Bank	300
 IFC	350
 European Investment Bank	330
 USA	1,000
 EC	638
 EU members	174
 Japan	200
Other states	88
Total	4,535

Aid by sectors

Sector	US\$ million
IDPs support; e.g. IDPs housing	350
Transport infrastructure	682
Energy infrastructure	381
Urban and municipal infrastructure	210
Finance and banking	1,105
Non- sectoral support	586
Unallocated	1,221
Total	4,535

The Economy Remains Resilient

However global financial crisis slowed down Georgia's economy, it showed another strong resilience due to the following reasons

- IMF US\$750 million stand-by arrangement facility completed in early September 2008.
- US\$4.5 bn donor funding pledged in late October 2008 at the International Donors' conference.
- Government of Georgia's GEL 2.2 bn fiscal stimulus package for 2009

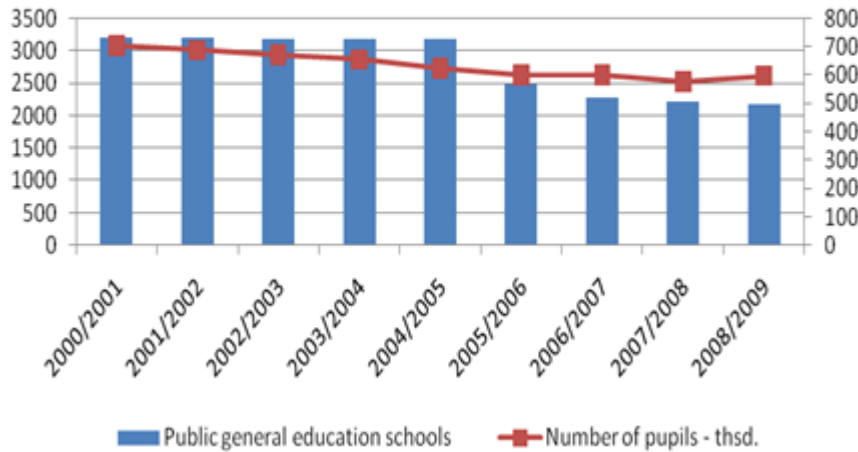
Education Financing

		2003	2004	2005	2006	2007	2008	2009
Nominal GDP (million GEL)		8564.1	9824.3	11620.9	13790	16993	19075	17986
Budget, total expenditures (million GEL)		1207.1	1930.2	2618.6	3821.4	5237.1	6401.0	6300.5
Education	Million GEL	41.0	65.3	77.7	384.4	384.0	420.5	488.1
	% of Budget	3.4	3.4	3.0	10.1	7.3	6.6	7.7
	% of GDP	0.5	0.7	0.7	2.8	2.3	2.2	2.7

- Radical increase in 2006 budget can be explained by introducing voucher system as method of financing general education

Education

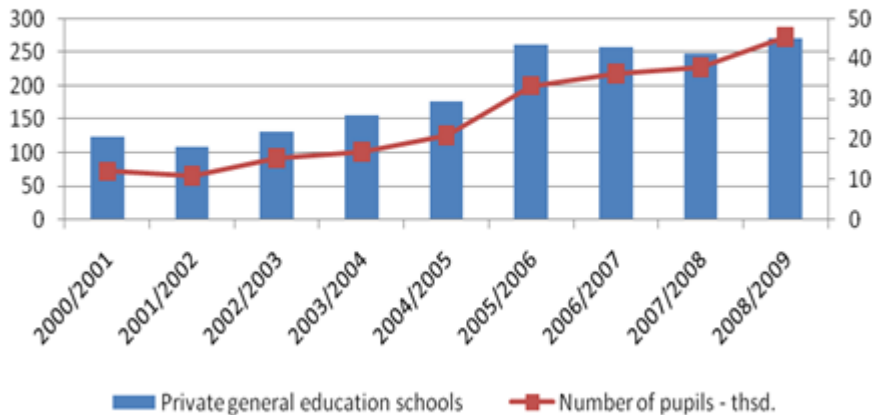
Number of Public General Education Schools and Pupils (in thousands)



