

Fiscal Risks Statement of Georgia



State-Owned Enterprises, PPP Projects, Legal Claims, Long Term Fiscal Risks

Dedicated to the Memory of John Zohrab

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Contents

Executive Summary	1
SOEs news.....	1
Overview of the State Enterprise Sector (Registry).....	2
Funding received by state enterprises	7
Dividends paid by SOEs	9
Loans between state enterprises	10
Non-financial transfers	10
Methodology on the Introduction of Best Practices for the Identification, Analysis and Financing Mechanisms of Quasi-Fiscal Activities	11
What is a Quasi-Fiscal activity?.....	11
Forms of Quasi-Fiscal Activities	11
Non-Commercial Service Obligations (NCSOs)	13
Existing Practices on Quasi-Fiscal Activities.....	13
Impact of Quasi-Fiscal Activities on Financial Outcomes of the SOEs	13
Review of financial results of state enterprises	16
Rating of state enterprises	20
Financial Performance of SOEs.....	22
JSC Partnership Fund	22
JSC Georgian Railway	28
JSC Georgian Oil and Gas Corporation	30
JSC Georgian State Electrosystem.....	34
JSC Electricity System Commercial operator.....	37
United Water Supply Company Georgia LLC.....	40
JSC UES Sakrusenergo.....	43
Georgian Gas Transportation Company LLC	46
JSC “Georgian Energy Development Fund”	49
Engurhesi LLC	52
Tbilisi Transport Company LLC	54
Georgian Post LLC.....	57
Georgian Amelioration LLC.....	61
"State Construction Company" LLC	63
Marabda-Kartsakhi Railway LLC	66
Sensitivity analysis of SOEs	71
Introduction.....	71

The Objectives of Sensitivity analysis	72
The Economic Scenarios	72
Results of the analysis	74
Base Case Scenario Projections	74
Low Growth Scenario	75
Exchange Rate Shock Scenario	77
Interest Rate Shock Scenario	80
Combined Shock Scenario	82
Conclusions	84
SOE Remuneration Practices	84
Legal Claims related to Fiscal Risks	86
Long-term fiscal risks, including climate change and demographics related fiscal risks	88
Introduction	88
Long-Term Baseline Scenario	89
Climate Change Scenarios	93
Demographic fiscal risks	96
Health expenditure	97
Pension Risks	98
Natural Disaster and Climate Change Fiscal Risks	100
Government expenditure on disasters	102
Disaster related impacts at the municipality level	103
Renewable Energy Support	107
Previous Fiscal Risks Statements	107
Expected New Structure of Partly Deregulated Electricity Market	108
Management of Fiscal Costs and Risks	109
Estimation of Fiscal Costs and Risks of the Support Energy Scheme	109
Impact of Strategic Projects in Current Estimations	112
Key Implications of Assessment	112
Assessment of PPP commitments	112
Pandemic Fiscal Risks	113
Georgia's macro-fiscal experience during the COVID-19 pandemic	113
Updating the PANDA-T module with Georgian data	115
Annexes	116

Executive Summary

Except macroeconomic risks, SOEs and PPP projects remain one of the major sources of fiscal risks for the country, as well as risks arising from legal claims, climate and demographic changes.

2021 may be called the post-pandemic recovery period. The SOE sector (excluding the Marabda-Kartsakhi Railway) after experiencing dramatic losses in recent years, showed a net profit of GEL 413 million in 2021, which is a historical maximum. The same figure, including the Marabda-Kartsakhi Railway, amounts to GEL 537 million.

This outcome was as a result of realizing the risk in a positive direction, in particular, the profit generated by the exchange rate difference for the sector without the Marabda-Kartsakh Railway amounted to GEL 515 million. Accordingly, without the effect of the exchange rate difference, the reporting year would have ended with a loss.

Exchange rate risk, despite the positive outcome of 2021, is still one of the main issues to be resolved. It is advisable to achieve such a ratio of national and foreign currency in the loan portfolio of state enterprises or to introduce such a financial solution that will avoid the loss of the scale of the past years in case of currency depreciation.

At the same time, in order to ensure the sustainability of the sector, it is necessary to enter into the active phase of the implementation of each pillar of the Overarching Reform of Public Corporations.

In contrast to previous years, we are facing completely different challenges in terms of fiscal risks arising from public-private partnership projects, in particular energy sector projects. It can be said that the fiscal risks from the sector are gradually decreasing, however, it is important to focus more on the long-term economic efficiency of the support scheme, which in the long term will reduce the need for further incentives for the said sector, including incentives related to fiscal risks. After the beginning of the pandemic, the Ministry of Finance set a moratorium on the issuance of Power Purchase Agreements (PPA), stopping the accumulation of contingent liabilities, and reducing the level of existing contingent liabilities, this decision was unequivocally correct. In the same period, with the involvement of interested parties, work on the development and implementation of alternative and more effective mechanisms for encouraging the sector began. Before the deregulation (opening) of the electricity market, there is a transitional period of several months, which should practically determine the direction of the development of the energy sector in the following years. It is necessary to conduct the process as transparently as possible, to encourage competition, and over time to completely ban the mechanism of unsolicited proposals (direct negotiations), which is allowed only in the energy sector by the legislation of public-private partnership and contains certain risks.

SOE news

- At the end of 2021, within the scope of the Fiscal Risks Statement, the draft Strategy for the Overarching Reform of Public Corporations was published. The MOF Georgia, with the support of international partner organizations and active cooperation with the MOESD Georgia, continues to work on the completion of the comprehensive reform strategy of state enterprises in accordance with the standards established under the resolution N629 of the Government of Georgia of December 20, 2019 "On the Development, Monitoring and Evaluation of Policy Documents". The document, taking into account the local context, identifies the main challenges of the sector and ways to overcome them, and its approval is planned by the end of this year. The strategy for promoting economic growth and strengthening public finances aims to increase the effectiveness of state enterprises based on measures to be implemented at the institutional and legislative level within the framework of the reform. In addition, it should be noted that the reform of public corporations is one of the

main cornerstones of the 3-year program (Stand-by Arrangement) signed with the International Monetary Fund (IMF) this year.

- According to the resolution N1012 of the Government of Georgia of June 10, 2022, the rules for financial oversight of SOEs were approved. According to the aforementioned decree, the Ministry of Finance of Georgia was assigned the role of financial supervisor in relation to 7 main state enterprises, which implies a set of decisions that have a significant impact on the company's financial results and financial position. In order to carry out the functions of financial supervision, the Ministry of Finance will approve the basic parameters of the enterprise budget, dividend policy, statement of corporate intent (a document that defines the financial and non-financial goals to be achieved by the enterprise within the limits of the established risks), quasi-fiscal activities. Moreover, enterprise investment and loan decisions. It should be noted that the obligation to add the aforementioned functions to the Ministry of Finance was a prerequisite for the start of the new program of the International Monetary Fund.
- International partner organizations actively support Georgia's reform agenda, including comprehensive reform of state enterprises. This year, the World Bank published a report on the implementation of standards and codes (ROSC) in the field of corporate governance. With the support of the European Union, the mentioned report prepared within the framework of the joint program of the World Bank and the International Monetary Fund (IMF), as of December 2021, examines and analyzes the corporate governance practices and policy framework in Georgia, including in relation to state-owned enterprises. The ROSC assessment of the corporate governance of state-owned enterprises is based on the survey results of 13 major state-owned enterprises and indicates the progress and challenges in the sector. It will also develop policy recommendations to ensure the improvement of management practices. The mentioned assessment also emphasizes the importance of streamlining the corporate governance framework and strengthening the function of state ownership, which, in fact, represent the main challenges of the sector.

Overview of the State Enterprise Sector (Registry)

The fiscal risk analysis document covers 88% of state-owned enterprises (enterprises created with state, created with municipal participation) by turnover, including 100% of central government owned enterprises¹.

The Unified Register of state enterprises includes information provided by state structures, the National Statistics Service of Georgia and other administrative sources, enterprises created with participation of the central government and local governments, which are classified as enterprises important for fiscal risk analysis. Such enterprises are considered:

- a) all central government enterprises;
- b) Municipal enterprises in which the state's share is more than 25% and whose annual turnover exceeds GEL 200 thousand, or the paid annual salary exceeds GEL 15 thousand.

¹ A state enterprise is an enterprise that sells goods and services at an economically significant price, has the ability to bring profit or other financial benefits to the owner, and is independent in making decisions.

According to the order N96 of the Minister of Finance of Georgia dated as of April 24, 2020, "On Approval of the List of Sectorization of State Enterprises", 52 enterprises were considered as state enterprises.

Financial data obtained from various administrative sources were used for the evaluation of the enterprises in relation to the mentioned indicators. Based on the mentioned data, a financial data base for 2021 was created for these enterprises.

Based on the criteria mentioned above, 316 state enterprises are represented for fiscal risk analysis, 154 are owned by the central government, and 162 are owned by the local government, and the listed enterprises have a total of 96 subsidiary enterprises.

As a result of consolidation of financial data, the analysis is based on the data of 316 state enterprises, and the data of 96 subsidiary companies is presented as additional information.

Table 1. Number of state enterprises managed by central and local governments

Name	amount
Total number of state enterprises	316
Including:	
Is owned by local government	162
Is owned by central government, including	154
Owned by Ministry of Economy and Sustainable Development	102
Is created with the participation of a Partnership Fund	25
Owned by Ministry of Environmental Protection and Agriculture of Georgia	7
Owned by legal entities	3
Owned by Ministry of Defence of Georgia	8
Owned by Ministry of Regional Development and Infrastructure of Georgia	2
Owned by Ministry of Justice	2
Owned by Ministry of Education and Science	2
Owned by the Ministry of Culture, Sport and Youth	1
Owned by Ministry of Internally Displaced Persons, Labor, Health and Social Affairs	1

Investment Fund created by state	1

Out of the state enterprises owned by the municipalities, 44 companies are owned by the municipalities of Tbilisi and Batumi, and their share is 93 percent of the total turnover of the enterprises owned by the municipalities.

Table 2

Data of municipality enterprises owned by state, by municipalities

	Number of enterprises	Share of the total number of enterprises owned by the municipal government	Share of the total number of municipal enterprises of the municipal authorities	2020 joint income (thousand GEL)	Share of total revenue in the total number of municipal enterprises	Share of gross income of the municipal government in the total number of municipal enterprises
Total	316			3,632,572.1		100%
Including :						
Municipalities	162	51.3%		348,901.8		9.6%
Tbilisi Municipality	19	6.0%	11.7%	271,260.6	7.47%	77.75%
Batumi Municipality	25	7.9%	15.4%	52,944.7	1.46%	15.17%
Sachkhere Municipality	2	0.6%	1.2%	7,379.9	0.20%	2.12%
Kutaisi Municipality	9	2.8%	5.6%	2,700.1	0.07%	0.77%
Tetritskaro Municipality	1	0.3%	0.6%	2,316.5	0.06%	0.66%
Marneuli Municipality	3	0.9%	1.9%	1,853.4	0.05%	0.53%
Telavi Municipality	2	0.6%	1.2%	1,717.0	0.05%	0.49%

Kobuleti Municipality	6	1.9%	3.7%	1,416.5	0.04%	0.41%
Bolnisi Municipality	10	3.2%	6.2%	1,675.5	0.05%	0.48%
Keda Municipality	6	1.9%	3.7%	889.1	0.02%	0.25%
Mestia Municipality	3	0.9%	1.9%	704.1	0.02%	0.20%
State body autonomous republic of abkhazia	9	2.8%	5.6%	544.3	0.01%	0.16%
Sagarejo Municipality	4	1.3%	2.5%	665.8	0.02%	0.19%
Oni Municipality	1	0.3%	0.6%	638.5	0.02%	0.18%
Rustavi Municipality	6	1.9%	3.7%	507.4	0.01%	0.15%
Dusheti Municipality	6	1.9%	3.7%	306.5	0.01%	0.09%
AMbrolauri Municipality	2	0.6%	1.2%	298.0	0.01%	0.09%
Senaki Municipality	5	1.6%	3.1%	185.5	0.01%	0.05%
Zugdidi Municipality	2	0.6%	1.2%	177.3	0.00%	0.05%
Kazbegi Municipality	1	0.3%	0.6%	154.3	0.00%	0.04%
Akhaltzikhe Municipality	1	0.3%	0.6%	147.0	0.00%	0.04%
Chiatura Municipality	3	0.9%	1.9%	134.0	0.00%	0.04%
Tskaltubo Municipality	1	0.3%	0.6%	65.1	0.00%	0.02%
other	35	11.1%	21.6%	220.9	0.01%	0.06%

	Total number of	Including:	Total joined	Including:	share of sectoral enterprises in gross joint income
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area	enterprises	central	local	income of enterprises 2021 (GEL thousand)	central	local	central	local
Agriculture, hunting and forest culture	7	7	0	22,698.6	22,698.6	0.0	0.7%	0.0%
Mining industry	2	2	0	601.8	601.8	0.0	0.0%	0.0%
Manufacturing industry	20	17	3	137,592.6	137,574.8	17.8	4.2%	0.0%
production and distribution of electricity, gas and water	21	9	12	1,972,247.9	1,946,527.5	25,720.4	59.3 %	7.4%
Construction	16	11	5	84,681.1	83,168.5	1,512.7	2.5%	0.4%
trade; repair of automobiles, household goods and personal items	14	10	4	193,391.9	193,040.7	351.2	5.9%	0.1%
Hotels and restaurants	9	7	2	31,093.0	31,055.9	37.0	0.9%	0.0%
Transport and communication	23	6	17	916,216.2	751,745.6	164,470.6	22.9 %	47.1%
financial activity	8	8	0	720.8	720.8	0.0	0.0%	0.0%
Operations with real estate, lease and providing services to customers	49	27	22	39,853.6	31,014.1	8,839.5	0.9%	2.5%
Health care and social affairs	78	37	41	35,172.0	29,372.4	5,799.6	0.9%	1.7%
Providing utility, social and personal service	69	13	56	198,302.7	56,149.6	142,153.1	1.7%	40.7%
total	316	154	162	3,632,572.1	3,283,670.3	348,901.8		

Table 3

Analysis of State-owned enterprises by area

Based on the data of the register of enterprises created with state equity participation, the number of enterprises operating in the field of health protection and social assistance is leading (out of 316 enterprises register - 78 enterprises, of which 41 are local). Enterprises operating in the field of healthcare and social assistance are leading in terms of quantity, although the share of their total joint income in the total joint income of enterprises does not exceed 1%.

