



Ministry of Finance of Georgia



# 2012 State Budget in Brief – Citizens Guide

## 10 point plan

1. Macroeconomic Stability
2. Improvement of Current Account Deficit
3. Providing/Maintaining Best Investment and Business Environment
4. Regional Trade and Logistic Centre
5. Improving Infrastructure
6. Agriculture Development
7. Improving System of Education
8. Better Social Policy
9. Developing Available, Affordable and High Quality Health System
10. Urban and Regional Development

# Sovereign Ratings - Positive Forecast



**STANDARD  
& POOR'S**

**BB-, Stabel**

**FitchRatings**

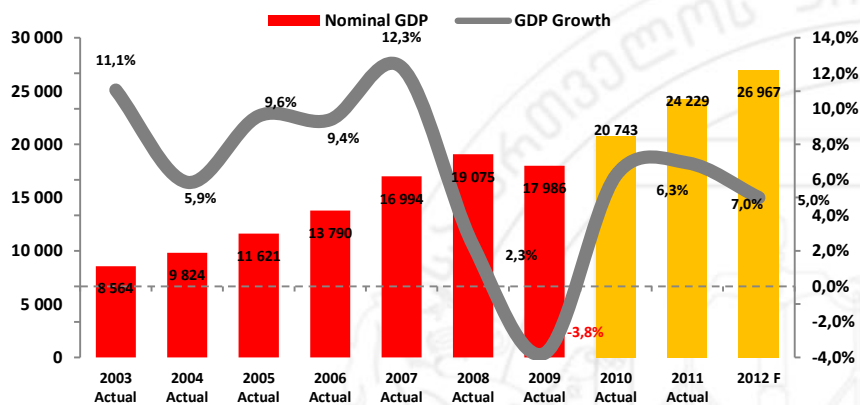
**BB-, Stable**

**MOODY'S  
INVESTORS SERVICE**

**Ba3, Stable**

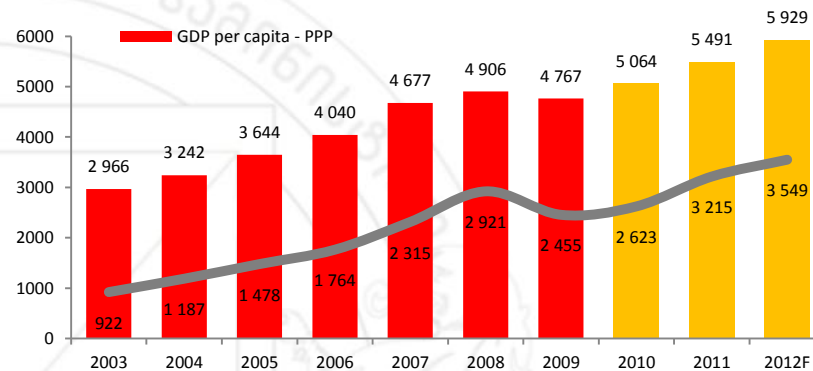
# Successful Economic Development Based on Reforms

## Hight Rate Economic Growth in 2010 after a short fall in 2009



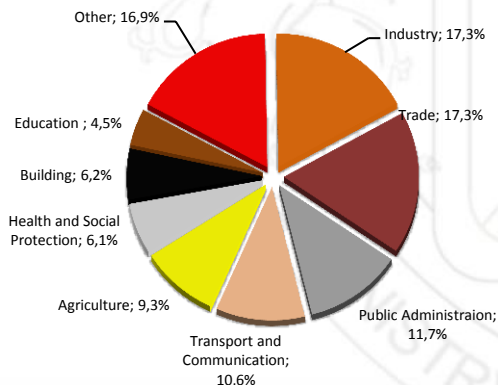
Source: GeoStat, MOF

## GDP per capita high growth – PPP and Nominal



Source: GeoStat, MOF

## Diversified Structure of GDP\*



Source: GeoStat

## More than Expected – Economic Growth

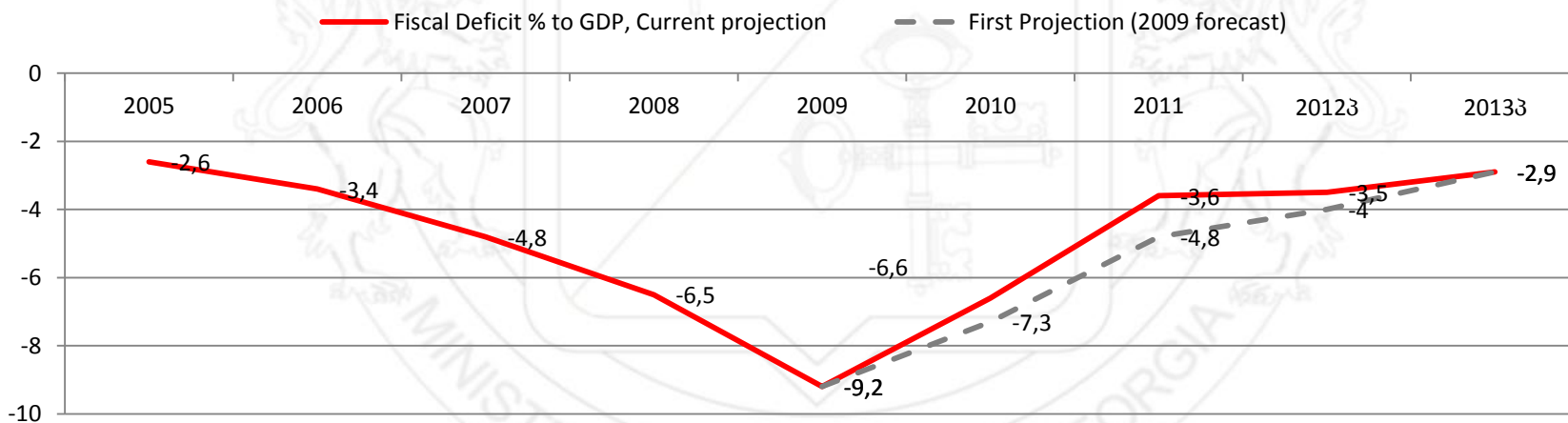
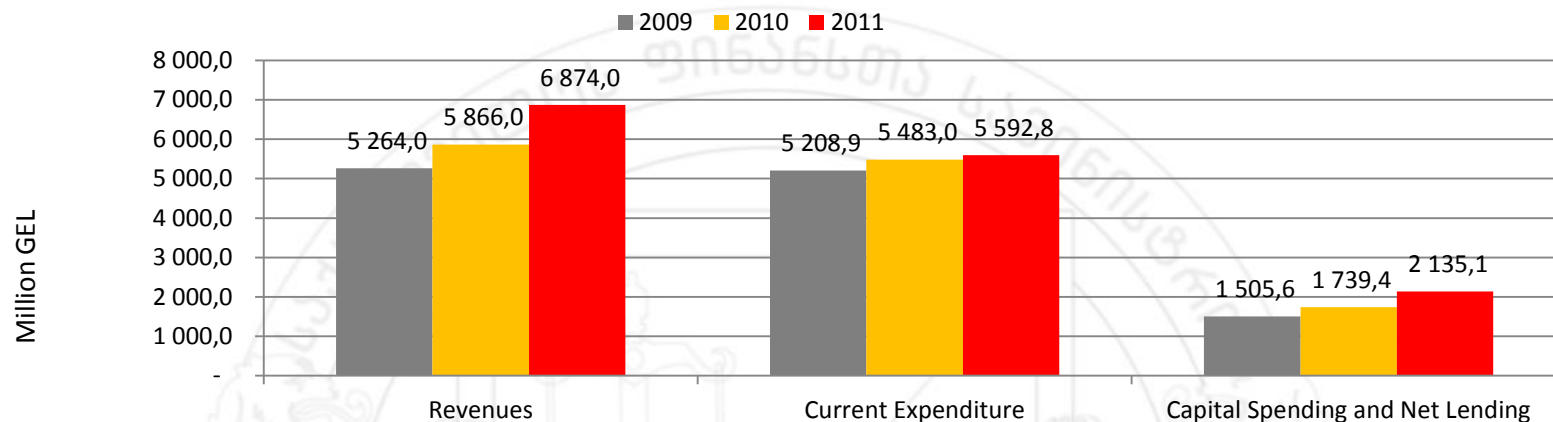
Actual GDP growth in 2011 was 7% while the first forecast considered 5.5% growth only. High activity of Real and Financial Sectors, increased tax revenues and positive economic indicators

**2011, 12 month results:**

- ✓ Tax Revenues increased by 26% compared to the previous year
- ✓ VAT turn-overs increased by annual 26.4%;
- ✓ Credits to real sector from commercial banks increased by 19.1%
- ✓ External Trade turn-over increased by 32.2%-00