- In 2009-2010 academic year there were 2,179 state and 283 private schools in Georgia
- In 2008-2009 academic year the number of pupils at public schools decreased by 3-4% at the basic and primary levels

- Number of pupils is decreasing in public schools and is increasing in private schools, especially at the primary and basic levels.
- In 2008-2009 academic year the number of pupils at private schools increased by 11-12% at the basic and primary levels

Number of Private General Education Schools and Pupils (in thousands)



Education Indicators

- Net Enrolment Ratio (NER) was decreasing in 2000-2005 by about 1.5% on average each year.
- From 2005 it started to increase with the only exception being the year of 2007.
- Pupil-Teacher Ratio

Teaching year	Ratio Total	Ratio Primary Level
2006/2007	8.6	6.4
2007/2008	8.4	6.3
2008/2009	8.6	6.0
2009/2010	7.2	5.1

General Education Reform

- Voucher system was introduced in 2006 as a method of financing general education
- 60% of public schools required additional financing in order to function
- Formula for calculating voucher was changed several times according to school size and the region of allocation
- From 2011-2012 academic year Ministry plans to introduce lump sum financing system. Apart from vouchers, all schools will be provided with single payment for the total amount due in order to operate efficiently

General Education Reform

- In 2006, 70 training sessions were conducted and 6,000 teachers from different state schools of Georgia were trained
- In 2007, the Ministry created the centre of teachers' professional development
 - Budget 2008: 0.8 million GEL
 - Budget 2009: 2 million GEL
 - Planned budget 2010: 4 million GEL

- Financing for rehabilitation of the Georgian public schools (thousand GEL)

	2007	2008	2009	2010	2011
Planned budget	68,455.8	120,000.0	100,000.0	95,000.0	50,000.0
Actually spent money	78,831	25,333.1	8,283.5	21,597.5 (Plan)	

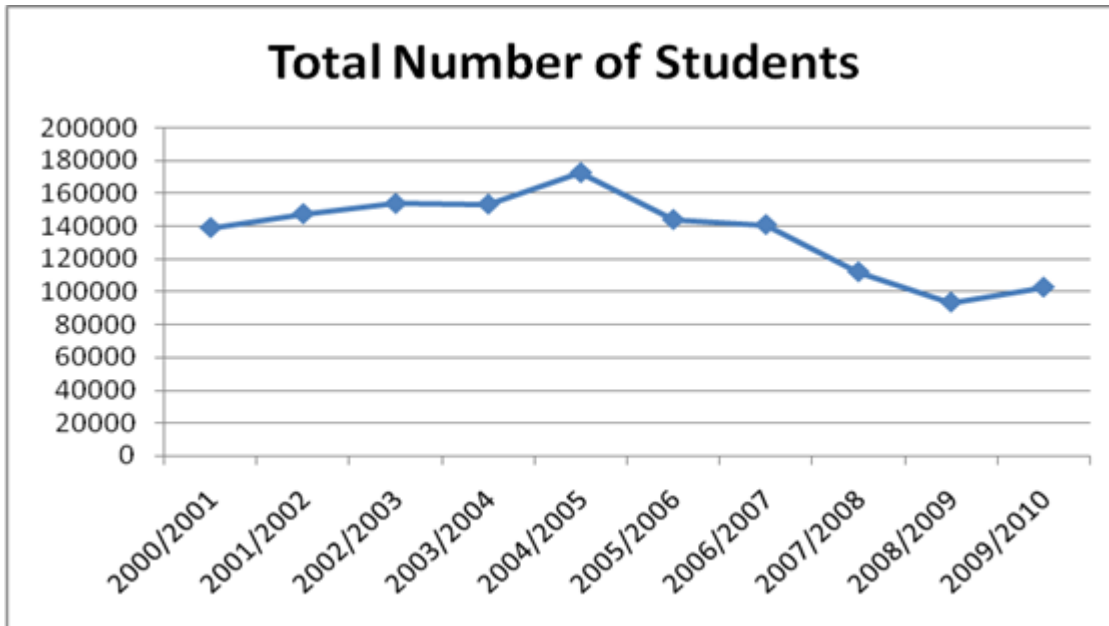
- In 2005 the national program for complete computerization and internet connectivity of schools (“Deer Leap”) was launched. The planned budget was 49 million GEL dropped to 37.5 Million GEL