Funding received by state enterprises

Detailed information on financial assistance provided by the state to state-owned enterprises for 2020-2022 is given in Tables 2-3.

Table 1. Funds directed to state enterprises from the state budget and received dividends (GEL million)

Name	2020	2021	2022, 8 months
Capital transfer			
Loan			
Subsidy	-88.3	-246.4	-33.6
Dividend		59.0	
Net cash-flow	-88.3	-187.4	-33.6

Table 2. 2020-2021 subsidy from the state budget (GEL thousand)

Name of company	2020	2021	2022, 8 months
Georgian Post LLC	2,188	1,000	
Georgian Melioration LLC	18,500	24,175	12,000
Acad. N. Kipshidze Central University Clinic of Tbilisi Medical University LLC	786		0
Akura LLC	16,000	28,000	0
Adam Beridze's Soil and Food Diagnostic Center Anaseuli LLC	12	134	212
United Airports of Georgia LLC	1,350	3,883	2,021
Solid Waste Management Company of Georgia LLC	13,800	14,000	15,000
Universal Healthcare Center LLC	2,150		0
Black Sea Arena LLC	3,518	6,850	3,155
United Water Supply Company Georgia LLC	30,000	60,000	0
V. Sanikidze War Veterans Clinical Hospital LLC		800	523
Georgian Teleradiocenter LLC		973	0
MTA LLC		13,374	128

Mountain Resorts Development Company LLC		800	0
Tolia 2020 LLC		63	80
Perspective LLC		72	0
Harvest Management Company LLC		91,073	0
JSC Infectious Diseases and AIDS Center		1,173	439
Total	88,304	246,369	33,558

The companies Georgian Melioration LLC, Solid Waste Management Company of Georgia LLC, United Airports of Georgia LLC, Black Sea Arena Georgia LLC, United Water Supply Company of Georgia LLC depend on regular financial assistance from the state budget. Funds received from the budget in the form of subsidies will be directed to the implementation of infrastructural projects as well as to cover operational costs.

The subsidy allocated by the state to the United Water Supply Company of Georgia LLC in 2020 was used to cover the loan obligation received from international donor organizations. Similarly, from the subsidy allocated by the state in 2021, 20 million GEL was intended to finance the 2021 debt obligation and operating expenses, and 40 million GEL was intended to finance the 2022 debt obligation and operating expenses.

Enterprises created with the participation of local governments, which are active in health care utility services, construction and other sectors, also constantly need support from the local budget. Municipalities allocated GEL 101 and 262 million in 2021-2021, respectively. Among them, 80% of the total volume comes only to the enterprises of Tbilisi Municipality.

The subsidy given to Tbilisi Transport Company LLC in 2020-2022 exceeded GEL 260 million, which is allocated to finance the measures of transport infrastructure, modernization and reconstruction projects of the rolling stock of city passenger transport.

Table 3. 2020-2022 subsidy from the Tbilisi budget (GEL thousand)

Name of company	2020	2021	2022, 8 months
Tbilisi Cardiology Hospital LLC		5	0
Tbilisi Transport Company LLC	40,106	119,366	105,717
Aqua-center Tonus LLC	94	209	33
Tbiliservice Group LLC	32,480	82,409	65,720
Ecoservice Group LLC	6,500	16,763	11,400
total	79,179	218,752	184,625

Table 4. amounts lent to state enterprises (million) (as of Decemebr 31, 2021)

Company	Currency	Agreed amount	Assimilated amount	Paid part of principal	Paid part of interest accreted	Debt balance	Debt balance in GEL
JSC Georgian State Electrosystem	EUR	378.3	101.7	47.4	14.6	50.8	178.1
	SDR	31.0	31.0	2.6	1.9	28.4	123.1
	USD	59.0	58.2	0.0	5.2	58.2	180.3
Engurhesi LLC	EUR	88.6	83.4	1.6	2.3	72.1	252.6
	GEL	37.0	37.0	5.8	5.6	31.2	31.2
Energotrans LLC	EUR	218.5	218.5	74.1	35.5	144.4	506.1
Sakaeronavigatsia LLC	EUR	4.7	4.7	2.5	0.6	2.2	7.6
United Water Supply Company Georgia LLC.	EUR	394.3	90.4	15.1	6.9	68.6	240.4
	SDR	188.5	170.6	22.3	1.0	118.4	513.4
	USD	249.7	150.8	0.0	0.0	146.1	452.5
Solid Waste Management Company of Georgia LLC	EUR	55.4	4.9	3.7	1.4	1.2	4.3
total		1,705.1	951.1	175.1	75.0	721.7	2,489.7

Dividends paid by SOEs

According to the resolution N174 of government of Georgia dated as of April 12, 2011 on “ identifying composition and rules of operation of commission reviewing and making decisions regarding proposals about distribution and usage of net profit of the operating enterprises established with share participation of state” commission reviewing and making decisions regarding proposals about distribution and usage of net profit of the operating enterprises established with share participation of state created with the Ministry of Finance of Georgia, reviews the issue of distribution of

net profit of the operating enterprises established with share participation of state. Proposals regarding the mentioned are sent to the Ministry of Finance of Georgia in advance by relevant agency, in agreement with the enterprise operating under its management. And the review of the submitted proposals is carried out at the meeting of the above-mentioned commission. Commission based on the submitted reasoned proposal, makes decision whether to direct the dividend fully/partially to the budget or leaving it to company for development.

In addition, the partnership fund disposes of part of the state enterprises and independently uses the dividends received from them for investment and loan services.

At the meeting held on August 21, 2020, the proposal submitted by the National State Property Agency was discussed regarding the reinvestment of the 2017-2018 profit (GEL 1,307.8 thousand) of JSC "Infectious Diseases and AIDS Center " at the disposal of the enterprise. The Commission took into account that the Decree of the Government of Georgia N1341 of July 23, 2020, allocating financial resources in the form of a capital transfer to JSC "Infectious Diseases and AIDS Center " in order to ensure the purchase or construction of profiled real estate for the unrestricted and safe implementation of medical activities and it was considered expedient to leave GEL 300,000 from the company's 2017-2018 net profit at the enterprise's disposal, for reinvestment, for the development of medical technical capabilities necessary at the current stage. And the commission will additionally discuss the remaining part of the enterprise's 2017-2018 net profit.

At the sessions held on October 29, 2020 and December 30, 2020, the proposal presented by the Ministry of Economy and Sustainable Development of Georgia regarding the distribution of the profit of the State Electricity System in 2018-2019 was discussed (the profit of the company in 2018-2019 amounted to GEL 77,175 thousand, of which the net profit in 2018 made up GEL 30,432 thousand, and in 2019 - GEL 46,743 thousand). According to the decision of the commission, the company, from the net profits of 2018 and 2019, GEL 8,175 thousand remained at the disposal of the enterprise for reinvestment, and GEL 69,000 thousand was paid to the state budget, including GEL 10,350,000 as profit tax and GEL 58,650,000 as a dividend belonging to the state. The mentioned amount was deposited in December 2021.

At the meeting of March 25, 2021, the 2017-2019 the issue of distribution of net profit of JSC UES Sakrusenergo EL 32,406 thousand was discussed. According to the commission's decision, GEL 31,806 thousand of the net profit remained at the disposal of the company, while GEL 600 thousand was distributed among the shareholders in proportion to their shares. Accordingly, GEL 300 thousand was determined as the amount belonging to the state budget, which was credited in March 2021.

In total, GEL 59,000 thousand GEL was credited to the state budget as a dividend in 2021.

Loans between state enterprises

Loaning between state enterprises and joint borrowing by them for financing various projects creates the danger of shifting the risk to the government. The practice of such loans is not common in Georgia, and in 2021, such loans did not occur among state companies.

Non-financial transfers

In addition to financial transfers, there are also asset transfers between the Government of Georgia and state-owned enterprises, including gas, land, equipment, inventory and other plant and property. Such transfers are mainly carried out for the purpose of state enterprises becoming the owners of assets and performing the functions and projects assigned to them in full and better. It does not involve fiscal risks.

By 2021, based on the information provided by the enterprises, no significant non-financial transfer is observed.

Methodology on the Introduction of Best Practices for the Identification, Analysis and Financing Mechanisms of Quasi-Fiscal Activities

What is a Quasi-Fiscal activity?

Quasi-fiscal activity, which is performed by an SOE vividly, under the instructions of the government or discreetly is when a payment made for the supply of such goods/services is less than a market price or existing practice. To generalize it further, any activity that a profit-making/commercial enterprise would not perform is quasi-fiscal. Such activities are mainly aimed at the social and political aims and goals.

Examples of quasi-fiscal activities are the supply of water to the population for lower than a market price or par value, as well as an irrelevantly high number of employees and/or irrelevant payroll at an SOE.

If and when the State does not compensate such types of enterprises from the State Budget, SOEs assume the burden related to quasi-fiscal activities, which worsens their financial results.

It is essential for the government to design a policy for the effective management of risks stemming from quasi-fiscal assets, which will ease the burden related to quasi-fiscal assets not compensated to SOEs or minimize them to nil. Also, future rise of such burdens should be avoided by SOEs. At the same time, it is essential to be done only in cases if any other kind of inefficiency is abolished at the level of an SOE and funds practically allocated for the funding of quasi-fiscal assets is returned to the State Budget in the following reporting year in the form of a dividend paid by the SOE.

Forms of Quasi-Fiscal Activities

Non-Commercial Services (NCSO): setting a less-than-commercial tariff. For instance, artificially low tariff- setting for utility services, such as power energy, water supply;

Non-Core Functions: obligations assigned by the government, e.g. obligation to incur capital expenditures, which are not related to the core business of the company;

Subsidized Procurement: payment of higher-than-market price, e.g. procurement of agriculture produce at higher-than-market prices from local farmers to incentivize such farmers;

Abuse of Monopoly Position: accepting the commercially unfair price from consumers (more than justified in commercial terms), use of additional income for cross-subsidising the other activities of the enterprise (practice of funding one activity from profits earned in other activities);

Super-Dividends: payment of more dividends by an enterprise than possible with profits earned in a reporting period. Such payments are made mainly through the sale of enterprise assets (one-off transactions) or from other accumulated reserves.

Price Adjustment for Short-Term Higher Income Generation Purposes: setting higher prices for goods and services to make sure that SOE profits and dividends increase in a short-run, even when it will reduce the share of an enterprise at the market and its profits in a medium term.

Quasi-fiscal activity may be **Explicit** (defined in a company statutes, regulations issued by the government/ministry/public institution) and **Implicit** (company carries out a quasi-fiscal activity without assigning this function under a regulation). Example of a discreet quasi-fiscal activity is a more-than- required number of employees at an SOE for social and/or political purposes).

Implicit quasi-fiscal activity should be prohibited. It is impermissible to carry out non-commercial services by an SOE, except those cases, when they are vivid and their value is fully compensated from the State Budget.

Commercial Service Obligations (CSO) of SOEs are such services that are fully compensated by consumers of such SOEs,

Each commercial function of the SOEs should be reflected in the Statement of Corporate Intent of the company or other similar documents, which represent the strategic goals, targeted financial and non- financial ratios and other KPIs, risk limits, etc. defined by shareholders to the Supervisory Council.

Commercial functions of a corporation should be published in an Annual Report of an SOE. Published information should include the following: (1) description of each commercial function, (2) revenues/profit earned from each of them; and (3) description and report on how its cost will be compensated by consumers.

Resumes of commercial functions should also be published in an Analysis of Fiscal Analysis Risks, which will assess the risks of transforming these functions into quasi-fiscal activities.

Non-Commercial Service Obligations (NCSOs)

SOE should reflect all the non-commercial services as a transfer from a respective budget in its full amount, including the relevant rate of return. The amount should be incorporated in the expenditures of the State Budget, in line with the legislation of Georgia.

All non-commercial services should be reflected in the Statements of Statement of Corporate Intent (SCI) of companies with respective measurements.