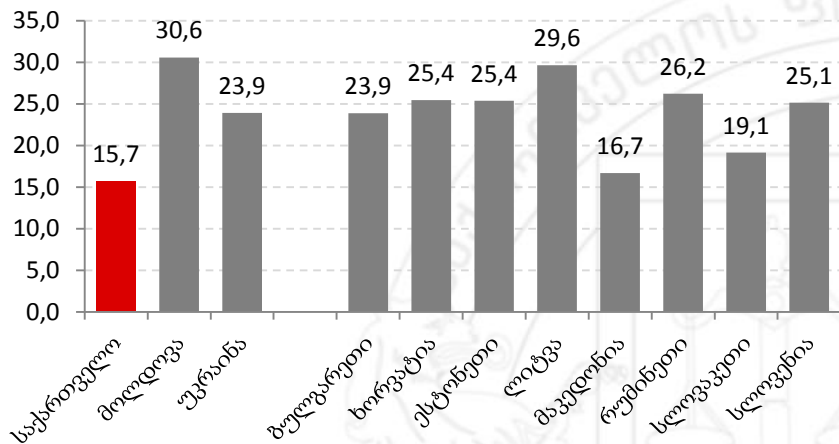
\* Nominal GDP in Basic Prices

# Decreasing Fiscal Deficit

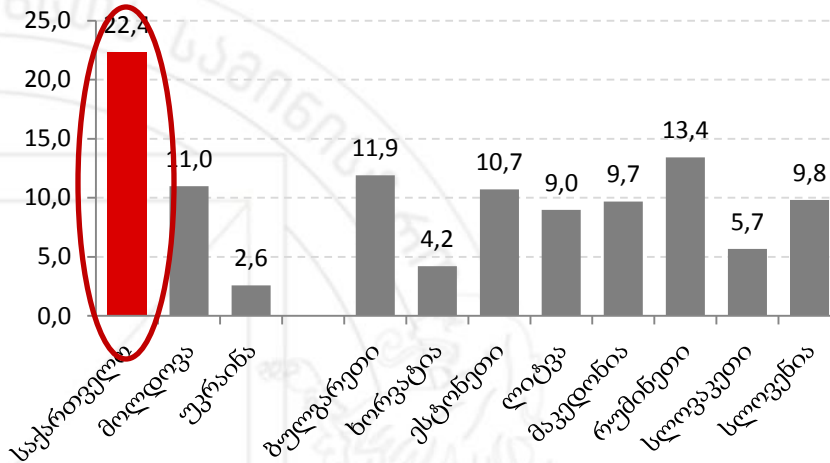


# კაპიტალური ხარჯების მაღალი მაჩვენებელი რეგიონის ქვეყნებთან შედარებით

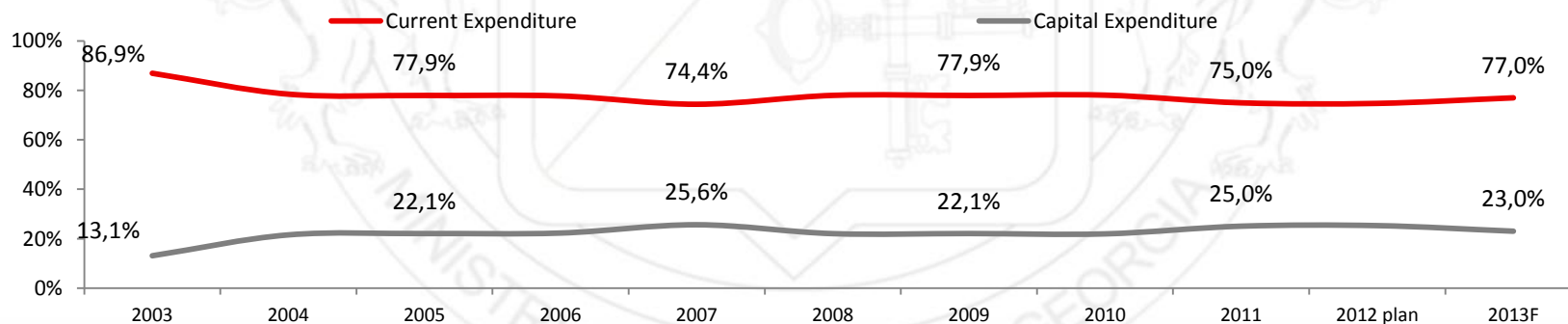
### Compensation of Employees (% to GDP, 2009)



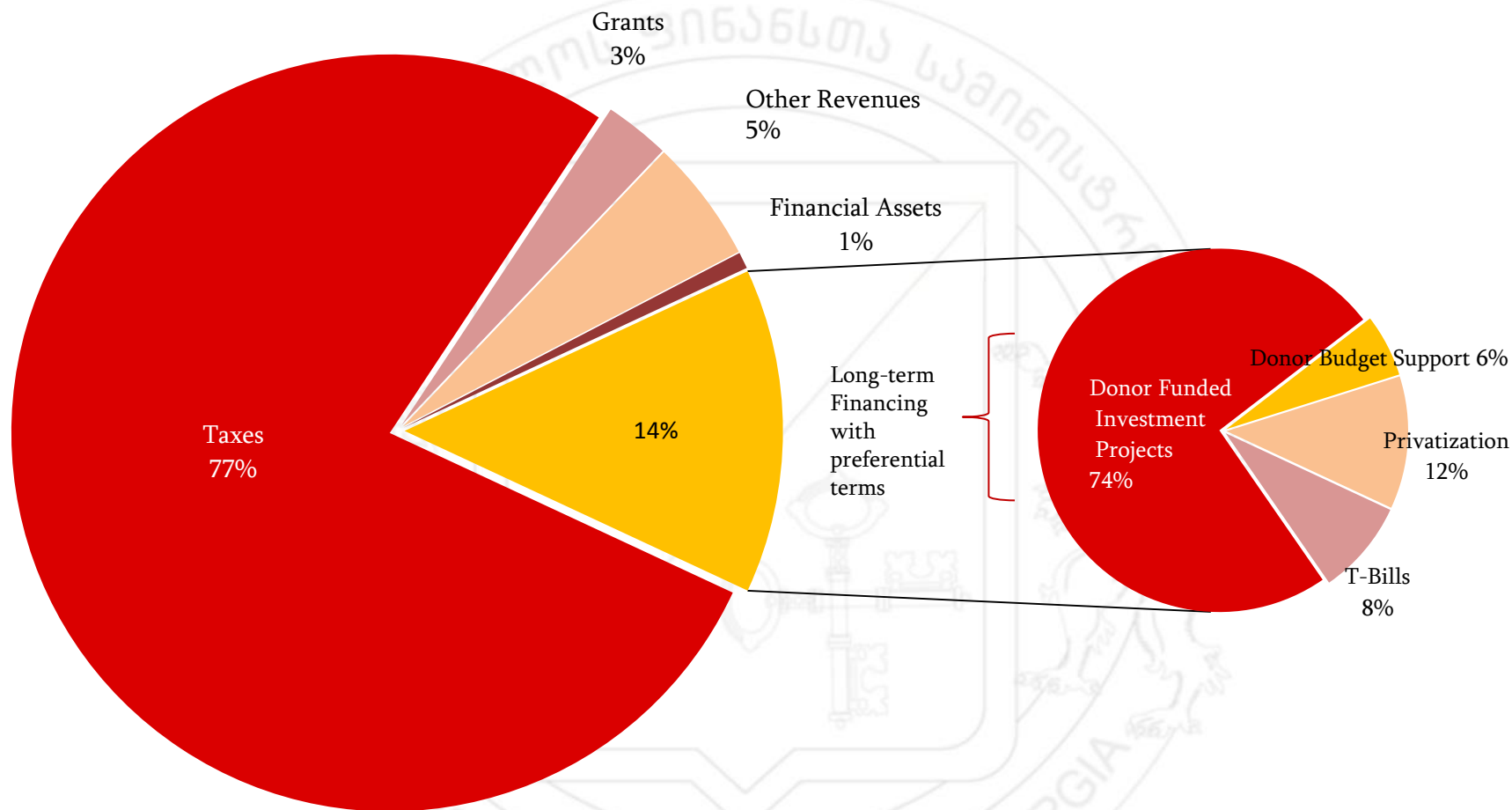
### Capital Expenditure (% to GDP, 2009)