Higher Education

Main Reforms

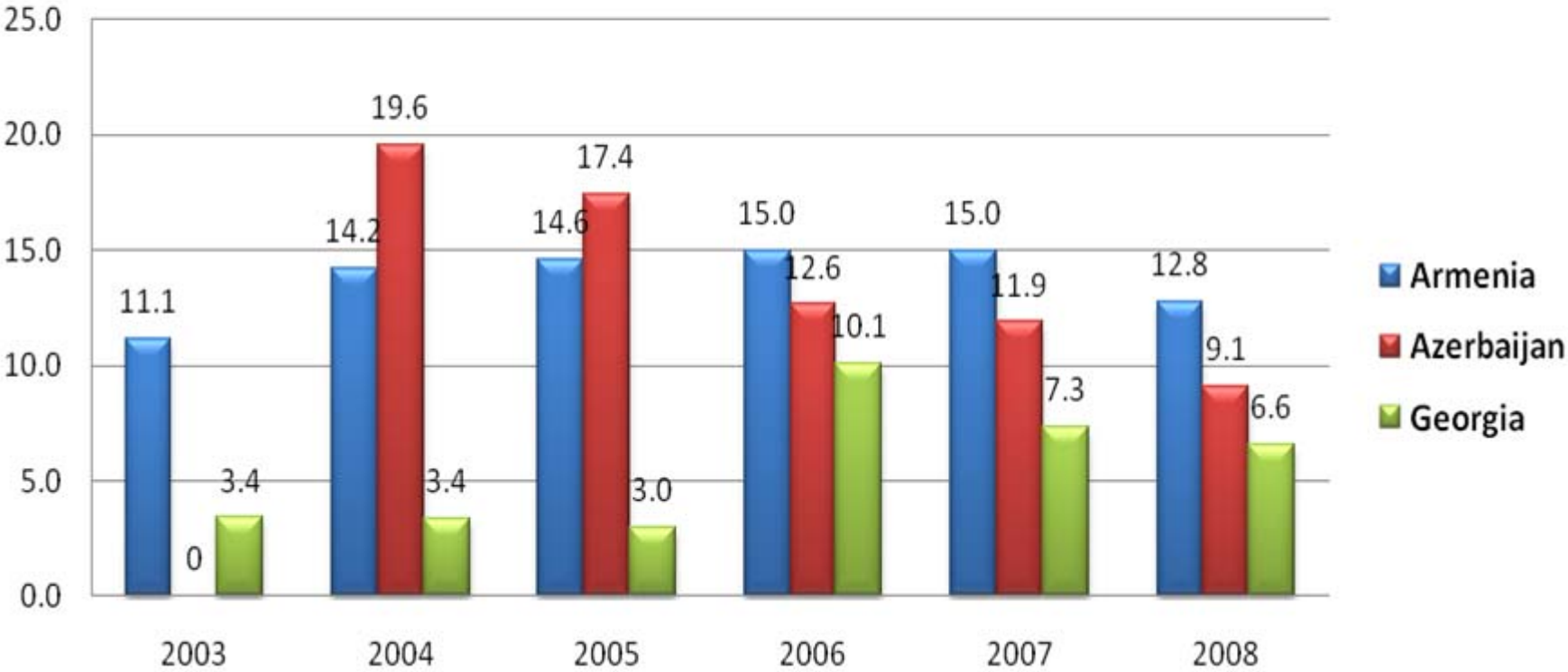
- The Accreditation Council of Higher Education Institutions was set up in 2005
- higher education financing was changed in 2005. and again in 2006.
- A completely new model of admissions exams was introduced in 2005-2006 academic year “Unified National Admission Exams”