Compliance of non-commercial activities with the SCI should be published in the Overall SOE Report on an annual basis. Report should at least include the following:

- Description of each non-commercial service;
- Actual cost incurred on it against the budgeted cost;
- Comparison of non-financial results with planned results.

Information on non-commercial services should also be published in a Fiscal Risk Statement.

As a related information, let us note that in line with Articles 203-206 of the Association Agreement concluded by Georgia on the one hand with EU and European Atomic Energy Association and their member states on the other hand, parties understand the importance of free and unrestricted competition for their trade relations and acknowledge that state actions that damage competitive neutrality (e.g. subsidies) harm the entire market, thus reducing the benefits of trade liberalisation.

Existing Practices on Quasi-Fiscal Activities

Ministry of Finance of Georgia started identifying, analyzing and publishing quasi-fiscal activities from 2017. According to the recent experience, explicit quasi-fiscal activities are carried out in 3 SOEs. However, implicit quasi-fiscal activities should be of a much larger volume.

An example of implicit quasi-fiscal is over-employment.

Impact of Quasi-Fiscal Activities on Financial Outcomes of the SOEs

Mln Gel

Engurhesi Ltd	2020		2021	
	Without quasi-fiscal activity	Quasi-fiscal activity	Without quasi-fiscal activity	Quasi-fiscal activity
Total income	51.6		133.6	

Operating income	39.2		96.1	
Non-operating income	12.4		37.5	
Total expenses	105.5	31.6	91.2	29.6
Operating expenses	59.3	31.6	88.0	29.6
Non-operating expenses	46.3		3.2	
Unearned profit				
Profit before tax	-22.4	-31.6	72.0	-29.6
Profit tax				
Net profit	-22.4	-31.6	72.0	-29.6

- The company's electricity tariff compared to other companies operating in the Georgian market, is significantly low. Moreover, according to the order N77 of Minister of Energy of Georgia on - "Rules of the Electricity Market", the company cannot receive remuneration for the electricity supplied on the territory of Abkhazia.
- The share of electricity supplied on the territory of Abkhazia by 2021 exceeded 45% of the total output. Financial data of Engurhesi Ltd presented in the table without quasi-fiscal activities and separately impact of quasi-fiscal activity on major indicators of profit and loss statement.
- The table shows that Engurhes lost about GEL 30 million revenue due to supplying electricity free of charge to the population of occupied Abkhazia.

Georgian Railway	2020		2021	
	Without quasi-fiscal activity	Quasi-fiscal activity	Without quasi-fiscal activity	Quasi-fiscal activity
Total income	534.4	34.8	552.1	12.8
Operating income	521.7	31.1	539.5	11.2
Non-operating income	12.8	3.7	12.5	1.6
Total expenses	-508.9	-65.4	-666.0	-63.0
Operating expenses	-361.8	-53.7	-359.1	-47.1
Non-operating expenses	-147.0	-11.7	-306.9	-15.9

Unearned profit				
Profit before tax	25.6	-30.6	-114.0	-50.2
Profit tax	-0.5	0.0	-0.5	
Net profit	25.1	-30.6	-114.5	-50.2

- JSC Georgian Railway annually subsidizes passenger transportation at the expense of revenue received from cargo turnover, which the company annually costs about GEL 40 million. The table below shows the company's financial indicators with and without quasi-fiscal activities. Like the Enguri HPP, in the absence of the quasi-fiscal activity, Georgian Railway would close 2021 with a profit, amount of 22.5 mln lari.

JSC Georgian Oil and Gas Corporation	2020		2021	
	Company financial outcomes	Quasi-fiscal activity	Company financial outcomes	Quasi-fiscal activity
Total income	1024.1		1250.6	
Operating income	997.2		1114.6	
Non-operating income	26.9		136.0	
Total expenses	1020.9		1113.0	
Operating expenses	863.1		1065.9	
Non-operating expenses	157.8		47.1	
Unearned profit		198.9		302.1
Profit before tax	202.1	-198.9	439.7	-302.1
Profit tax				
Net profit	202.1	-198.9	439.7	-302.1

- JSC Georgian Oil and Gas Corporation has been subsidizing the tariff of gas customers for household sector since 2013, which reduces potential profits to be obtained by the company. Profit to be obtained represents the difference between selling at a commercial tariff opportunity and actually earned income.

- The table shows the financial data of JSC Georgian Oil and Gas Corporation in case of sale at commercial tariff and separately, unearned profit due to quasi-fiscal activity, which exceeds GEL 302 million by 2021. This is the result of reducing average selling price of social tariff by USD 52.5 per thousand cubic meters in order to support the population considering the pandemic. The Social tariff was reduced by USD 40.5 per thousand cubic meters in 2010.
- As a result of subsidizing tariff of gas customers for household sector by 2022, it is expected to receive GEL 220 million less income.

Review of financial results of state enterprises

147 enterprises submitted their 2021 financial statements.

- Without the Marabda-Kartsakh Railway, the net profit of state enterprises in 2021 amounted to GEL 413 million, and including the Marabda-Kartsakh railway, the net profit reached GEL 537 million;
- The 2021 net profit rate of state-owned enterprises is mainly due to the profit obtained from the inter-exchange rate difference.

Below are the total financial results of state enterprises, including and without the Marabda-Kartsakh Railway².

Balance

In GEL Million

Consolidated (including the Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Assets	11,890	12,045	12,031	11,951	12,575	13,394	14,457
Current assets	2,499	2,670	2,903	2,623	2,464	2,465	2,481
Non-current assets	9,391	9,374	9,128	9,328	10,112	10,930	11,975
Capital	5,589	4,972	4,826	4,302	4,322	3,570	4,928

² The activity of Marabda-Kartsakhi Railway does not involve profit generation, moreover, the mentioned company is not included in the state enterprises or government sector. Therefore, we consider it appropriate to discuss the total financial results of state enterprises without the Marabda-Kartsakh Railway. However, for the sake of transparency, we include both versions.

Charter capital	3,707	4,103	5,045	5,418	5,216	6,721	7,042
Equity Injections	2,376	2,647	2,700	2,772	2,765	2,148	2,147
Retained Earnings	34	91	52	70	45	188	338
Uncovered Losses	0	- 1,464	- 2,988	- 3,828	- 4,174	- 6,166	- 5,490
Other remaining capital	-528	-406	16	-130	471	679	891
Liabilities	6,301	7,073	7,206	7,650	8,253	9,824	9,528
Current liabilities	808	1,066	1,271	1,691	1,047	2,203	1,893
Non-current liabilities	5,493	6,007	5,935	5,958	7,207	7,621	7,635
Total capital and liabilities	11,890	12,045	12,031	11,951	12,575	13,394	14,457

Profit-Loss Statement

Consolidated(including the Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Income	2,316	2,555	2,954	2,958	3,242	3,801	4,757
Operating income	2,196	2,339	2,605	2,636	2,943	3,064	3,688
Non-operating income	120	216	349	322	299	737	1,069
Incl. foreign exchange income	0	48	184	140	109	218	800
costs	3,104	3,089	3,683	3,771	3,477	4,940	4,257
Operating expenses	2,085	2,358	3,154	3,264	2,828	3,292	3,680
Depreciation/amortization	182	291	314	317	278	354	315
Non-operating expenses	1,019	731	529	507	650	1,648	577
Incl. interest cost	138	221	208	171	171	431	360
Incl. foreign exchange loss	423	465	227	272	436	1,171	137
Other remaining non-operating expenses	459	45	95	64	43	50	40
Profit before tax	-788	-533	-729	-813	-235	-1,138	500
Income tax	-1	1	3	3	2	2	2

Net profit	-786	-535	-732	-816	-237	-1,075	537
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In GEL Million

Financial Ratios

In GEL Million

Consolidated (including the Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change of revenues	22%	10%	16%	0%	10%	12%	19%
Change of costs	57%	0%	19%	2%	-8%	21%	-17%
Operating Margin	5%	-1%	-21%	-24%	4%	-7%	0%
ROA	-7%	-4%	-6%	-7%	-2%	-8%	4%
ROE	-14%	-11%	-15%	-19%	-5%	-30%	11%
Cost Recovery	134%	121%	125%	127%	107%	115%	129%
Liquidity							
Current Ratio	309%	250%	229%	155%	235%	112%	131%
Solvency							
Debt to Equity	113%	142%	149%	178%	191%	275%	193%
Interest Coverage	-571%	-242%	-353%	-478%	-139%	-250%	149%

Balance

In GEL million

Consolidated (without Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Assets	10,721	10,759	10,638	10,490	11,040	11,715	12,607
Current assets	2,190	2,410	2,622	2,365	2,216	2,220	2,235
Non-current assets	8,531	8,350	8,016	8,125	8,824	9,495	10,372
Capital	6,003	5,588	5,391	4,966	5,169	4,799	6,034
Charter capital	3,654	4,050	4,991	5,361	5,159	6,663	6,985
Equity Injections	2,376	2,618	2,671	2,742	2,765	2,148	2,147
Retained Earnings	34	91	52	70	45	188	338
Uncovered Losses	0	-765	-2,339	-3,077	-3,241	-4,850	-4,298

Other remaining capital	-61	-406	16	-130	441	650	861
Liabilities	4,717	5,171	5,247	5,524	5,871	6,916	6,573
Current liabilities	785	1,056	1,257	1,673	1,023	2,175	1,864
Non-current liabilities	3,932	4,115	3,990	3,851	4,848	4,741	4,710
Total capital and liabilities	10,721	10,759	10,638	10,490	11,040	11,715	12,607

Profit-Loss Statement

In GEL Million

Consolidated (without Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Income	2,316	2,513	2,776	2,824	3,170	3,599	4,472
Operating income	2,196	2,339	2,605	2,636	2,943	3,064	3,688
Non-operating income	120	173	171	188	227	535	784
Incl. foreign exchange income	0	5	7	5	37	15	515
costs	2,771	2,841	3,518	3,534	3,223	4,355	4,095
Operating expenses	2,069	2,340	3,134	3,244	2,806	3,270	3,656
Depreciation/amortization	182	289	313	315	277	352	314
Non-operating expenses	702	500	384	290	417	1,085	440
Incl. interest cost	131	213	200	160	162	415	343
Incl. foreign exchange loss	423	243	90	70	212	623	16
Other remaining non-operating expenses	148	45	95	60	43	50	40
Profit before tax	-455	-328	-742	-710	-53	-756	376
Income tax	-1	5	3	3	2	2	2
Net profit	-454	-333	-746	-713	-55	-692	413

Financial Ratios

In GEL Million

Consolidated (without Marabda-Kartsakh Railway)	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change of revenues	22%	8%	10%	2%	12%	9%	18%
Change of costs	47%	3%	24%	0%	-9%	14%	-9%
Operating Margin	6%	0%	-20%	-23%	5%	-7%	1%

ROA	-4%	-3%	-7%	-7%	0%	-6%	3%
ROE	-8%	-6%	-14%	-14%	-1%	-14%	7%
Cost Recovery	121%	115%	80%	77%	115%	110%	122%
Liquidity							
Current Ratio	279%	228%	209%	141%	216%	102%	120%
solvency							
Debt to Equity	79%	93%	97%	111%	114%	144%	109%
Interest Coverage	-346%	-156%	-373%	-446%	-34%	-167%	120%

Rating of state enterprises

N	Name of company	2014	2015	2016	2017	2018	2019	2020	2021
1	JSC Georgian Oil and Gas Corporation	Low	Medium	Medium	Low	Low	High ³	High	High
2	JSC Georgian Railway	Medium	Medium	Medium	Very high	Very high	High	High	Medium
3	JSC Georgian State Electrosystem	Very high	Very high	Very high	Very high	Very high	Very high	Medium	Medium

³ Based on 2021 financial ratios, JSC Georgian Oil and Gas Corporation is medium risk, although it has been assigned a high risk status due to a large amount of quasi-fiscal risks. In particular, during the last period, the financial burden related to the maintenance of natural gas consumer tariffs in the household sector by the corporation is increasing sharply.

4	Energotrans LLC	Very high	Very high	Very high	Very high	Very high	Very high		
5	United Water Supply Company Georgia LLC.	Medium	Very high	Very high	Very high	Very high	Very high	High	Medium
6	Engurhesi LLC	Medium	Medium	Very high	Medium	Medium	Medium	Very high	Medium
7	JSC Electricity system Commercial operator	Medium	Very high	Medium	Medium	Medium	Very high ⁴	Very high	Very high
8	Georgian Gas transportation company LLC	Very high	Very high	Medium	Medium	Low	Low	Low	Low
9	Marabda-Kartsakhi Railway LLC	Very high	Very high	Very high	Very high	Very high	Very high	Very high	Very high
10	State Construction Company LLC	Very high	Medium	Very high	Medium	Medium	Low	Medium	Medium

⁴ Based on 2021 financial ratios, JSC Electric Power System Commercial Operator (ESCO) is medium risk, although it has been assigned a very high risk status because ESCO is obligated to purchase guaranteed power (PPA) from newly built power plants, regardless of whether it receives payment from consumers for the power sold, which is a risk for the company.