### Capital VS Current Spending (Big Share of Capital Expenditures)

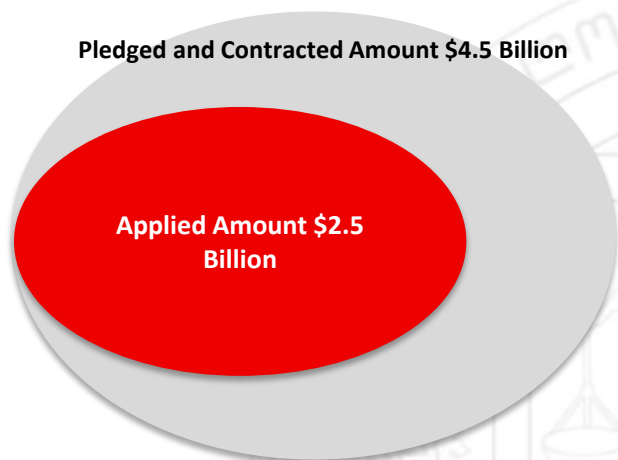


## 2012 Consolidated Budget Total Receipts and Deficit Financing

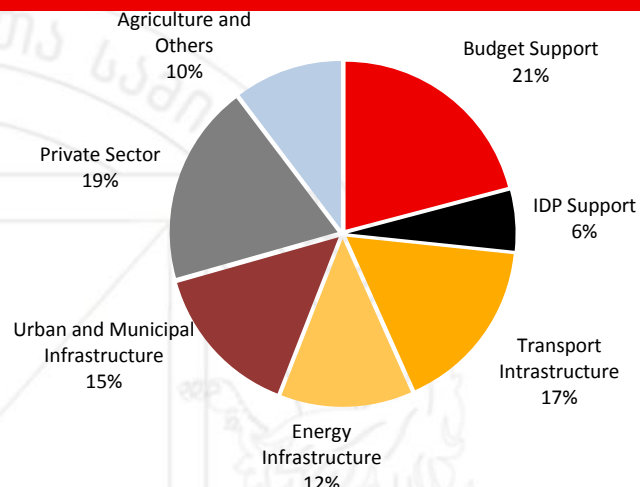


# Brussel's Pledge

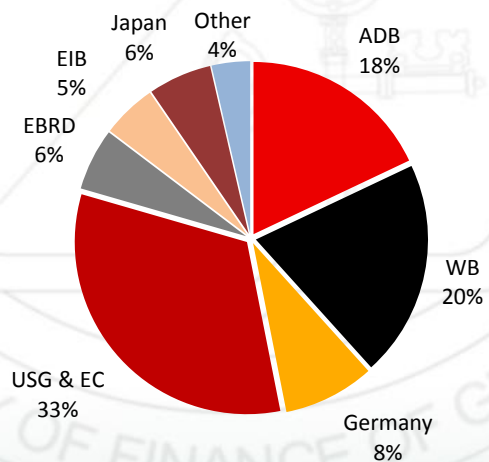
## Brussels Donor Support – Public and Private Sector



## Contracted Financial Resources according to Sectors

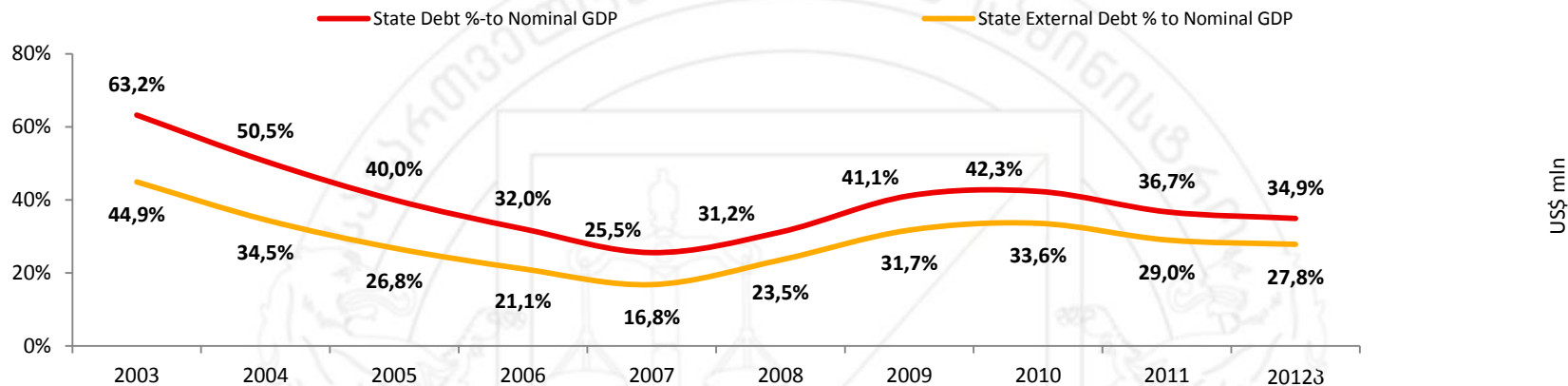


## Public Sector Contracted Financial Resources according to Donors



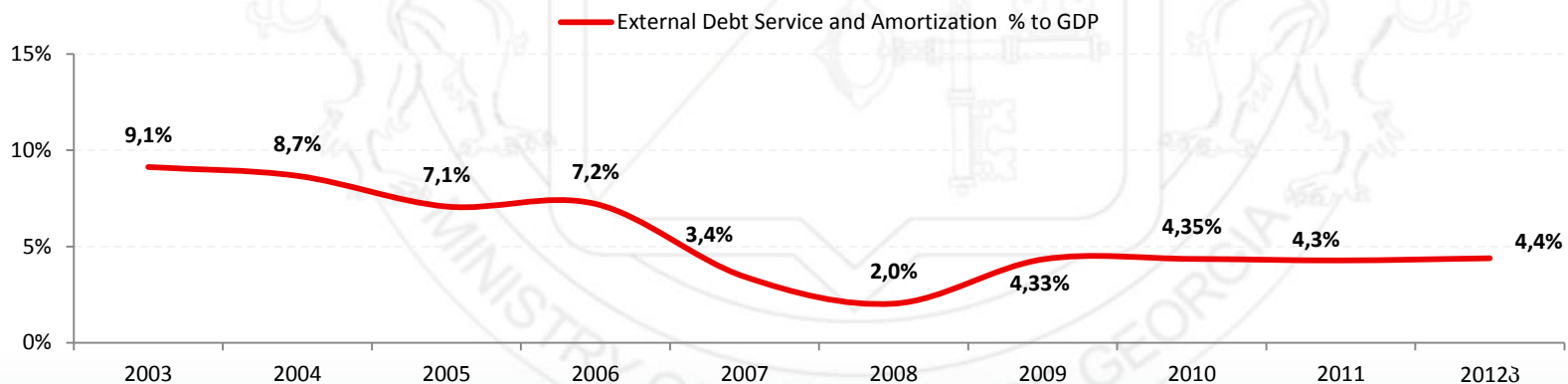


## State Debt Indicators: Convenient Debt Dynamics



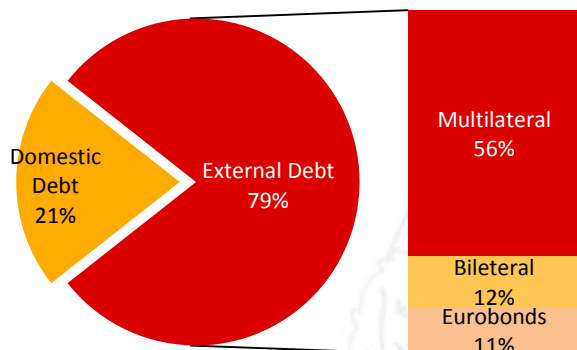
Comment: Includes National Bank's Liabilities to IMF