Higher Education



- Before 2004 the number of HEI increased
- Today there are 71 accredited HEIs in Georgia
- After 2006-2007 academic year, the number of private higher education institutions decreased from 148 to the current number of 108

Education, % of Budget



Main indicators of population health status

Main indicators of population health status

Indicator		2002	2003	2004	2005	2006	2007	2008
Life expectancy at birth, in years	Georgia	71.5	72	71.4	73.1	74.3	75.1	74.2
	EU	77.9	77.94	78.52	78.68	79.06	79.21	79.31
Maternal deaths, all causes, per 100 000 live births	Georgia	42.19	49.89	43.13	23.4	22.99	20.21	14.3
	EU	6.59	6.84	6.75	5.63	5.96	5.7	5.96
Infant mortality, per 1000 live births	Georgia	18.92	17.62	17.32	17.29	18.15	13.73	17
	EU	5.46	5.26	5.12	4.87	4.68	4.51	4.44
Estimated probability of dying before age 5 years, per 1000 live births (World Health Report)	Georgia	23	45	44.5	30
	EU	6.49	6.46	6.06	5.12

Main characteristics of public health for 2000-2009

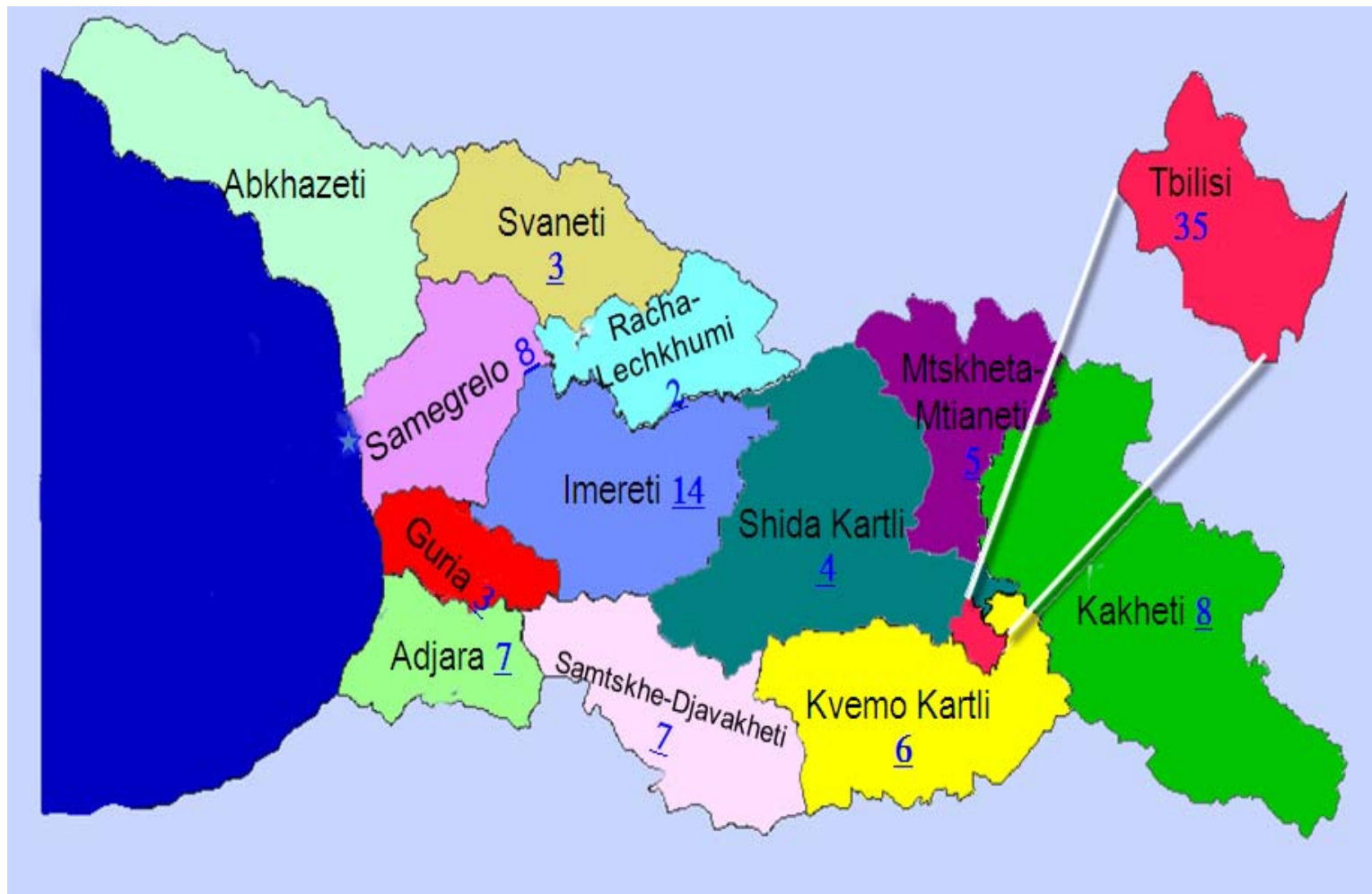