11	JSC Partnership Fund	Medium	Medium	Medium	Very high	Very high	Medium	Medium	Medium
12	Georgian Post LLC	High	Medium	Medium	High	High	Medium	Low	Low
13	JSC UES SAKRUSENERGO	Medium	Medium	Medium	Medium	Low	Low	Low	Low
14	JSC Georgian Energy Development Fund	Medium	Very high	Low	Medium	Medium	Low	Low	Medium
15	Tbilisi Transport Company LLC	Medium	Medium	High	Very high	Very high	Medium	Medium	Medium

Financial Performance of SOEs

JSC Partnership Fund

- The audit process of the financial statements of the partnership fund is not completed at this stage, however, according to preliminary data, it is clear that the consolidated portfolio of the fund ended 2021 with a net profit, a significant share of the net profit is the profit obtained from the exchange rate difference.
- Exchange rate risk remains one of the main risks of enterprises, only the impressive results of 2021 cannot be used to conclude that there is a trend of recovery.

- According to the individual reporting of JSC Partnership Fund, the company ended the year with a profit in 2021

Balance

In GEL Million

JSC Partnership Fund (consolidated)	2015	2016	2017	2018	2019	2020	2021
Assets	6,281	6,867	6,337	5,815	6,037	4,601	4,528
Current assets	1,400	1,662	1,503	1,178	1,093	916	865
Non-current assets	4,880	5,205	4,834	4,637	4,943	3,685	3,663
Capital	2,557	2,731	2,292	1,771	1,939	1,426	1,622
Charter capital	100	100	100	100	100	100	100
Equity Injections	2,376	2,601	2,654	2,726	2,749	2,146	2,147
Retained Earnings	34	0	0	0	0	0	0
Uncovered Losses	0	-18	-505	-1,084	-930	-833	-638
Other remaining capital	46	48	42	29	20	13	12
Liabilities	3,724	4,135	4,045	4,044	4,098	3,175	2,906
Current liabilities	449	743	991	1,378	698	1,315	1,097
Incl. non-current loans	0	0	0	0	2	1,080	795
Non-current liabilities	3,275	3,392	3,054	2,665	3,400	1,860	1,809
Incl. non-current loans	0	0	0	0	3	1,759	1,707
Total capital and liabilities	6,281	6,867	6,337	5,815	6,037	4,601	4,528

Profit-Loss Statement

In GEL Million

JSC Partnership Fund (consolidated)	2015	2016	2017	2018	2019	2020	2021
Income	1,494	1,644	1,819	1,831	1,371	1,575	1,967
Operating income	1,437	1,566	1,742	1,760	1,332	1,528	1,722
Non-operating income	57	78	77	71	39	48	245
Incl. foreign exchange income							217.7
costs	1,699	1,630	2,298	2,414	1,447	1,843	1,787

Operating expenses	1,113	1,212	2,036	2,200	1,222	1,315	1,511
Depreciation/amortization	182	204	210	205	137	148	143
Non-operating expenses	586	418	262	214	226	529	276
Incl. interest cost	119	163	154	142	186	529	276
Incl. foreign exchange loss	423	227	74	66	144	330	0
Other remaining non-operating expenses	44	28	35	6	0	4	0
Profit before tax	-204	15	-479	-583	-76	-268	180
Income tax	-10	-10	3	3	2	2	1
Net profit	-195	24	-482	-585	87	-196	179

Financial Ratios

In GEL Million

JSC Partnership Fund (consolidated)	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	10%	11%	1%	-25%	15%	25%
Change in Expenses	-	-4%	41%	5%	-40%	27%	-3%
Operating Margin	23%	23%	-17%	-25%	8%	14%	12%
ROA	-3%	0%	-8%	-10%	1%	-4%	4%
ROE	-8%	1%	-21%	-33%	5%	-14%	11%
Cost Recovery	134%	136%	89%	83%	112%	120%	130%
Liquidity							
Current Ratio	312%	224%	152%	85%	157%	70%	79%
solvency							
Debt to Equity	146%	151%	176%	228%	211%	223%	179%
Interest Coverage	-163%	15%	-314%	-412%	47%	-37%	65%

Balance

In GEL Million

JSC Partnership Fund (individual)	2015	2016	2017	2018	2019	2020	2021
Assets	2 839	2 946	2 496	1 786	1 736	1 605	1 583
Current assets	288	305	258	105	12	67	35
Non-current assets	2 551	2 642	2 239	1 681	1 724	1 537	1 548
Capital	2 474	2 524	2 117	1 507	1 563	1 408	1 416
Charter capital	100	100	100	100	100	100	100
Equity Injections	2 376	2 539	2 592	2 664	2 675	2 084	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	-2	-115	-575	-1 256	-1 212	-775	-769
Other remaining capital	0	0	0	0	0	0	2 085
Liabilities	365	422	379	279	173	196	167
Current liabilities	6	60	124	245	133	146	59
Incl. non-current loans	0	0	0	239	127	144	57
Non-current liabilities	359	362	256	34	40	51	108
Incl. non-current loans	0	0	0	34	40	51	108
Total capital and liabilities	2 839	2 946	2 496	1 786	1 736	1 605	1 583

Profit-Loss Statement

In GEL Million

JSC Partnership Fund (individual)	2015	2016	2017	2018	2019	2020	2021
Income	59	30	51	99	100	74	36
Operating income	45	14	31	88	90	50	12
Non-operating income	14	16	19	11	10	25	25
Incl. foreign exchange income	0	0	4	0	0	0	8
costs	57	143	501	778	55	69	29
Operating expenses	7	97	469	744	21	40	17
Depreciation/amortization	0	0	1	1	1	1	1
Non-operating expenses	50	46	32	34	33	29	12
Incl. interest cost	50	30	32	32	20	13	12
Incl. foreign exchange loss	0	15	0	2	14	14	0

Other remaining non-operating expenses	0	0	0	0	0	1	0
Profit before tax	2	-113	-450	-680	45	5	7
Income tax	0	0	0	1	1	2	1
Net profit	2	-113	-450	-681	44	4	7

Financial Ratios

In GEL Million

JSC Partnership Fund (individual)	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	-49%	69%	95%	1%	-26%	-51%
Change in Expenses	-	150%	250%	55%	-93%	26%	-58%
Operating Margin	84%	-574%	-1395%	-747%	76%	20%	-45%
ROA	0%	-4%	-18%	-38%	3%	0%	0%
ROE	0%	-4%	-21%	-45%	3%	0%	0%
Cost Recovery	842%	31%	11%	13%	472%	186%	217%
Liquidity							
Current Ratio	5108%	508%	208%	43%	9%	46%	60%
solvency							
Debt to Equity	15%	17%	18%	18%	11%	14%	12%
Interest Coverage	3%	-371%	-1394%	-2144%	227%	28%	54%

year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	Medium risk	High risk	High risk	High risk	Medium risk	Medium risk	Medium risk

Return on Equity	Medium risk	High risk	High risk	High risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Vey low risk	Very high risk	Very high risk	Very high risk	Vey low risk	Vey low risk	Vey low risk
Liquidity							
Current Ratio	Vey low risk	Vey low risk	Vey low risk	Very high risk	Very high risk	Very high risk	Very high risk
Solvency							
Debt to Equity	Vey low risk	Vey low risk	Vey low risk	Vey low risk	Vey low risk	Vey low risk	Vey low risk
Interest Coverage	Very high risk	Very high risk	Very high risk	Very high risk	Very low risk	Very high risk	Very high risk

Overall Risk Rating	Low risk	Medium risk	Medium risk	High risk	Low risk	Medium risk	Medium risk
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JSC Georgian Railway

- According to the audited statements of the company, the net profit of the company amounted to GEL 53 million at the end of 2021;
- In 2021, compared to the last year, cargo turnover increased by 10%, which proportionally reflected on revenues;
- In 2021, the company's profit from exchange rate difference amounted to GEL 84 million;
- In September 2022, the Railway dividend in the amount of GEL 26 million was distributed in order to cover the current liability of the partnership fund;
- The company continues to cross-subsidize non-commercial areas, the mentioned cost for the company in 2022 amounted to GEL 22 million. For the transparency of the process, it is advisable for the company to become a dividend payer for the state budget, on the other hand, for the state to pay compensation to the company for maintaining those non-commercial directions that have a certain social and economic purpose.

Balance

In GEL Million

JSC Georgian Railway	2015	2016	2017	2018	2019	2020	2021
Assets	3 094	3 226	2 862	2 264	2 314	2 348	2 260
Current assets	461	419	352	319	330	389	272
Non-current assets	2 632	2 807	2 510	1 945	1 983	1 959	1 988
Capital	1 471	1 599	1 245	529	523	359	413
Charter capital	1 053	1 053	1 053	1 054	1 053	1 054	1 055
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	448	93	0	0	0	0
Uncovered Losses	0	0	0	-625	-630	-795	-742
Other remaining capital	419	98	98	100	100	100	101
Liabilities	1 623	1 626	1 617	1 735	1 790	1 988	1 847
Current liabilities	164	191	196	352	243	185	153
Incl. non-current loans	45	57	59	134	65	74	16
Non-current liabilities	1 459	1 435	1 421	1 383	1 547	1 803	1 694
Incl. non-current loans	1 193	1 362	1 374	1 337	1 501	1 703	1 591
Total capital and liabilities	3 094	3 226	2 862	2 264	2 314	2 348	2 260

Profit-Loss Statement

In GEL Million

JSC Georgian Railway	2015	2016	2017	2018	2019	2020	2021
Income	626	563	517	459	519	528	665
Operating income	575	539	474	444	504	502	557
Non-operating income	52	24	43	15	15	27	108
Incl. foreign exchange income	0	0	25	0	0	0	84
costs	703	537	870	1 174	524	693	612
Operating expenses	387	364	766	1 089	396	373	391
Depreciation/amortization	0	33	110	114	81	76	58
Non-operating expenses	315	173	104	85	128	320	220
Incl. interest cost	59	53	53	47	43	128	101
Incl. foreign exchange loss	0	0	0	38	85	192	0
Other remaining non-operating expenses	256	120	51	0	0	0	119
Profit before tax	-76	26	-353	-715	-5	-164	53
Income tax	-11	-39	1	1	1	1	1
Net profit	-65	65	-354	-717	-6	-165	53

Financial Ratios

In GEL Million

JSC Georgian Railway	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	-10%	-8%	-11%	13%	2%	26%
Change in Expenses	-	-24%	62%	35%	-55%	32%	-12%
Operating Margin	33%	33%	-62%	-145%	21%	26%	30%
ROA	-2%	2%	-12%	-32%	0%	-7%	2%
ROE	-4%	4%	-28%	-135%	-1%	-46%	13%
Cost Recovery	162%	155%	67%	42%	131%	142%	170%
Liquidity							
Current Ratio	282%	219%	179%	91%	136%	210%	178%
Solvency							
Debt to Equity	110%	102%	130%	328%	342%	553%	447%
Interest Coverage	-110%	123%	-663%	-1513%	-13%	-129%	52%

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	High risk	Medium risk	High risk	High risk	High risk	High risk	Medium risk
Return on Equity	High risk	Medium risk	High risk	High risk	High risk	High risk	Medium risk
Cost Recovery	Very low risk	Very low risk	Very high risk	Very high risk	Low risk	Low risk	Very low risk
Liquidity							
Current Ratio	Very low risk	Very low risk	Low risk	Very high risk	Medium risk	Very low risk	Low risk
Solvency							
Debt to Equity	Medium risk	Medium risk	Medium risk	Very high risk	Very high risk	Very high risk	Very high risk
Interest Coverage	Very high risk	Medium risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk
Overall Risk Rating	Medium risk	Low risk	High risk	Very high risk	High risk	High risk	Medium risk

JSC Georgian Oil and Gas Corporation

- The operating income of the company in 2021 compared to 2020 has increased by about 12%, which is mainly due to the full-year operation of Gardabani LLC thermal station 2 in 2021, while in 2020 the thermal station operated at full capacity only in the second part of the year. In addition, the volume of sold commercial gas and oil increased.
- The growing level of quasi-fiscal activities is a big threat to the company's financial performance. Like the Georgian Railway, it would be healthy for the company to compensate

such activities from the state budget, if in turn the company would become a direct dividend payer to the state budget; In 2021, the realized volume of social gas increased.

- In 2021, the net profit of the company is increased largely by the profit obtained from the difference between exchange rates (GEL 114 million).