## Governments External Debt Service



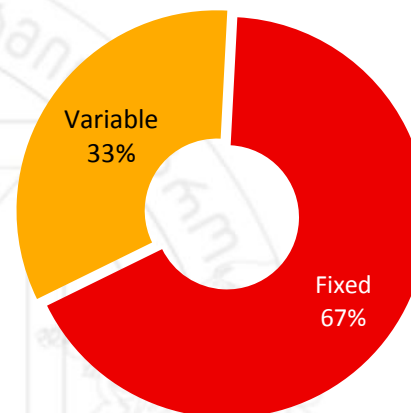
# State Debt Portfolio Parameters

## State Debt Convenient Structure and low Interest Rates

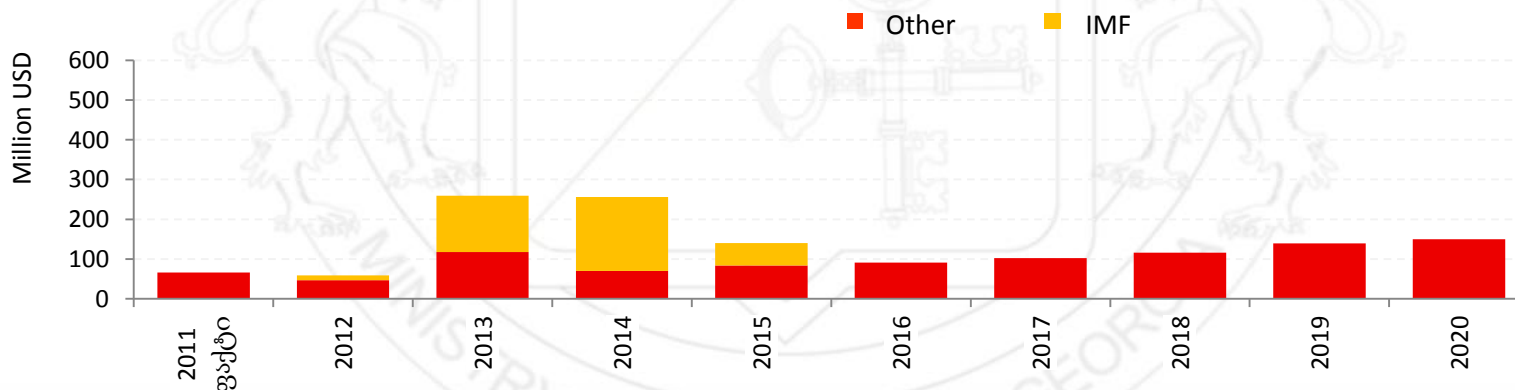


State External Debt Weighted Average Interest Rate **2.0%**

## External Debt Interest Rates by types: Low Interest Risks



## State External Debt Amortisation



*Comment: Forecasts are based on the balance for the December 31, 2011*

# Program Budget



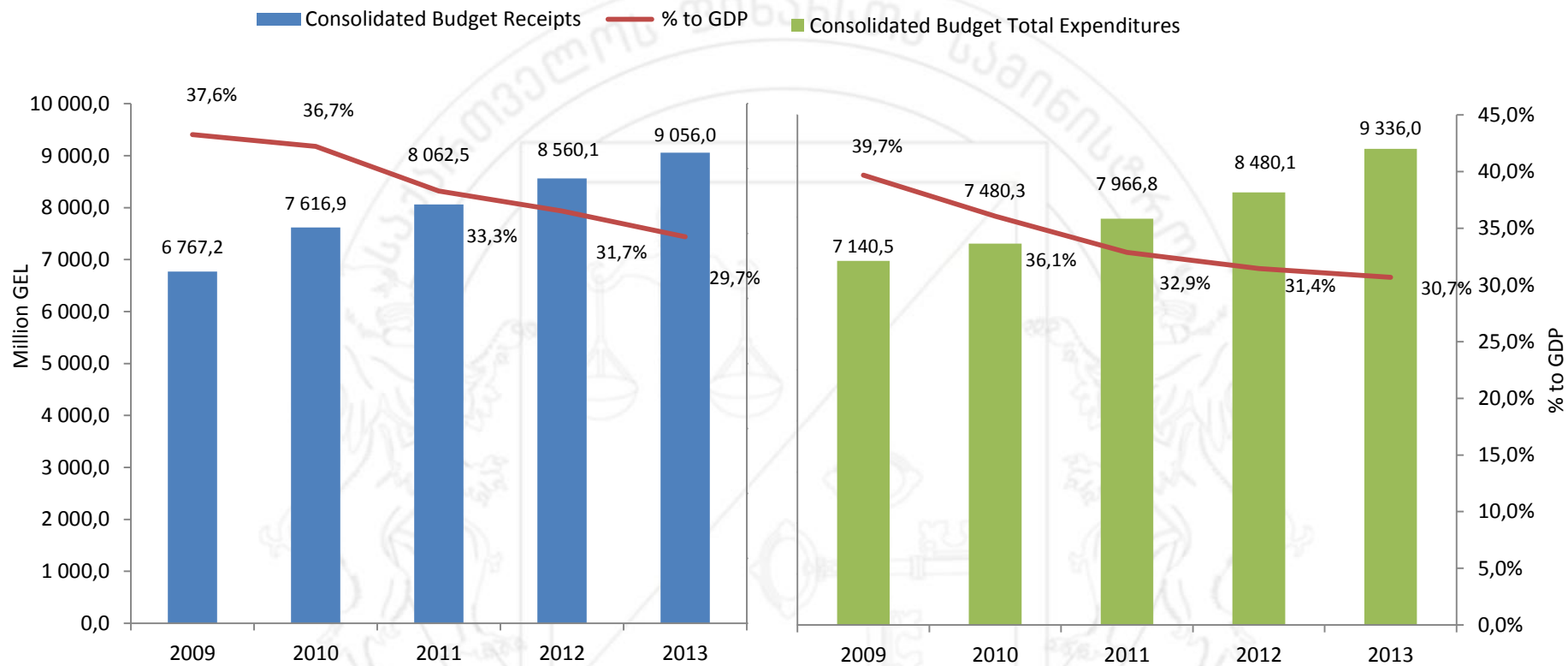
- Program Budgeting - next step of the Public Finance Management Reform;
- 2012 State Budget was the first State Budget prepared in Program Budget Format;
- Program Budget Methodology has been prepared as a result of consultations with the representatives of the IMF, WB, Finance-Budget Committee of the Parliament of Georgia and Chamber of Control;
- There are descriptions, outputs, outcomes and performance measurement indicators for each program under the State Budget Priorities in the State Budget Law as well as in its annex;
- Program Budgeting makes public spending more transparent and results oriented;

# ძირითადი მაკროეკონომიკური ინდიკატორები



Name	2009 Actual	2010 Actual	2011 Actual	2012 Plan	2013 Preliminary Forecast	2014 Preliminary Forecast
GDP Real Growth	-3.8%	6.3%	7.0%	5.0%	6.5%	7.0%
Nominal GDP (Million GEL)	17,986.0	20,743.4	24,229.1	26,967.0	30,443.1	34,528.6
GDP per Capita (\$)	2,455.2	2,623.0	3,215.4	3,549.4	4,006.9	4,544.6
Inflation	1.7%	7.1%	8.0%	6.0%	6.0%	6.0%
Budget Deficit	1,648.3	1,383.2	880.8	930.1	866.4	834.0
Budget Deficit % to GDP	9.2%	6.6%	3.6%	3.5%	2.9%	2.4%
Tax Revenues (Consolidated Budget)	4,388.9	4,134.8	6,625.0	7,242.0	7,764.0	8,731.0
Tax Revenues % to GDP	24.4%	23.5%	25.3%	24.6%	23.8%	22.5%