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Number of hospitals, unit	229	251	251	248	246	242	244	245	244	241
Hospitals per 100000	6.11	6.07	6.4	6.35	6.29	6.14	5.96	6.04	...	5.99
Hospitals per 100000, EU	2.87	2.85	2.81	2.76	2.75	2.72	2.68	2.67	2.64	...
Primary health care units per 100000	23.38	23.2	18.41	18.9	20.95	17.65	14.76	14.38	...	11.36
Hospital beds per 100000	477.1	429.55	419.77	419.3	407.32	391.96	374.15	331.9	...	309.08
Hospital beds per 100000, EU	617.16	605.62	592.47	579.74	567.71	560.09	546.64	535.56	528.8	...
Physicians per 100000	473.1	429.55	464.18	484.23	489.44	465.7	468.33	454.63	...	467.23
Physicians per 100000, EU	296.04	301.52	307.4	313.62	317.19	318.02	323.48	326.28	328.34	...
In-patient care admissions per 100	4.62	4.57	4.88	4.97	5.48	5.88	6.17	6.5	7.17	7.23
In-patient care admissions per 100, EU	18.01	18.08	18.15	17.93	17.81	17.72	17.57	17.52	17.73	17.72
Outpatient contacts per person per year	1.4	1.5	1.6	1.8	2	2.1	2.2	1.95	2.1	2
Outpatient contacts per person per year, EU	6.45	6.38	6.35	6.28	6.05	6.17	6.14	6.14	6.23	6.2