Balance

➤ In GEL Million

JSC Georgian Oil and Gas Corporation	2015	2016	2017	2018	2019	2020	2021
Assets	1 404	1 581	1 660	1 693	1 882	1 844	1 901
Current assets	446	712	709	552	490	442	538
Non-current assets	958	869	951	1 141	1 392	1 403	1 363
Capital	715	712	913	988	1 052	907	1 045
Charter capital	611	617	625	627	643	646	646
Equity Injections	0	72	72	72	60	60	60
Retained Earnings	0	265	429	481	541	403	503
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	104	-242	-213	-191	-192	-201	-164
Liabilities	689	870	747	705	830	937	856
Current liabilities	88	219	110	47	121	937	856
Incl. non-current loans	0	0	0	0	17	828	711
Non-current liabilities	601	651	637	658	710	0	0
Incl. non-current loans	0	0	0	0	705	0	0
Total capital and liabilities	1 404	1 581	1 660	1 693	1 882	1 844	1 901

Balance

In GEL Million

JSC Georgian Oil and Gas Corporation	2015	2016	2017	2018	2019	2020	2021
Assets	1 404	1 581	1 660	1 693	1 882	1 844	1 901
Current assets	446	712	709	552	490	442	538
Non-current assets	958	869	951	1 141	1 392	1 403	1 363
Capital	715	712	913	988	1 052	907	1 045
Charter capital	611	617	625	627	643	646	646

Equity Injections	0	72	72	72	60	60	60
Retained Earnings	0	265	429	481	541	403	503
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	104	-242	-213	-191	-192	-201	-164
Liabilities	689	870	747	705	830	937	856
Current liabilities	88	219	110	47	121	937	856
Incl. non-current loans	0	0	0	0	17	828	711
Non-current liabilities	601	651	637	658	710	0	0
Incl. non-current loans	0	0	0	0	705	0	0
Total capital and liabilities	1 404	1 581	1 660	1 693	1 882	1 844	1 901

Profit-Loss Statement

In GEL Million

JSC Georgian Oil and Gas Corporation	2015	2016	2017	2018	2019	2020	2021
Income	529	696	750	687	914	1 024	1 251
Operating income	495	635	680	643	874	997	1 115
Non-operating income	33	61	71	44	40	27	136
Incl. foreign exchange income	0	0	7	0	0	0	114
costs	488	599	528	531	796	1 021	1 113
Operating expenses	401	485	474	467	730	863	1 066
Depreciation/amortization	0	40	37	38	41	59	71
Non-operating expenses	87	113	54	65	65	158	47
Incl. interest cost	22	48	49	43	28	51	46
Incl. foreign exchange loss	0	50	5	22	38	103	0
Other remaining non-operating expenses	65	15	0	0	0	0	1
Profit before tax	41	97	222	156	118	3	138
Income tax	4	19	2	0	0	0	0
Net profit	36	78	220	157	120	3	138

Financial Ratios

In GEL Million

JSC Georgian Oil and Gas Corporation	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	32%	8%	-8%	33%	12%	22%
Change in Expenses	-	23%	-12%	1%	50%	28%	9%
Operating Margin	19%	24%	30%	27%	16%	13%	4%
ROA	3%	5%	13%	9%	6%	0%	7%
ROE	5%	11%	24%	16%	11%	0%	13%
Cost Recovery	132%	143%	158%	147%	125%	119%	117%
Liquidity							
Current Ratio	507%	325%	645%	1186%	406%	47%	63%
solvency							
Debt to Equity	96%	122%	82%	71%	79%	103%	82%
Interest Coverage	166%	162%	453%	369%	436%	6%	298%

Year	2015	2016	2017	2018	2019	2020	2021
profitability							
Return on Assets	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Return on Equity	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Low risk	Low risk	Very low risk	Low risk	Low risk	Medium risk	Medium risk
Liquidity							

Current Ratio	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very high risk	Very high risk
Solvency							
Debt to Equity	Low risk	Medium risk	Low risk	Low risk	Low risk	Medium risk	Low risk
Interest Coverage	Low risk	Low risk	Very low risk	Very low risk	Very low risk	Very high risk	Very low risk
Overall Risk Rating	Low risk	Low risk	Low risk	Low risk	Low risk	High risk	Medium risk

JSC Georgian State Electrosystem

- A portion of the revenue for the state power system is regulated by the regulator. It is necessary to plan infrastructure projects in such a way that the commercial interests of the company are not violated, the company does not face short- and medium-term liquidity problems;
- After the completion of the company's rehabilitation, the company's capital became positive for the first time, without the need to convert debt into capital, which was caused by the increase in revenues as a result of the increase in the volume of electricity (including transit energy) transferred by the company, and in this case, the profit obtained from the exchange rate difference (138 million GEL).

Balance

In GEL Million

JSC Georgian State Electrosystem	2015	2016	2017	2018	2019	2020	2021
Assets	1 144	1 272	1 100	1 130	946	1 387	1 490
Current assets	58	65	79	117	144	119	67
Non-current assets	1 086	1 207	1 022	1 013	802	1 267	1 424
Capital	153	104	-177	-127	334	-81	152

Charter capital	574	600	639	643	645	663	663
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	57	-36	235
Uncovered Losses	0	-508	-828	-781	-380	-698	-769
Other remaining capital	-421	12	12	12	11	-10	23
Liabilities	991	1 168	1 278	1 257	612	1 468	1 339
Current liabilities	136	211	512	633	104	313	241
Incl. non-current loans	0	0	0	556	32	173	161
Non-current liabilities	856	957	766	624	508	1 155	1 097
Incl. non-current loans	0	0	0	459	455	1 050	841
Total capital and liabilities	1 144	1 272	1 100	1 130	946	1 387	1 490

Profit-Loss Statement

In GEL Million

JSC Georgian State Electrosystem	2015	2016	2017	2018	2019	2020	2021
Income	117	133	150	245	244	380	448
Operating income	114	130	147	237	190	197	297
Non-operating income	3	3	3	8	54	184	151
Incl. foreign exchange income	0	0	0	1	32	0	138
costs	232	205	470	198	187	418	214
Operating expenses	96	108	362	171	115	157	173
Depreciation/amortization	0	52	56	47	35	47	65
Non-operating expenses	137	97	109	27	71	261	41
Incl. interest cost	21	20	21	21	10	23	40
Incl. foreign exchange loss	0	71	81	6	61	230	0
Other remaining non-operating expenses	115	6	6	0	0	8	0
Profit before tax	-115	-72	-320	47	57	-38	235
Income tax	-1	8	0	0	0	10	0
Net profit	-113	-80	-320	47	57	-48	235

Financial Ratios

In GEL Million

JSC Georgian State Electrosystem	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	13%	13%	63%	0%	56%	18%
Change in Expenses	-	-12%	130%	-58%	-6%	124%	-49%
Operating Margin	17%	17%	-145%	28%	39%	20%	42%
ROA	-10%	-6%	-29%	4%	6%	-3%	16%
ROE	-74%	-77%	181%	-37%	17%	59%	155%
Cost Recovery	123%	123%	42%	143%	211%	242%	259%
Liquidity							
Current Ratio	43%	31%	15%	18%	138%	38%	28%
Solvency							
Debt to Equity	648%	1125%	-720%	-989%	183%	-1806%	883%
Interest Coverage	-534%	-400%	-1505%	223%	590%	-208%	581%

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	high risk	high risk	high risk	Medium risk	Medium risk	high risk	Medium risk
Return on Equity	high risk	high risk	Medium risk	high risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Medium risk	Medium risk	Very high risk	Low risk	Very low risk	Very low risk	Very low risk
Liquidity							
Current Ratio	Very high risk	Very high risk	Very high risk	Very high risk	Medium risk	Very high risk	Very high risk

Solvency							
Debt to Equity	Very high risk	Very high risk	Very low risk	Very low risk	high risk	Very low risk	Very high risk
Interest Coverage	Very high risk	Very high risk	Very high risk	Very low risk	Very low risk	Very high risk	Very low risk
Overall Risk Rating	High risk	high risk	high risk	Medium risk	Medium risk	Medium risk	Medium risk

JSC Electricity System Commercial operator

- JSC Electricity System Commercial operator (ESCO) has a natural monopoly on the supply of balancing electricity.
- ESCO is a party to Power Purchase Agreements (PPA), thus the main source of contingent liabilities from state enterprises is this company. The risks arising from PPA contracts are assessed below.

Balance

In GEL Million

JSC Electricity System Commercial operator	2015	2016	2017	2018	2019	2020	2021
Assets	57	63	52	87	76	98	150
Current assets	57	63	52	86	74	97	146
Non-current assets	1	0	0	1	2	1	4
Capital	5	7	17	14	13	17	24
Charter capital	0	0	0	0	0	0	0
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	7	17	13	13	17	24
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	5	0	0	0	0	0	0
Liabilities	52	56	36	73	63	81	126
Current liabilities	52	56	36	73	63	81	122

Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	0	0	3
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	57	63	52	87	76	98	150

Profit-Loss Statement

In GEL Million

JSC Electricity System Commercial operator	2015	2016	2017	2018	2019	2020	2021
Income	231	328	508	524	572	655	737
Operating income	230	327	506	522	571	649	735
Non-operating income	1	1	2	2	1	6	3
Incl. foreign exchange income	0	0	0	0	0	0	0
costs	232	326	498	524	571	651	730
Operating expenses	232	326	498	524	571	648	729
Depreciation/amortization	0	0	0	0	1	1	1
Non-operating expenses	0	0	0	0	0	3	0
Incl. interest cost	0	0	0	0	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	1	0
Other remaining non-operating expenses	0	0	0	0	0	2	0
Profit before tax	-2	2	10	0	1	4	7
Income tax	0	0	0	0	0	0	0
Net profit	-2	2	10	0	1	4	7

Financial Ratios

In GEL Million

JSC Electricity System Commercial operator	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	42%	55%	3%	9%	15%	13%
Change in Expenses	-	40%	53%	5%	9%	14%	12%

Operating Margin	-1%	0%	2%	0%	0%	0%	1%
ROA	-3%	3%	19%	0%	1%	4%	5%
ROE	-35%	26%	60%	1%	4%	23%	29%
Cost Recovery	99%	101%	102%	100%	100%	101%	101%
Liquidity							
Current Ratio	108%	112%	147%	118%	118%	120%	119%
Solvency							
Debt to Equity	1029%	816%	210%	531%	469%	466%	518%
Interest Coverage	-	-	-	-	292%	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Return on Equity	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Cost Recovery	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Liquidity							
Current Ratio	high risk	high risk	Medium risk	high risk	high risk	high risk	high risk
Solvency							
Debt to Equity	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk
Interest Coverage	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk

Overall Risk Rating	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk

United Water Supply Company Georgia LLC

- The company has been showing stable operating losses in recent years, which should be due to the social nature of the rates on the one hand, and unannounced quasi-fiscal activities on the other hand. In 2021, the company will experience an operating loss, although the reporting year has ended with a profit, which is due to the profit obtained from the difference between the exchange rates.
- According to the company's data, 2851 people were employed in the company in 2021.
- Improving the amortized infrastructure remains a challenge for the company,
- Reduction of water losses, improvement of accounting systems and rates policy remain the challenge for company. Regarding the latter, it is advisable to revise the rates only when inefficiencies and potential unannounced quasi-fiscal activities are eliminated at the level of operating expenses.
- GEL 60 million from the company's total income in 2021 is a subsidy received from the state, of which GEL 20 million was intended to finance the loan obligation and operating expenses of 2021, and GEL 40 million - to finance the loan obligation and operating expenses of 2022. In 2020, the company received a subsidy of GEL 30 million, which was used to cover the loan obligation received from international donor organizations.
- The non-profitability of the utility sector, depending on its content, is somewhat justified, however, it is necessary to compensate the non-commercial components with a transparent procedure. As a result, the level of subsidies may remain unchanged, however, a commercial tariff will be determined and the tariff will be subsidized using the appropriate methodology.
- In 2021, the number of subscribers of the company increased to 366 thousand subscribers. The income received from the main activity of the company increased, and the operating expenses increased to GEL 170,238 thousand, which includes the cost of depreciation of long-term assets (GEL 63,887 thousand).

Balance

In GEL Million

United Water Supply Company Georgia LLC	2015	2016	2017	2018	2019	2020	2021
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Assets	636	545	712	853	1 080	1 192	1 428
Current assets	38	44	93	76	81	32	141
Non-current assets	598	501	619	777	999	1 161	1 287
Capital	256	7	15	16	22	-110	133
Charter capital	218	255	288	381	383	383	440
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	-401	-464	-504	-590	-796	-760
Other remaining capital	38	153	191	139	229	303	453
Liabilities	380	538	697	837	1 058	1 303	1 295
Current liabilities	13	24	40	75	125	143	64
Incl. non-current loans	0	0	0	0	0	0	3
Non-current liabilities	367	514	657	762	933	1 159	1 231
Incl. non-current loans	0	0	0	0	0	0	1 213
Total capital and liabilities	636	545	712	853	1 080	1 192	1 428

Profit-Loss Statement

In GEL Million

United Water Supply Company Georgia LLC	2015	2016	2017	2018	2019	2020	2021
Income	31	34	42	41	46	76	218
Operating income	31	33	39	39	42	72	108
Non-operating income	0	1	3	3	5	3	110
Incl. foreign exchange income	0	0	1	0	0	0	107
costs	109	99	105	82	131	281	181
Operating expenses	58	64	66	71	77	79	170
Depreciation/amortization	0	15	16	16	17	19	21
Non-operating expenses	51	36	39	11	54	202	11
Incl. interest cost	0	35	39	9	53	17	18
Incl. foreign exchange loss	0	0	0	2	2	199	0
Other remaining non-operating expenses	51	0	0	0	0	-14	-7
Profit before tax	-78	-65	-63	-40	-85	-205	37
Income tax	0	0	0	0	0	0	0
Net profit	-78	-65	-63	-40	-85	-205	37