# Consolidated Budget



# State Budget Receipts- 2012



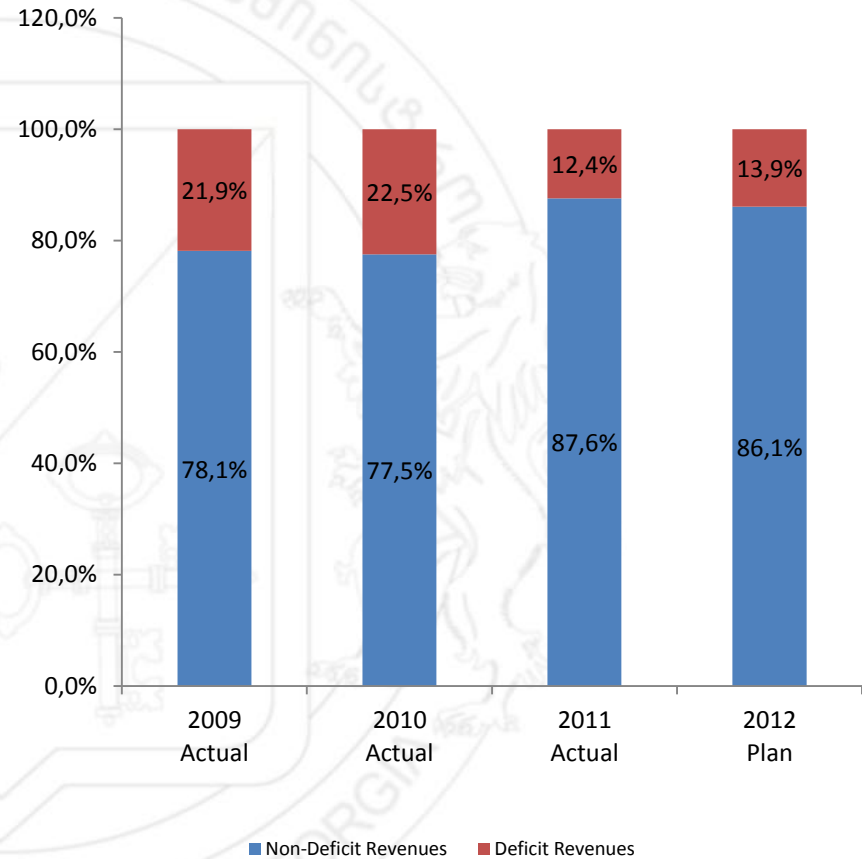
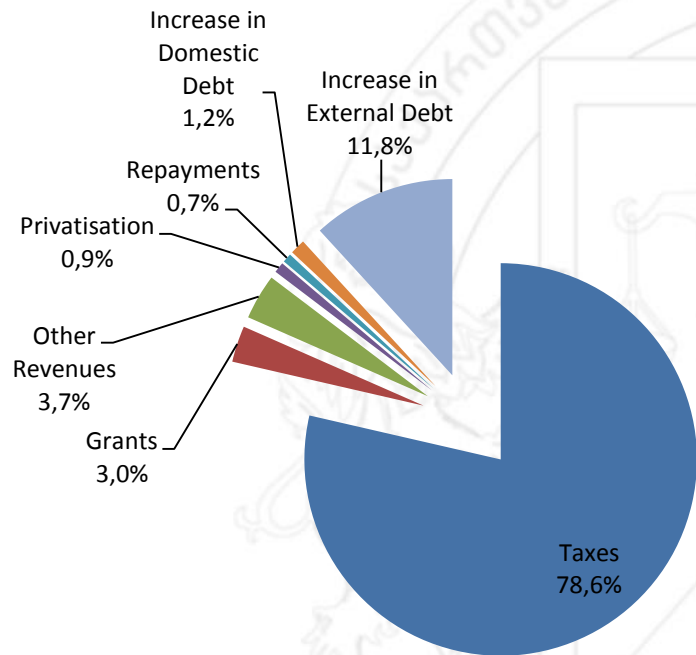
Name	2012 State Budget (million GEL)	% to GDP
<b>Budget (Domestic) Funds</b>	<b>6,830.0</b>	<b>85.2%</b>
Taxes	6,300.0	78.6%
Other Revenues	300.0	3.7%
Decrease in Non-Financial Assets ( <i>Privatisation</i> )	70.0	0.9%
Decrease in Financial Assets ( <i>Repayment</i> )	60.0	0.7%
Increase in Domestic Debt ( <i>T-Bills</i> )	100.0	1.2%
<b>Donor Funds</b>	<b>1,185.4</b>	<b>14.8%</b>
Grants	239.4	3.0%
Credits	946.0	11.8%
<b>Sum</b>	<b>8,015.4</b>	<b>100.0%</b>

# State Budget Receipts- 2012

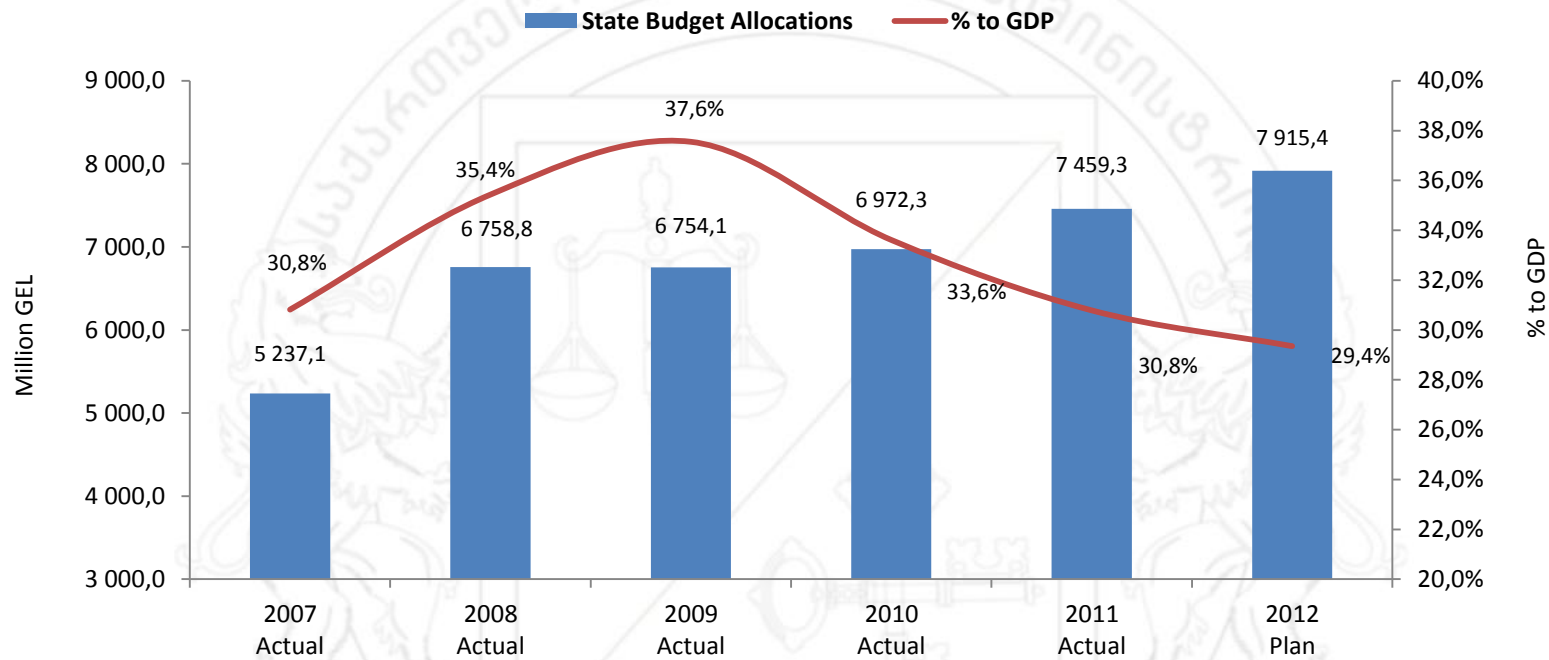


## Decreasing Trend of Deficit Financing: 2009-2012

### State Budget Total Receipts by Structure



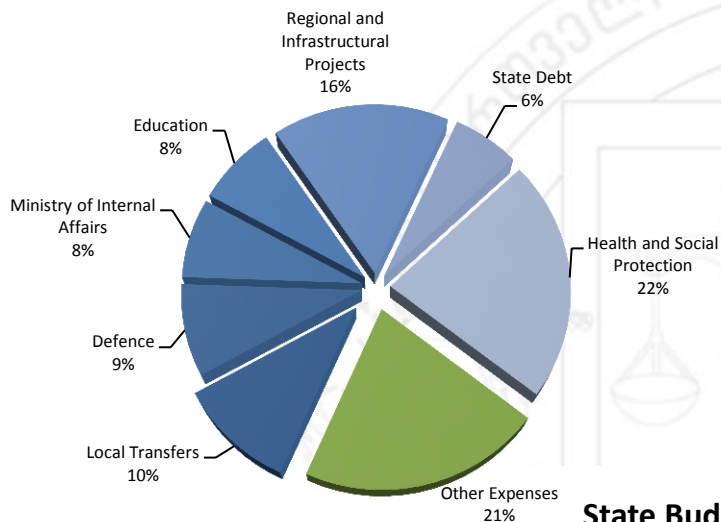
# State Budget Allocations (2007-2012)