Healthcare sector Reform

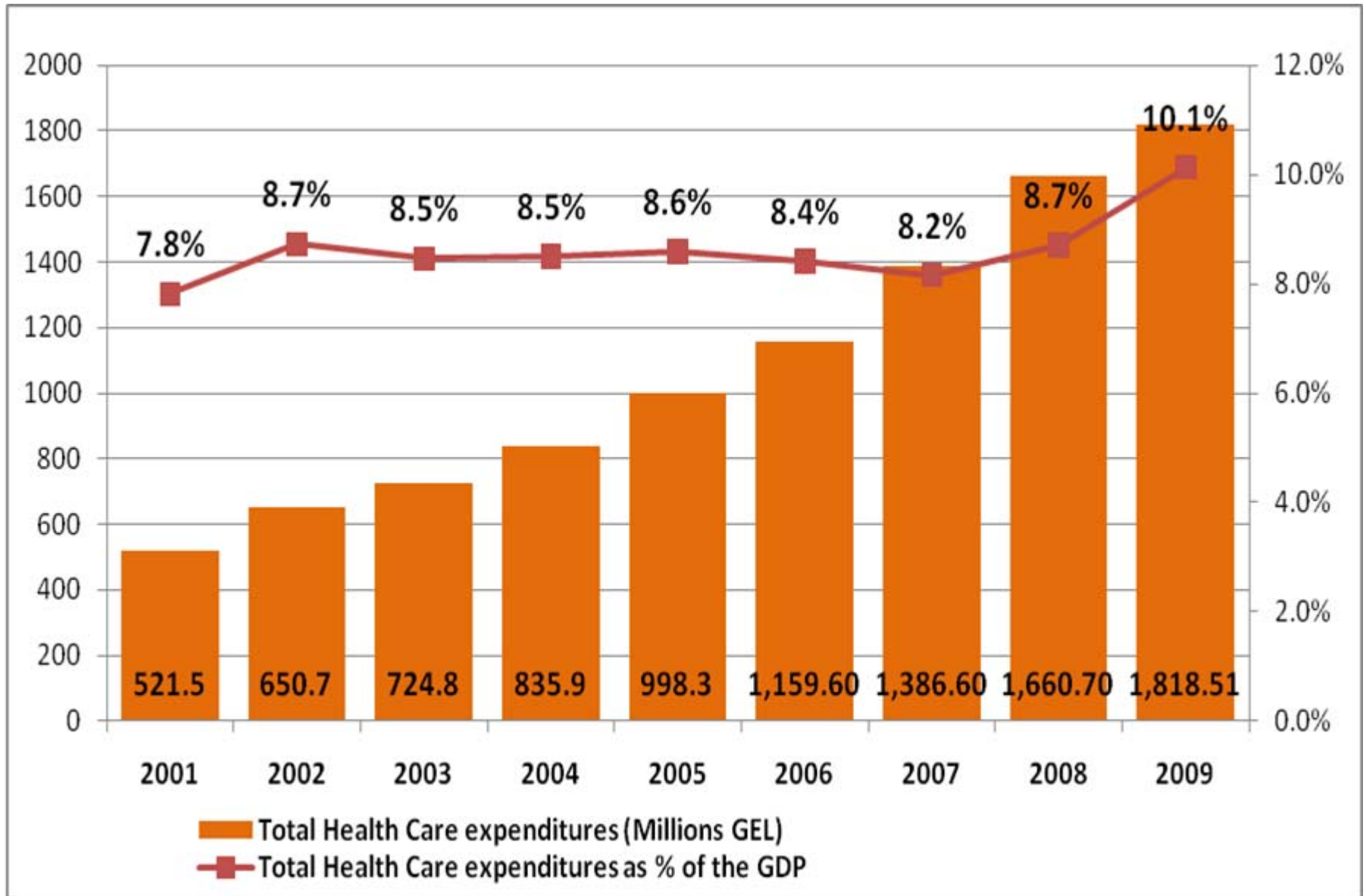
- ***PHC Master Plan I 2004–06*** : Not Approved
- ***PHC Master Plan II 2007–10*** : Not Approved
- ***Hospital Master Plan*** : Approved in 2007

- ***Hospital sector reform*** :
 1. Some investment projects were left in the old format and some hospitals were sold to investors for a symbolic price (1,000\$);
 2. The Government itself decided to finance some rehabilitation and building expenses;
 3. The Government involved insurance companies in the reform process.
Insurance companies will build new hospitals by the end of December, 2011, in 46 districts of Georgia. The districts were allocated to insurance companies through an auction.

Regional Distribution of Hospitals Which Are Under Construction and Rehabilitation According to the Hospital Sector Reform.



Health Expenditure



Structure of the total health expenditures