Financial Ratios

In GEL Million

United Water Supply Company Georgia LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	9%	24%	-1%	12%	64%	188%
Change in Expenses	-	-9%	6%	-23%	61%	115%	-36%
Operating Margin	-88%	-95%	-69%	-83%	-84%	-9%	-58%
ROA	-12%	-12%	-9%	-5%	-8%	-17%	3%
ROE	-31%	-984%	-434%	-250%	-380%	186%	28%
Cost Recovery	53%	53%	64%	59%	60%	96%	128%
Liquidity							
Current Ratio	295%	186%	231%	102%	65%	22%	221%
Solvency							
Debt to Equity	148%	8085%	4762%	5181%	4741%	-1181%	973%
Interest Coverage	-	-185%	-161%	-425%	-162%	-1196%	200%

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	High risk	High risk	High risk	High risk	High risk	High risk	Medium risk
Return on Equity	High risk	High risk	High risk	High risk	High risk	Medium risk	Medium risk
Cost Recovery	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	High risk	Low risk
Liquidity							

Current Ratio	Very low risk	Low risk	Very low risk	High risk	Very high risk	Very high risk	Very low risk
Solvency							
Debt to Equity	Medium risk	Very high risk	Very high risk	Very high risk	Very high risk	Very low risk	Very high risk
Interest Coverage	Very low risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very low risk
Overall Risk Rating	Medium risk	High risk	High risk	Very high risk	Very high risk	High risk	Medium risk

JSC UES Sakrusenergo

Balance

In GEL Million

JSC UES SAKRUSENERGO	2015	2016	2017	2018	2019	2020	2021
Assets	95	93	93	107	122	134	147
Current assets	13	15	13	28	43	56	57
Non-current assets	82	78	80	79	79	78	90
Capital	93	91	92	107	121	132	146
Charter capital	232	230	230	230	230	230	232

Equity Injections	0	2	2	2	2	2	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	-141	-141	-125	-111	-100	-86
Other remaining capital	-139	0	0	0	0	0	0
Liabilities	2	3	2	0	1	1	1
Current liabilities	2	3	2	0	0	1	1
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	1	1	0
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	95	93	93	107	122	134	147

Profit-Loss Statement

In GEL Million

JSC UES SAKRUSENERGO	2015	2016	2017	2018	2019	2020	2021
Income	17	18	21	36	36	32	38
Operating income	17	17	19	35	33	29	34
Non-operating income	0	1	1	1	3	3	4
Incl. foreign exchange income	0	0	0	0	1	0	0
costs	14	17	17	21	22	21	23
Operating expenses	14	17	17	20	22	21	23
Depreciation/amortization	0	3	4	4	4	4	4
Non-operating expenses	0	0	0	1	0	0	0
Incl. interest cost	0	0	0	1	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	0
Other remaining non-operating expenses	0	0	0	0	0	0	0
Profit before tax	3	1	3	15	14	11	15
Income tax	0	4	0	0	0	0	0
Net profit	2	-3	3	15	14	11	14

Financial Ratios

In GEL Million

JSC UES SAKRUSENERGO		2015	2016	2017	2018	2019	2020	2021
Profitability								
Change in Revenues	-	6%	13%	76%	-2%	-9%	16%	
Change in Expenses	-	20%	0%	22%	3%	-2%	10%	
Operating Margin	15%	2%	11%	42%	34%	29%	33%	
ROA	2%	-3%	3%	14%	11%	8%	10%	
ROE	2%	-3%	3%	14%	12%	9%	10%	
Cost Recovery	121%	108%	120%	178%	165%	156%	165%	
Liquidity								
Current Ratio	732%	566%	823%	5893%	15199%	6974%	6627%	
Solvency								
Debt to Equity	2%	3%	2%	0%	1%	1%	1%	
Interest Coverage	-	-	-	2539%	-	-	-	

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	Medium risk	High risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Return on Equity	Medium risk	High risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Medium risk	Medium risk	Medium risk	Very low risk	Very low risk	Very low risk	Very low risk
Liquidity							
Current Ratio	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Solvency							
Debt to ~Equity	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk

Interest Coverage	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Risk Rating	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk

Georgian Gas Transportation Company LLC

- The company ended 2021 with a reduced profit compared to 2020. According to the audited report of 2021, the company did not sell gas in 2021, in particular, gas was sold in previous periods to only one customer, from whom there was no request for gas purchase in 2021. As a result, the operating income of the company decreased compared to the previous year.
- The company's income, which it receives from the operation of the main gas pipeline system, consists, among other things, of the income received from the transportation of natural gas for distribution companies, industrial enterprises and thermal power plants throughout Georgia. The natural gas transportation tariff for the periods of 2021 and 2020 was determined by the three-year resolution of the National Energy and Water Supply Regulatory Commission of Georgia, in the amount of GEL 18.95 GEL per 1000 cubic meters of gas transported.

Balance

In GEL Million

Georgian Gas Transportation Company LLC	2015	2016	2017	2018	2019	2020	2021
Assets	100	108	158	141	173	200	205
Current assets	69	69	123	108	114	112	115
Non-current assets	31	38	35	33	59	88	90
Capital	2	57	117	103	141	169	178
Charter capital	26	36	84	56	34	4	5
Equity Injections	0	14	14	14	14	0	0
Retained Earnings	0	8	19	32	52	85	98
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	-24	0	0	0	40	80	76
Liabilities	98	51	41	38	33	31	26
Current liabilities	98	51	20	19	13	14	12
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	21	19	20	17	14
Incl. non-current loans	0	0	0	0	0	0	0

Total capital and liabilities	100	108	158	141	173	200	205
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Profit-Loss Statement

In GEL Million

Georgian Gas Transportation Company LLC	2015	2016	2017	2018	2019	2020	2021
Income	222	165	182	108	120	122	110
Operating income	218	161	165	104	117	117	104
Non-operating income	3	4	18	4	4	6	6
Incl. foreign exchange income	0	0	0	0	0	0	0
costs	264	114	171	93	100	90	86
Operating expenses	264	114	171	93	100	90	85
Depreciation/amortization	0	2	2	2	2	3	3
Non-operating expenses	0	0	0	0	0	0	0
Incl. interest cost	0	0	0	0	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	0
Other remaining non-operating expenses	0	0	0	0	0	0	0
Profit before tax	-42	51	11	16	20	32	25
Income tax	2	3	0	0	0	0	0
Net profit	-44	48	11	16	20	32	25

Financial Ratios

In GEL Million

Georgian Gas Transportation Company LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	-25%	10%	-41%	11%	2%	-10%
Change in Expenses	-	-57%	50%	-46%	8%	-10%	-5%
Operating Margin	-21%	29%	-4%	11%	14%	23%	18%
ROA	-44%	45%	7%	11%	11%	16%	12%
ROE	-1850%	85%	10%	15%	14%	19%	14%
Cost Recovery	84%	145%	107%	117%	120%	136%	129%

Liquidity							
Current Ratio	71%	137%	611%	569%	906%	787%	927%
Solvency							
Debt to Equity	4128%	88%	35%	37%	23%	18%	15%
Interest Coverage	-	-	-	-	-	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Return on Equity	Very high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Very high risk	low risk	low risk	low risk	low risk	low risk	low risk
Liquidity							
Current Ratio	Very high risk	Medium risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Solvency							
Debt to Equity	Very high risk	low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Interest Coverage	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Risk Rating							
Overall Risk Rating	High risk	low risk	low risk	low risk	low risk	low risk	low risk

JSC “Georgian Energy Development Fund”

- Unlike the previous years when the company maintained a stable profit mark, the company ended 2021 with a loss. The stated result is mainly due to the devaluation of the investment made in the subsidiary enterprise, in particular, according to the company's 2021 audited statement, the assets of the subsidiary JSC Namakhvani were sold in 2019 and the requirements related to the supply of assets as of December 31, 2021 amount to GEL 10,871,199. Based on the essential uncertainty, which raises reasonable doubts regarding the acceptance of the said request, the company depreciated the investment made in the said subsidiary.

Balance

In GEL Million

JSC “Georgian Energy Development Fund”	2015	2016	2017	2018	2019	2020	2021
Assets	100	71	70	72	83	77	69
Current assets	43	32	31	31	51	58	57
Non-current assets	57	39	39	41	32	19	11
Capital	56	70	70	72	82	77	68
Charter capital	54	54	56	56	56	50	48
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	16	14	16	25	26	20
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	1	0	0	0	0	0	0
Liabilities	44	1	0	0	1	0	1
Current liabilities	44	1	0	0	1	0	1
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	0	0	0
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	100	71	70	72	83	77	69

Profit-Loss Statement

In GEL Million

JSC “Georgian Energy Development Fund”	2015	2016	2017	2018	2019	2020	2021
Income	2	26	3	3	13	5	8
Operating income	0	0	0	1	0	0	0
Non-operating income	2	26	3	3	13	5	8
Incl. foreign exchange income	0	0	0	0	0	0	2
costs	3	9	2	2	3	4	15
Operating expenses	1	1	1	2	3	4	14
Depreciation/amortization	0	0	0	0	0	0	0
Non-operating expenses	2	8	0	1	0	0	1
Incl. interest cost	0	3	0	0	0	0	0
Incl. foreign exchange loss	0	1	0	0	0	0	0
Other remaining non-operating expenses	2	4	0	1	0	0	1
Profit before tax	-1	17	1	1	10	1	-7
Income tax	0	2	0	0	0	0	0
Net profit	-1	15	1	1	10	1	-7

Financial Ratios

In GEL Million

JSC “Georgian Energy Development Fund”	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	1012%	-88%	9%	279%	-58%	45%
Change in Expenses	-	156%	-81%	35%	36%	28%	260%
Operating Margin	-	-	-	-150%	-	-	-
ROA	-1%	21%	2%	1%	12%	2%	-10%
ROE	-2%	22%	2%	1%	12%	2%	-10%
Cost Recovery	203%	2168%	226%	222%	403%	134%	55%
Liquidity							
Current Ratio	97%	2527%	94279%	102017%	3422%	108940%	9040%
Solvency							
Debt to Equity	79%	2%	0%	0%	2%	0%	1%

Interest Coverage	- 4977%	473%	-	20720%	-	-	-
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Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	high risk
Return on Equity	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk	high risk
Cost Recovery	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	low risk	Very high risk
Liquidity							
Current Ratio	Very high risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
solvency							
Debt to Equity	low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Interest Coverage	Very high risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Rating	high risk	Low risk	Low risk	Low risk	Low risk	Low risk	Medium risk

Engurhesi LLC

- The share of occupied Abkhazia's consumption in the annual generation of Engurhesi share increases year by year, which increases the company's financial burden. This is a clear quasi-fiscal activity. In 2021, Engurhesi LLC lost an average of GEL 30 million of income by providing free electricity to the population of occupied Abkhazia.
- Despite the large level of quasi-fiscal activities, the company ended the year 2021 with a profit, its net profit in the reporting year amounted to GEL 42 million, which was also mainly due to the profit obtained from the inter-exchange rate difference.

Balance

In GEL Million

Engurhesi LLC	2015	2016	2017	2018	2019	2020	2021
Assets	349	348	354	371	383	416	479
Current assets	14	6	11	31	31	16	5
Non-current assets	335	341	342	340	352	400	474
Capital	186	169	161	182	177	123	165
Charter capital	207	207	208	208	208	208	208
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	-8	-54	42
Uncovered Losses	0	-38	-47	-26	-34	-42	-96
Other remaining capital	-21	0	0	0	10	10	10
Liabilities	163	179	192	188	206	293	314
Current liabilities	6	16	2	4	3	24	24
Incl. non-current loans	0	0	0	0	1	9	7
Non-current liabilities	157	163	190	184	203	269	290
Incl. non-current loans	0	0	0	0	185	263	284
Total capital and liabilities	349	348	354	371	383	416	479

Profit-Loss Statement

In GEL Million

Engurhesi LLC	2015	2016	2017	2018	2019	2020	2021
Income	47	37	42	63	62	52	134
Operating income	46	37	42	62	60	39	96
Non-operating income	1	0	0	1	1	12	38

Incl. foreign exchange income	0	0	0	1	0	0	37
costs	60	45	51	43	69	106	91
Operating expenses	46	35	36	40	61	59	88
Depreciation/amortization	0	1	1	1	0	0	0
Non-operating expenses	14	10	15	3	8	46	3
Incl. interest cost	0	3	3	3	2	3	4
Incl. foreign exchange loss	0	7	13	0	6	42	1
Other remaining non-operating expenses	14	0	0	0	0	1	1
Profit before tax	-13	-8	-9	21	-8	-54	42
Income tax	0	0	0	0	0	0	0
Net profit	-13	-8	-9	21	-8	-54	42

Financial Ratios

In GEL Million

Engurhesi LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	-21%	14%	49%	-3%	-16%	159%
Change in Expenses	-	-24%	13%	-17%	63%	52%	-14%
Operating Margin	0%	5%	15%	36%	-2%	-51%	8%
ROA	-4%	-2%	-2%	6%	-2%	-13%	9%
ROE	-7%	-5%	-5%	11%	-4%	-44%	26%
Cost Recovery	102%	105%	118%	159%	100%	87%	152%
Liquidity							
Current Ratio	233%	41%	642%	818%	1029%	67%	21%
Solvency							
Debt to Equity	88%	106%	119%	103%	116%	239%	190%
Interest Coverage	-2638%	-300%	-327%	807%	-366%	-1956%	1126%

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							

Return on Assets	high risk	high risk	high risk	Medium risk	high risk	high risk	Medium risk
Return on Equity	high risk	high risk	high risk	Medium risk	high risk	high risk	Medium risk
Cost Recovery	Medium risk	Medium risk	Medium risk	Very low risk	Medium risk	high risk	Very low risk
	Medium risk	Medium risk	Medium risk	Very low risk	Medium risk	high risk	Very low risk
Liquidity							
Current Ratio	Very low risk	Very high risk	Very low risk	Very low risk	Very low risk	Very high risk	Very high risk
Solvency							
Debt to Equity	Low risk	Medium risk	Medium risk	Medium risk	Medium risk	Very high risk	high risk
Interest Coverage	Very high risk	Very high risk	Very high risk	Very low risk	Very high risk	Very high risk	Very low risk
Overall Risk Rating	Very high risk	Very high risk	Very high risk	Very low risk	Very high risk	Very high risk	Very low risk

- According to the audited report of the company for 2021, during 2021, Tbilisi City Hall contributed plant and property the form of monetary and non-monetary contributions to the charter capital of the company with a total value of GEL 293,253 thousand and GEL 3,273 thousand. As a result, the capital increased to GEL 615 million.