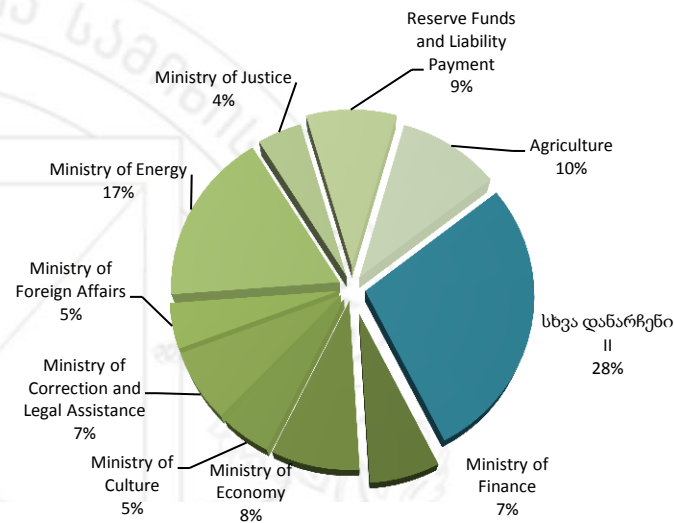


# State Budget Allocations

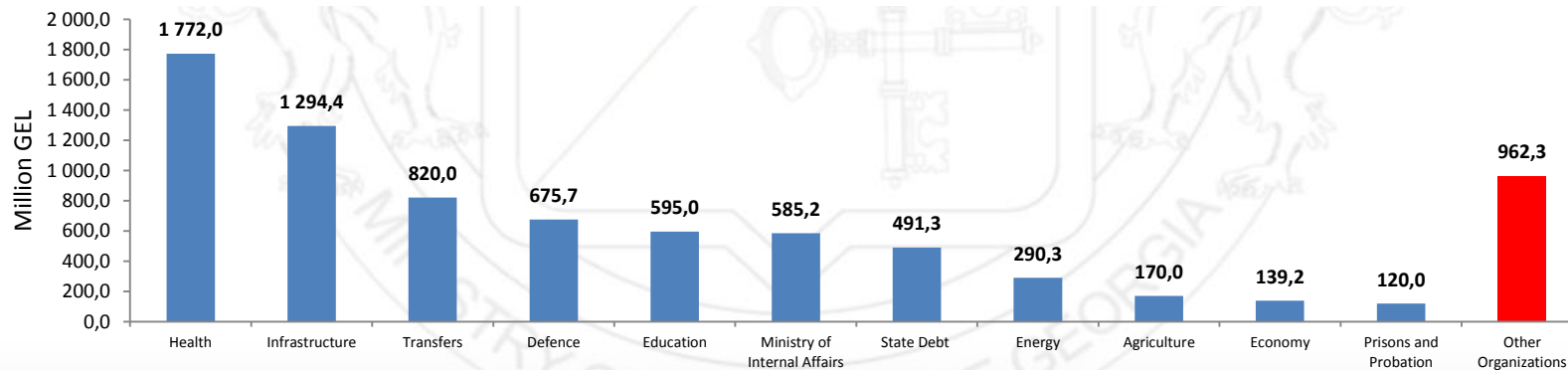
## State Budget Allocation Structure by Economic Classification



## Other Expenses



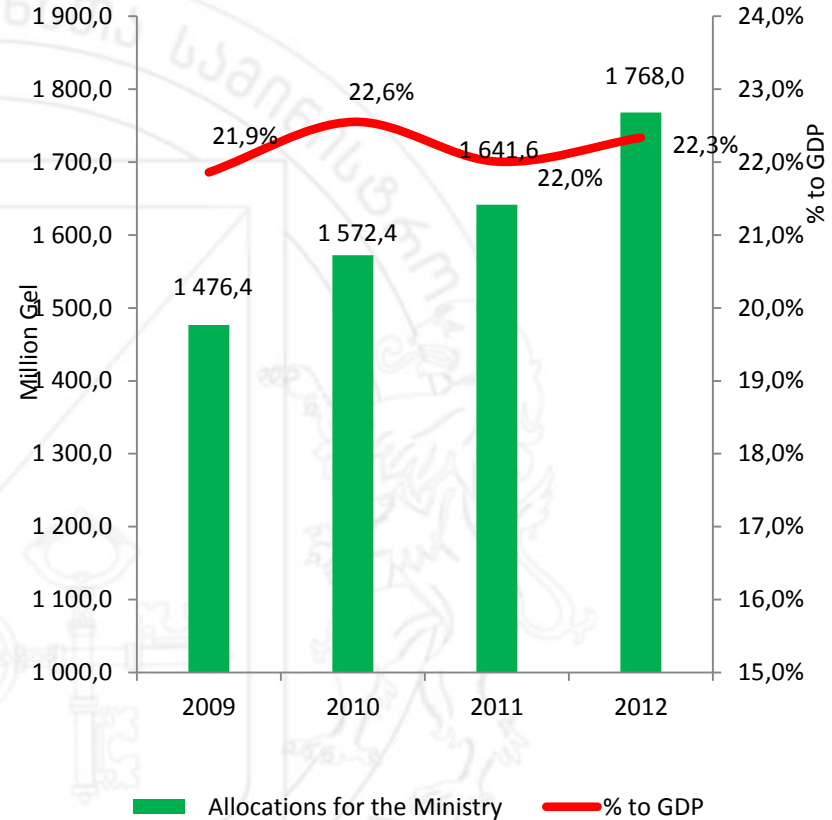
## State Budget Allocation by Organizations



# Ministry of Health, Labour and Social Protection

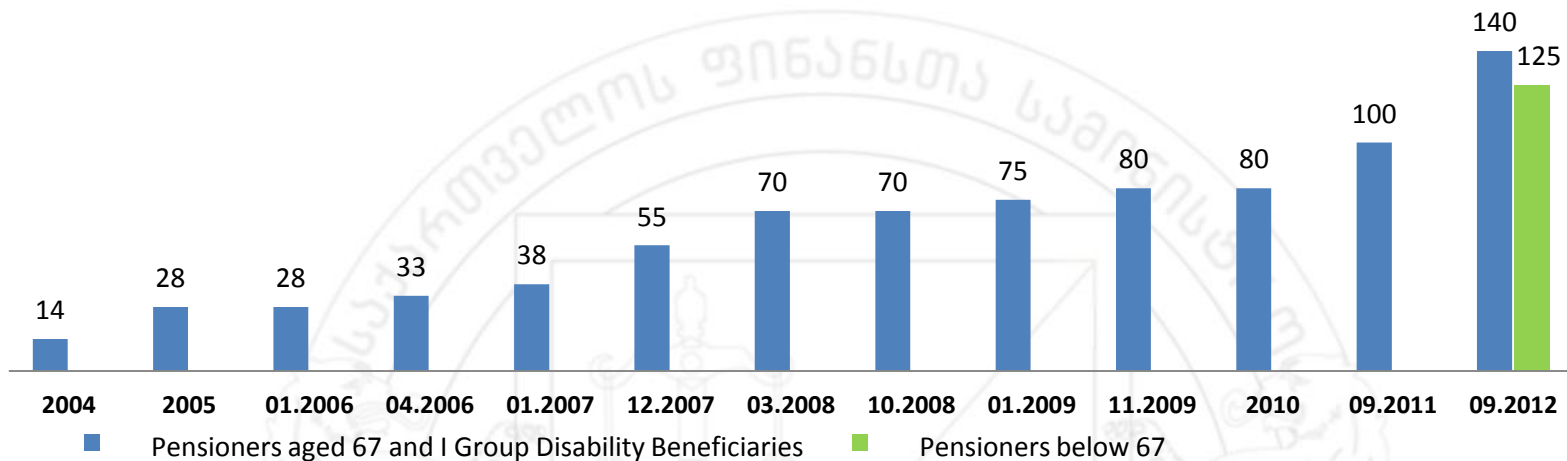


Name	Amount (Million GEL)
Pension	1,058.4
Social Benefits	273.9
Social Rehabilitation and Child Care	13.6
Health Insurance	168.5
Other Health Programs	169.8
Possible Deficit Funding of the Health Programs	15.0
Rehabilitation and Equipment of Medical Institutions	12.0
Other Expenses	56.8
<b>Total Sum</b>	<b>1,768.0</b>