Balance

In GEL Million

Tbilisi Transport Company LLC	2015	2016	2017	2018	2019	2020	2021
Assets	460	511	288	424	406	531	719
Current assets	37	51	71	221	80	84	92
Non-current assets	423	460	217	203	326	448	627
Capital	458	472	249	383	344	491	615
Charter capital	348	365	332	521	554	851	1,147
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	0	-83	-138	-210	-360	-532
Other remaining capital	110	107	0	0	0	0	0
Liabilities	2	39	39	42	62	40	105
Current liabilities	2	39	14	19	31	12	75
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	25	23	31	28	30
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	460	511	288	424	406	531	719

Profit-Loss Statement

In GEL Million

Tbilisi Transport Company LLC	2015	2016	2017	2018	2019	2020	2021
Income	117	122	132	149	174	89	112
Operating income	112	113	128	140	153	85	109
Non-operating income	5	9	4	9	21	4	4
Incl. foreign exchange income	0	0	0	1	0	0	37

costs	133	133	202	205	245	239	285
Operating expenses	133	132	202	205	245	231	268
Depreciation/amortization	0	0	16	16	21	1	1
Non-operating expenses	0	0	0	0	0	8	18
Incl. interest cost	0	0	0	0	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	0
Other remaining non-operating expenses	0	0	0	0	0	8	18
Profit before tax	-16	-10	-71	-56	-71	-150	-173
Income tax	0	0	0	0	0	0	0
Net profit	-16	-10	-71	-56	-71	-150	-173

Financial Ratios

In GEL Million

Tbilisi Transport Company LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	4%	8%	13%	16%	-49%	26%
Change in Expenses	-	-1%	53%	1%	20%	-2%	19%
Operating Margin	-19%	-17%	-58%	-46%	-60%	-171%	-146%
ROA	-3%	-2%	-24%	-13%	-18%	-28%	-24%
ROE	-3%	-2%	-28%	-15%	-21%	-31%	-28%
Cost Recovery	88%	93%	65%	73%	71%	39%	42%
Liquidity							
Current Ratio	1750%	131%	506%	1167%	261%	683%	123%
solvency							
Debt to Equity	0%	8%	16%	11%	18%	8%	17%
Interest Coverage	-	-6139%	-41475%	-	-	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							

Return on Assets	high risk	high risk	high risk	high risk	high risk	high risk	high risk
Return on Equity	high risk	high risk	high risk	high risk	high risk	high risk	high risk
Cost Recovery	high risk	high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk
Liquidity							
Current Ratio	Very low risk	Medium risk	Very low risk	Very low risk	Very low risk	Very low risk	high risk
solvency							
Debt to Equity	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Interest Coverage	Very low risk	Very high risk	Very high risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Risk Rating	Medium risk	high risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk

Georgian Post LLC

- Compared to 2020, the company's income increased in 2021, in particular, income from postal services, product sales, and cargo transportation increased. The percentage distribution of operating income by activities for 2021 is as follows:
 - Income from postal services - 41%;
 - Income from cargo transportation - 24%;
 - Income from sale of products - 32%.

- In 2021, the company's operating expenses exceeded the same figure of the previous year by 25%, mainly due to increased costs of labor compensation, transportation and other operating expenses. Accordingly, the company's net profit before taxation amounted to –GEL 6 million. According to the company's 2021 audited statements, in 2021 the company changed its accounting policy for land and buildings and switched to the revaluation model. Under the revaluation model, upon recognition as an asset, land and buildings are recorded at fair value less any accumulated depreciation and impairment losses. The 2021 profit and loss statement provides for a revaluation reserve in the amount of GEL 36,852 thousand, which was reflected in the company's 2021 full income.

Balance

In GEL Million

Georgian Post LLC	2015	2016	2017	2018	2019	2020	2021
Assets	57	70	72	84	88	91	127
Current assets	21	32	27	43	37	45	51
Non-current assets	35	38	45	41	50	45	76
Capital	39	48	51	47	50	66	97
Charter capital	42	51	51	48	50	59	59
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	7	2
Uncovered Losses	0	0	0	0	0	0	0
Other remaining capital	-3	-3	0	0	0	0	37
Liabilities	18	22	21	37	38	24	30
Current liabilities	17	22	21	28	23	23	29
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	9	15	2	1
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	57	70	72	84	88	91	127

Profit-Loss Statement

In GEL Million

Georgian Post LLC	2015	2016	2017	2018	2019	2020	2021
Income	61	73	89	103	86	83	96

Operating income	59	70	86	98	83	75	93
Non-operating income	3	3	3	5	3	8	3
Incl. foreign exchange income	0	0	0	0	0	1	0
costs	61	72	89	104	85	76	102
Operating expenses	59	69	86	100	85	76	95
Depreciation/amortization	0	0	3	4	5	5	5
Non-operating expenses	1	3	3	4	0	0	7
Incl. interest cost	0	0	0	0	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	2
Other remaining non-operating expenses	1	3	3	4	0	0	4
Profit before tax	1	1	0	0	1	7	-6
Income tax	0	0	0	0	0	0	0
Net profit	1	1	0	0	1	7	31

Financial Ratios

In GEL Million

Georgian Post LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	19%	22%	16%	-17%	-4%	16%
Change in Expenses	-	19%	24%	16%	-18%	-11%	34%
Operating Margin	-1%	1%	-1%	-1%	-3%	-1%	-3%
ROA	1%	2%	0%	0%	1%	7%	24%
ROE	2%	3%	0%	-1%	2%	10%	32%
Cost Recovery	103%	106%	103%	104%	101%	109%	101%
Liquidity							
Current Ratio	122%	146%	132%	152%	165%	197%	175%
Solvency							
Debt to Equity	46%	45%	41%	78%	75%	37%	31%
Interest Coverage	-	-	-	-	-	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk	Medium risk
Return on Equity	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk	Medium risk
	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk	Medium risk
Cost Recovery	Medium risk	Medium risk	High risk	High risk	Medium risk	Medium risk	Medium risk
Liquidity							
Current Ratio	High risk	Medium risk	Medium risk	Low risk	Low risk	Low risk	Low risk
Solvency							
Debt to Equity	Very low risk	Very low risk	Very low risk	Low risk	Low risk	Very low risk	Very low risk
Interest Coverage	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Risk Rating	Medium risk	Low risk	Medium risk	Medium risk	Low risk	Low risk	Low risk

Georgian Amelioration LLC

Balance

In GEL Million

Georgian Amelioration LLC	2015	2016	2017	2018	2019	2020	2021
Assets	665	83	107	72	81	101	100
Current assets	159	24	51	18	31	26	29
Non-current assets	506	59	55	55	50	74	70
Capital	634	69	90	56	46	69	62
Charter capital	762	840	910	907	900	922	897
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	0	-820	-851	-854	-854	-834
Other remaining capital	-129	-771	0	0	0	0	0
Liabilities	32	14	16	16	35	32	37
Current liabilities	26	13	16	16	17	17	14
Incl. non-current loans	0	0	0	0	0	14	0
Non-current liabilities	5	1	1	0	18	15	23
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	665	83	107	72	81	101	100

Profit-Loss Statement

In GEL Million

Georgian Amelioration LLC	2015	2016	2017	2018	2019	2020	2021
Income	17	19	21	23	25	30	32
Operating income	5	5	5	5	6	3	6
Non-operating income	13	14	16	18	19	27	26
Incl. foreign exchange income	0	0	0	0	0	0	0
costs	41	59	69	62	56	119	39
Operating expenses	41	58	68	61	53	118	39
Depreciation/amortization	0	20	7	7	6	6	6

Non-operating expenses	0	1	1	1	3	1	0
Incl. interest cost	0	1	1	1	1	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	0
Other remaining non-operating expenses	0	0	0	0	1	1	0
Profit before tax	-24	-40	-48	-39	-31	-89	-7
Income tax	0	0	0	0	0	0	0
Net profit	-24	-40	-48	-39	-31	-89	-7

Financial Ratios

In GEL Million

Georgian Amelioration LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	12%	11%	8%	8%	21%	7%
Change in Expenses	-	45%	17%	-10%	-11%	113%	-67%
Operating Margin	-757%	-1051%	-1200%	-1066%	-791%	-3943%	-561%
ROA	-4%	-48%	-45%	-54%	-38%	-88%	-7%
ROE	-4%	-58%	-53%	-70%	-67%	-129%	-11%
Cost Recovery	43%	33%	31%	38%	47%	25%	83%
Liquidity							
Current Ratio	605%	184%	328%	114%	179%	160%	207%
Solvency							
Debt to Equity	5%	21%	18%	28%	77%	47%	60%
Interest Coverage	-50236%	-4235%	-5082%	-2859%	-2376%	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	High risk	High risk	High risk	High risk	High risk	High risk	High risk
Return on Equity	High risk	High risk	High risk	High risk	High risk	High risk	High risk

Cost Recovery	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	High risk
Liquidity							
Current Ratio	Very low risk	low risk	Very low risk	High risk	low risk	low risk	Very low risk
Solvency							
Debt to Equity	Very low risk	Very low risk	Very low risk	Very low risk	low risk	Very low risk	low risk
Interest Coverage	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very low risk	Very low risk
Overall Risk Rating	Medium risk	High risk	Medium risk	High risk	High risk	Medium risk	Medium risk

"State Construction Company" LLC

- The company did not implement new investment and construction projects in 2021. Accordingly, the company's revenues and expenses have decreased compared to previous years.

Balance

In GEL Million

"State Construction Company" LLC	2015	2016	2017	2018	2019	2020	2021
Assets	101	98	120	96	91	89	84

Current assets	82	81	110	88	87	86	84
Non-current assets	19	17	10	8	4	3	1
Capital	92	85	94	89	90	88	84
Charter capital	115	118	132	142	133	134	127
Equity Injections	0	0	0	0	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	-34	-40	-54	-44	-47	-45
Other remaining capital	-22	1	1	1	1	1	1
Liabilities	9	13	27	7	1	1	1
Current liabilities	9	13	27	7	1	1	1
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	0	0	0	0
Incl. non-current loans	0	0	0	0	0	0	0
Total capital and liabilities	101	98	120	96	91	89	84

Profit-Loss Statement

In GEL Million

"State Construction Company" LLC	2015	2016	2017	2018	2019	2020	2021
Income	22	16	20	44	15	1	0
Operating income	21	16	20	44	2	0	0
Non-operating income	1	0	0	0	13	0	0
Incl. foreign exchange income	0	0	0	0	0	0	0
costs	28	27	26	51	5	3	1
Operating expenses	28	26	25	51	5	2	1
Depreciation/amortization	0	1	0	0	1	0	0
Non-operating expenses	0	0	1	0	0	1	0
Incl. interest cost	0	0	0	0	0	0	0
Incl. foreign exchange loss	0	0	0	0	0	0	0
Other remaining non-operating expenses	0	0	1	0	0	1	0
Profit before tax	-6	-10	-6	-7	10	-2	-1
Income tax	0	0	0	0	0	0	0
Net profit	-6	-10	-6	-7	10	-2	-1

Financial Ratios

In GEL Million

"State Construction Company" LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	-24%	21%	122%	-66%	-96%	-43%
Change in Expenses	-	-5%	-3%	96%	-91%	-37%	-55%
Operating Margin	-32%	-63%	-28%	-15%	-159%	-406%	-1467%
ROA	-6%	-10%	-5%	-7%	11%	-3%	-1%
ROE	-7%	-12%	-7%	-8%	11%	-3%	-1%
Cost Recovery	78%	63%	78%	87%	312%	29%	25%
Liquidity							
Current Ratio	957%	623%	414%	1304%	8573%	15599%	16651%
Solvency							
Debt to Equity	9%	15%	28%	8%	1%	1%	1%
Interest Coverage	-	-	-	-	-	-	-

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	High risk	High risk	High risk	High risk	Medium risk	High risk	High risk
Return on Equity	High risk	High risk	High risk	High risk	Medium risk	High risk	High risk
Cost Recovery	High risk	Very high risk	High risk	High risk	Very low risk	Very high risk	Very high risk
Liquidity							
Current Ratio	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk

Solvency							
Debt to Equity	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Interest Coverage	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Overall Risk Rating	Medium risk	Medium risk	Medium risk	Medium risk	low risk	Medium risk	Medium risk

Marabda-Kartsakhi Railway LLC

- At the stage of sectorization of state enterprises, the company did not belong to either the state enterprises or government sectors. The main activity of the company is the construction of a railway line on the territory of Georgia, which will connect the railway networks of Azerbaijan and Turkey, and its activity does not involve generating profit. Therefore, we do not consider it appropriate to consider the Marabda-Kartsakh railway in the consolidated financial results of the portfolio of state enterprises. However, for the sake of transparency, we include it anyway.
- In 2021, the net profit of the company amounted to GEL 123,912 thousand GEL in 2021 with the profit from the exchange rate difference
- The project is fully financed through a credit line (the loan was received from the Ministry of Transport of the Republic of Azerbaijan - the credit line amounts to USD 775 million) and as of December 31, 2021, cash resources in the amount of USD 41,355 thousand remained available. The loan was granted in 2 tranches:
 - The first tranche - 200 million US dollars; Annual interest rate - 1%; The tranche is fully utilized;
 - Second tranche - 575 million USD; Annual interest rate 5%; As of December 31, 2021, the company has 41,355 thousand USD of cash resources available under the second tranche of the credit line (as of 31 December 2020: 79,095 thousand USD).
- The company's loan is not part of the state debt.