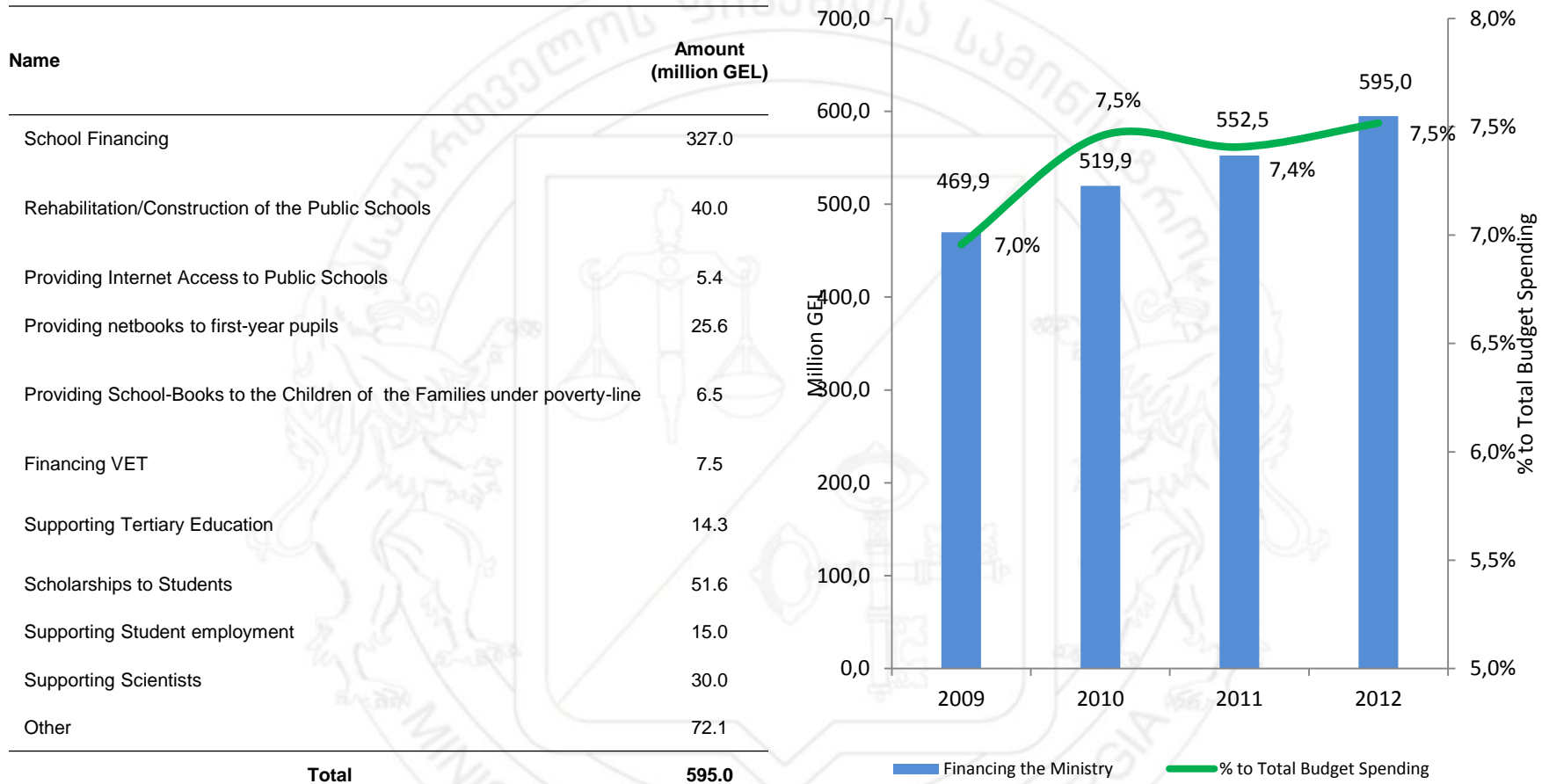
- The table doesn't include the donor funded projects, as per donor (Global Fund) request the majority of the projects under donor funds will be implemented by Non-Governmental Institutions in 2012

# Pension Reform 2012

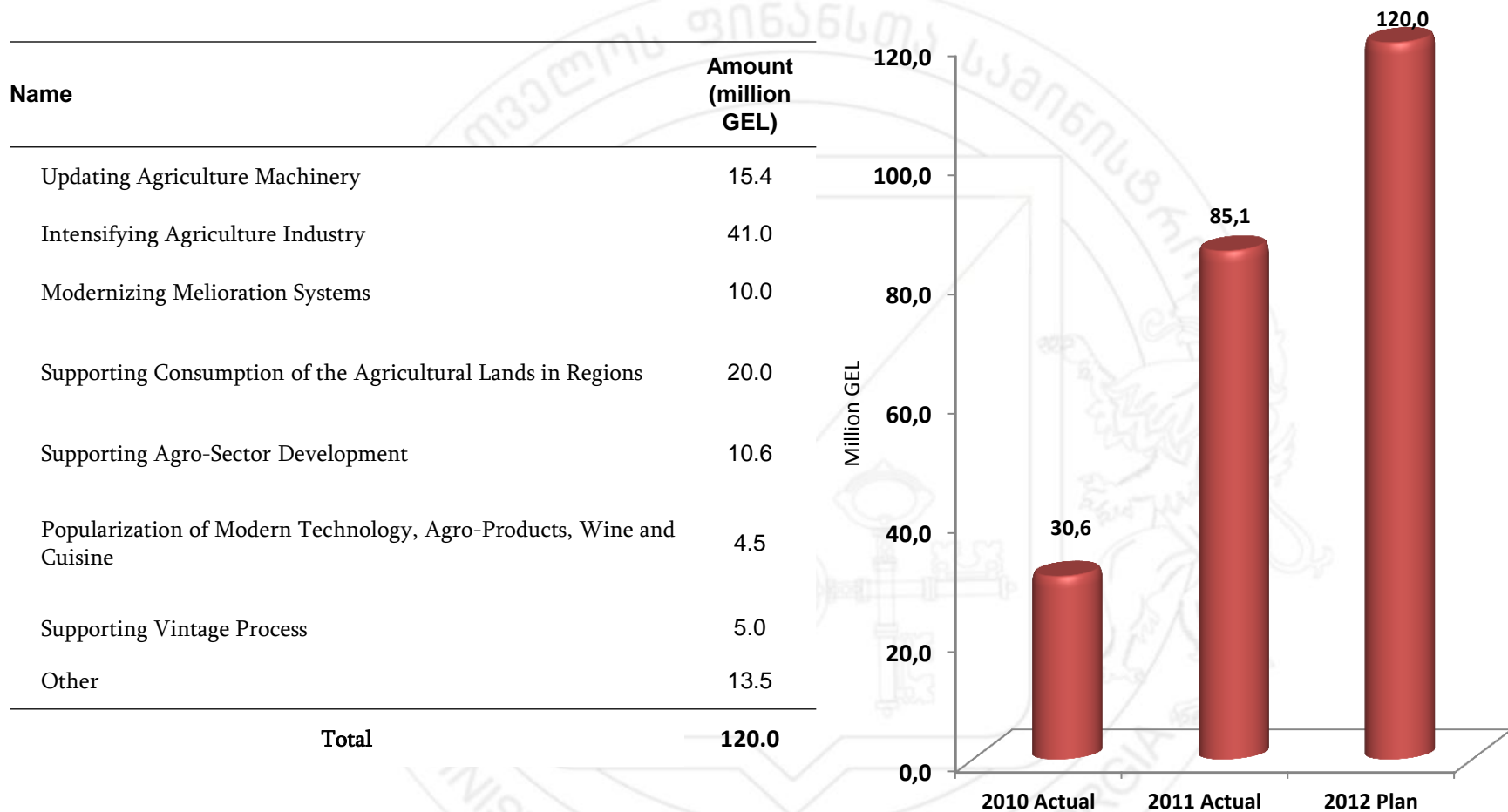


- Pension Reform will be implemented from September 1, 2012 i.e.:
  - Pension package for the pensioners aged 67 and more and I Group Disability Pension Beneficiaries will be worth of 140 GEL (incl. approximately 15 GEL Health Insurance);
  - Pension Package below 67 will be worth of 125 GEL (incl. approximately 15 GEL);
  - State Health Insurance for all pensioners;
  - Pension Package will include pension, benefits for length of service, and insurance;
- Government will provide health insurance to the beneficiaries followed below in parallel to pension reform in order to develop health care system and assist its citizens in bearing health expenses:
  - Children aged 0-5 - 290,0 thousand beneficiaries;
  - All pensioners by age and I Group disabled people - more than 690,0 thousand beneficiaries;
- Government together with private sector will continue rehabilitation/construction and equipping Medical Institutions in 2012-2013. 152 new/rehabilitated and well-equipped hospitals will be functioning for the end of the 2013;

# Ministry of Education and Science



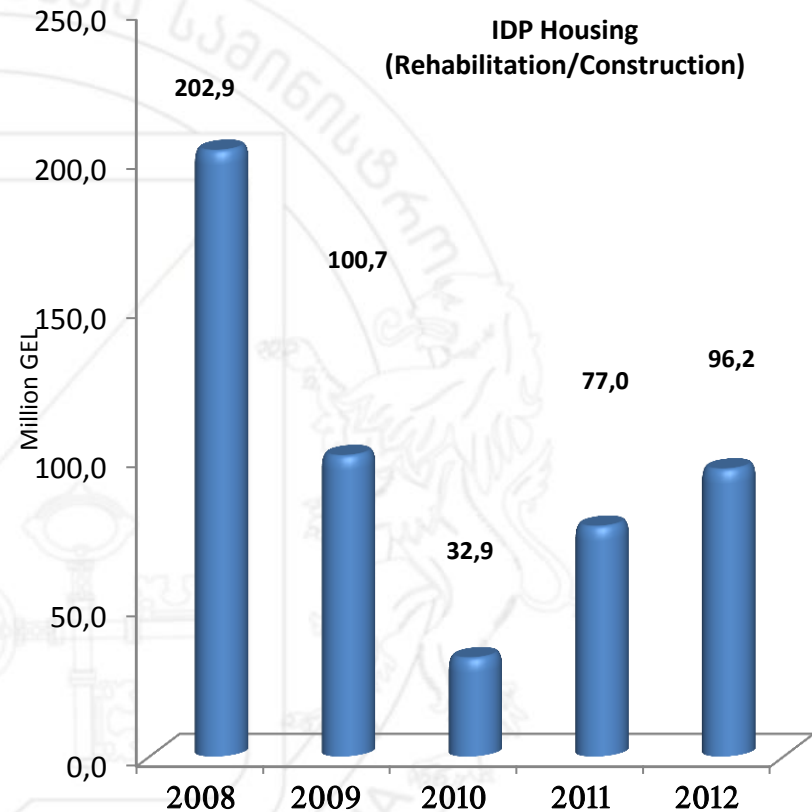
# სოფლის მეურნეობის სამინისტრო



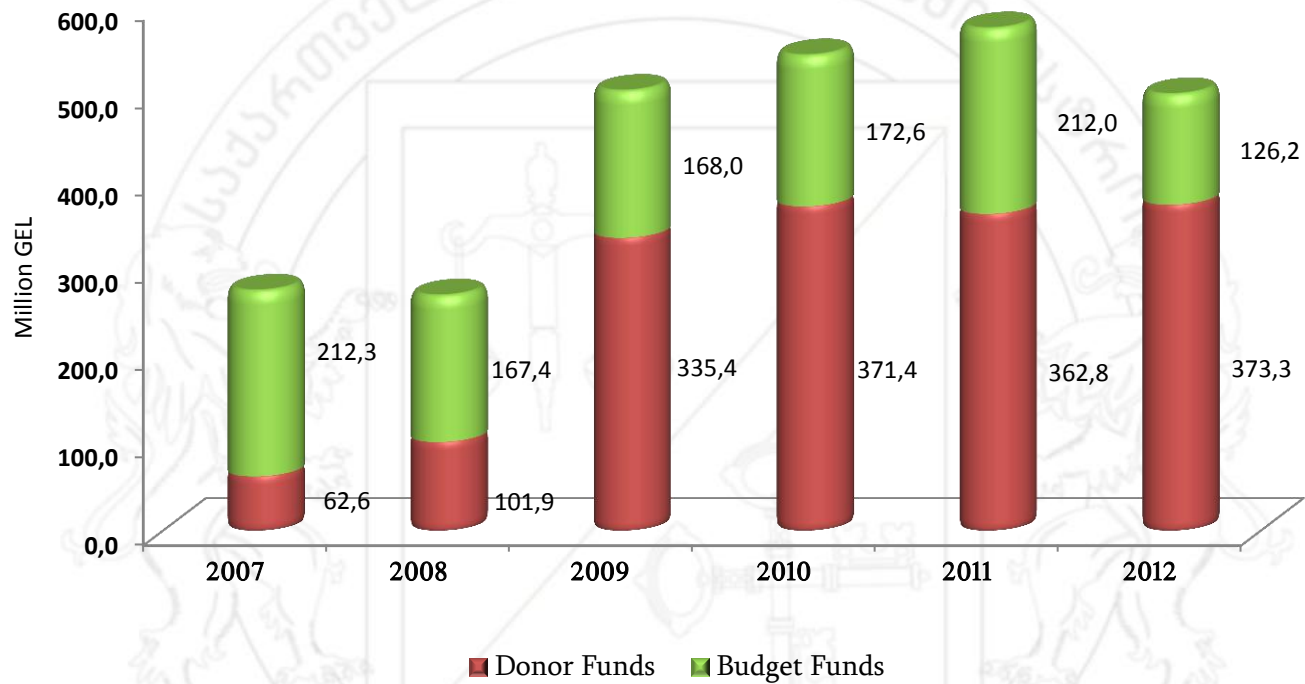
# Improving IDP Communal Conditions



- 413,5 million GEL was directed on IDP housing in 2008-2011
- 96.2 million GEL was directed towards the above mentioned activities in 2012;
- More than 38,0 thousand families (152,0 beneficiaries) were given new accommodation or compensation in recent years;
- Providing Electro-Power Meters - 27,0 thousand customers
- Providing Gas Meters - 11,0 thousand customers;



# Road Infrastructure



# Road Infrastructure

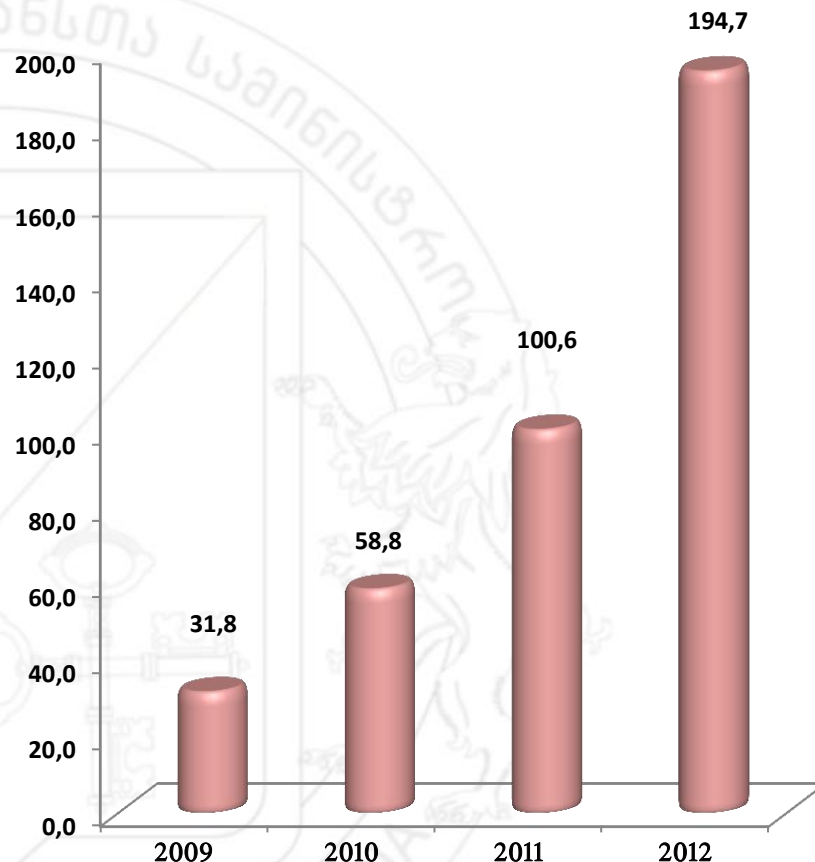


Name	2012 (Million GEL)
Highway to Rikoti Tunnel(WB)	114.2
Zestafoni-Kutaisi-Samtredia Highway (JICA)	91.0
Qobuleti Bypass Auto-route (ADB)	93.0
Tbilisi-Rustavi Highway (ADB)	49.3
Constructing tunnel through Gudauri-Kazbegi Road (ADB)	10.0
River-Bank Maintenance	5.0
Maintenance and Rehabilitation of Roads	186.3
<b>Total</b>	<b>548.8</b>



# წყალ-კანალიზაციის სისტემები

- 2012 წელს წყალ-კანალიზაციის სისტემების სარეაბილიტაციო სამუშაოების დასაფინანსებლად გამოყოფილია 194,7 მლნ ლარი;
- გამოყოფილი თანხის ფარგლებში გავრძელდება ბათუმის, ხელვაჩაურის და ქობულეთის კომუნალური ინფრასტრუქტურის რეაბილიტაცია;
- მესტიასა და ანაკლიაში განხორციელდება წყალმომარაგებისა და კანალიზაციის ქსელის მონყობა;
- ანაკლიაში დაიწყება კანალიზაციის გამწმენდი ნაგებობის მშენებლობა;
- წყალ-კანალიზაციის სისტემების მშენებლობა-რეაბილიტაცია დაიწყება / გავრძელდება ქუთაისში, ფოთში, ზუგდიდში და ურეკში;



# Municipal and Tourist Infrastructure



- Tourist Infrastructure will be developed and rehabilitated in:
  - Mestia;
  - Anaklia-Ganmukhuri;
  - Goderdzi Resort;
  - Zugdidi;
  - Akhaltsikhe;
  - Gori;
  - Telavi;
  - Borjomi;
  - Bakhmaro;
- Kakheti Development Project will be launched (WB);
- Municipal Infrastructure Development will be continued in different regions and 104.2 million GEL will be allocated for this reason (WB, ADB);
- 50,0 million GEL is allocated for the Country Side Support in 2012. In total 150,0 million GEL will be directed towards the program in 2009-2012