Balance

In GEL Million

Marabda-Kartsakhi Railway LLC	2015	2016	2017	2018	2019	2020	2021
Assets	1 170	1 285	1 393	1 461	1 535	1 679	1 850
Current assets	310	261	281	258	248	245	246
Non-current assets	860	1 025	1 112	1 203	1 288	1 434	1 604
Capital	-414	-616	-565	-664	-847	-1 229	-1 105
Charter capital	53	53	53	57	57	57	57
Equity Injections	0	30	30	30	0	0	0
Retained Earnings	0	0	0	0	0	0	0
Uncovered Losses	0	-699	-648	-751	-933	-1 316	-1 192
Other remaining capital	-467	0	0	0	30	30	30
Liabilities	1 584	1 902	1 959	2 126	2 382	2 908	2 955
Current liabilities	23	10	14	19	23	28	29
Incl. non-current loans	0	0	0	0	0	0	0
Non-current liabilities	1 561	1 891	1 945	2 107	2 359	2 881	2 926
Incl. non-current loans	0	0	0	2 107	2 359	2 881	2 926
Total capital and liabilities	1 170	1 285	1 393	1 461	1 535	1 679	1 850

Profit-Loss Statement

In GEL Million

Marabda-Kartsakhi Railway LLC	2015	2016	2017	2018	2019	2020	2021
Income	0	43	178	134	72	202	285
Operating income	0	0	0	0	0	0	0
Non-operating income	0	43	178	134	72	202	285
Incl. foreign exchange income	0	43	177	134	72	202	285
costs	332	248	164	237	254	585	161
Operating expenses	16	18	20	20	22	22	24
Depreciation/amortization	0	2	2	2	2	2	2
Non-operating expenses	317	230	144	217	233	563	137
Incl. interest cost	6	8	8	11	9	15	17
Incl. foreign exchange loss	0	223	137	202	224	547	121
Other remaining non-operating expenses	311	0	0	4	0	0	0

Profit before tax	-332	-205	14	-103	-183	-383	124
Income tax	0	-3	0	0	0	0	0
Net profit	-332	-202	14	-103	-183	-383	124

Financial Ratios

In GEL Million

Marabda-Kartsakhi Railway LLC	2015	2016	2017	2018	2019	2020	2021
Profitability							
Change in Revenues	-	177683%	317%	-24%	-46%	181%	41%
Change in Expenses	-	-25%	-34%	44%	7%	130%	-72%
Operating Margin	-	-	-	-	-	-	-
	64963%						
ROA	-28%	-16%	1%	-7%	-12%	-23%	7%
ROE	80%	33%	-2%	15%	22%	31%	-11%
Cost Recovery	0%	242%	899%	660%	334%	910%	1189%
Liquidity							
Current Ratio	1353%	2579%	2071%	1365%	1077%	882%	844%
Solvency							
Debt to Equity	-382%	-309%	-346%	-320%	-281%	-237%	-267%
Interest Coverage	-5341%	-2626%	173%	-935%	-1973%	-2514%	745%

Year	2015	2016	2017	2018	2019	2020	2021
Profitability							
Return on Assets	High risk	High risk	Medium risk	High risk	High risk	High risk	Medium risk
Return on Equity	Medium risk	Medium risk	High risk	Medium risk	Medium risk	Medium risk	High risk

Cost Recovery	Very high risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Liquidity							
Current Ratio	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Solvency							
Debt to Equity	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk	Very low risk
Interest Coverage	Very high risk	Very high risk	low risk	Very high risk	Very high risk	Very high risk	Very low risk
Overall Risk Rating	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk	Very high risk

Salary practices of state enterprises

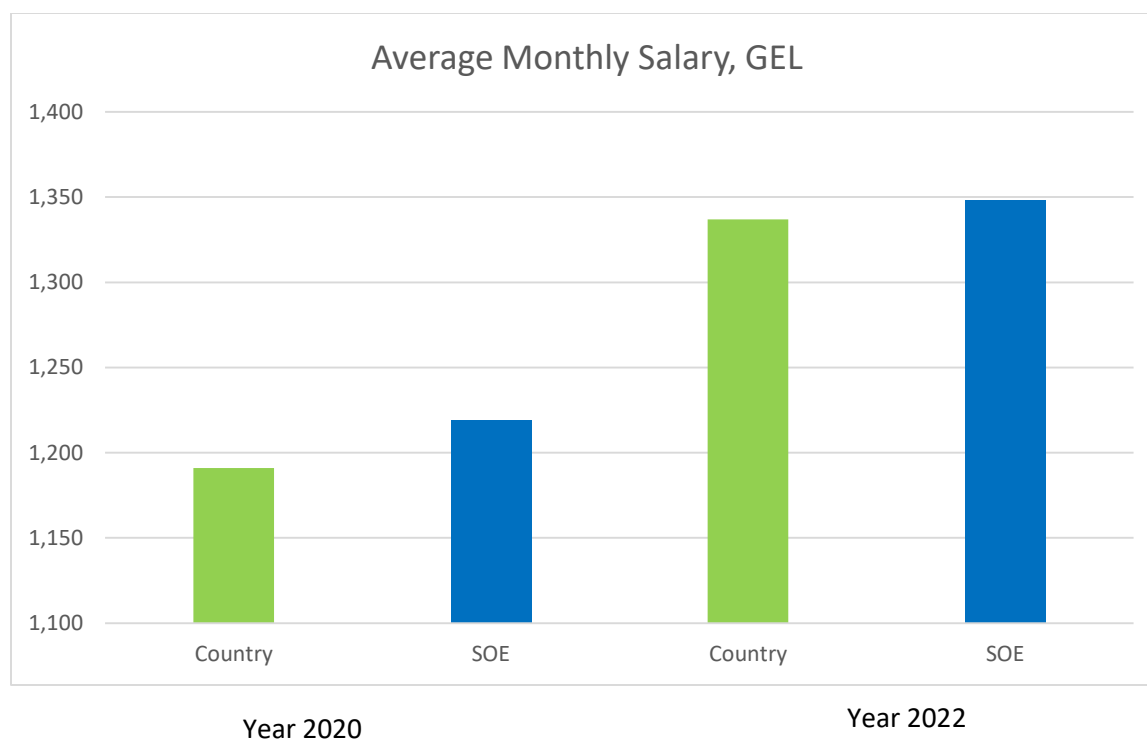
- For state-owned enterprises, unlike other public institutions, there is no uniform framework for remuneration. The reform of state enterprises should ensure the settlement of the issue. In this part, the task of the reform is not to reduce the wage fund, it will be rational to approach the salary levels of individual related enterprises of the private sector as a target indicator, and in the parallel mode, it is necessary to develop a centralized clear framework for remuneration in state enterprises, which ensures efficiency, accountability, and maximum transparency.
- Excess employment in state enterprises remains a historical inefficiency, this is more pronounced in countries where state enterprises are not corporatized, even in the case of corporatization, the private sector maintains greater efficiency. In addition, excess employment does not in all cases imply excess wage costs in the same proportion.

- As of December 2020, up to 57,460 people were employed in the state enterprises sector, and up to 59,300 by the end of 2021;
- The accrued annual salary in the sector in 2020 amounted to GEL 800 million, and in 2021 the same indicator of the year – GEL 907 million.
- Up to 60% of total employment comes from TOP-10 enterprises;

Table 1

TOP - 10 employer (number of employess, end of the December)	2020	2021
JSC Georgian Railway	12273	12119
Tbilisi Transport Company LLC	6426	6496
Tbilservice Group LLC	4990	5062
United Water Supply Company Georgia LLC	2880	2859
Georgian Post LLC	2384	2126
Georgian Amelioration LLC	1543	1453
JSC Georgian State Electrosystem	1455	1573
State Food Maintenance LLC	1221	1218
Regional Healthcare Center LLC	1046	1137
Engurhesi LLC	1016	1037
Total	35234	35080
Share in total employment of the industry	61%	59%

- The average salary in state enterprises does not differ significantly from the average salary in the country.



- Approximately 65% of employees in state enterprises are men. An exception is the state enterprises of the healthcare sector, where up to 75% of employees are women;
- More than 70% of salaries are paid to men;
- About 80% of people working in executive positions are men;
- The average salary of women employed in state enterprises is about 300 GEL less than the average salary of employed men.

Sensitivity analysis of SOEs

Introduction

This chapter provides a financial risk analysis of the six major Georgian State-Owned Enterprises (SOEs). The chapter discusses the purpose of the analysis, key assumptions underlying the analysis and the modeled macroeconomic scenarios, also key findings of risk analysis and conclusions. The six SOEs that are examined are:

1. Enguri HPP;
2. Georgian Railway;
3. Georgian Oil and Gas Corporation (GOGC);
4. Georgian State Electrosystem (GSE);

5. Marabda-Kartsakhi (MK) Rail;
6. United Water Supply Company (UWSC).

These SOEs have been chosen because of their financial significance, The total assets of these companies for 2021 account for 65% of the total assets of the state-owned enterprises contemplated in the fiscal risk analysis.

The Objectives of Sensitivity analysis

The objective of the scenario analysis is to provide a “high level” financial assessment of some of the financial risks the Georgian government faces from several large SOEs over the next five years. The key question the analysis seeks to address is “what are the financial implications for the SOEs and their shareholder, the Georgian Government, of adverse macroeconomic shocks. The shocks that are modeled, are adverse shocks to GDP growth, the exchange rate, and interest rates.

The analysis is undertaken at a high-level and the quantification of the risks is intended to be indicative rather than precise as there is inevitable uncertainty about the future financial projections and the impact of external events on a company.

The model includes three-year historic (2019-2021) and five-year Pro-forma (2022-2026) financial projections. The financial statements are a high-level Income Statement, Balance Sheet and Statement of Cash Flows. From these financial statements, key financial ratios are generated.

The Economic Scenarios

The model considers five scenarios for Georgia’s macroeconomic outlook.

- Scenario 1, the base-case scenario, uses each SOE’s financial forecasts for the company’s current and subsequent four years (i.e. 2022 to 2026);
- Scenario 2 - assumes an adverse GDP shock, with GDP growing by only 0.7% and 0.9% in 2023 and 2024 respectively (compared with the base case assumptions of growth of 5% in 2023 and 5.2% in 2024) with other assumptions unchanged;
- Scenario 3 - assumes an adverse exchange rate shock, with the GEL depreciating approximately by 30% against other currencies in 2023, and by maintaining this figure in subsequent years, with all other assumptions unchanged;
- Scenario 4 - assumes an interest rate shock, with a standard deviation of 0.5 in 2023-2026, with all other assumptions unchanged;
- Scenario 5 - provides a Combined Shock scenario and assumes adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates), with the magnitude and timing of the shocks equal to the assumptions described in Scenarios 2 to 4.

The assumptions in the scenarios are based on the scenarios prepared by the Ministry of Finance of Georgia for the purposes of this analysis. It should be noted that the economic assumptions underlying

Scenarios 2 to 5 outlined above are not the vision of the Ministry on the forecasts for the development of the Georgian economy in the coming years. Rather, the scenarios are depictions of what could happen, given Georgia's recent past, in the case of adverse shocks impacting on the economy. The purpose of the scenarios is to examine what would be the impact on the Georgian SOEs and their shareholder, the government.

The quantitative economic assumptions for the Georgian economy are provided in Table 1 below:

Table 1. Base Case Scenario

Base Case Scenario Assumptions	2022	2023	2024	2025	2026
Real GDP growth rate	8.5%	5.0%	5.2%	5.2%	5.0%
Exchange Rate GEL/USD	2.8	2.8	2.8	2.8	2.8
Interest Rates					
Interest rate on GEL borrowings	9.3%	9.7%	8.3%	8.3%	8.3%
Interest rate on foreign currency borrowings	1.0%	2.2%	2.1%	2.0%	1.8%

In the base case scenario, the growth forecast of the Georgian economy for 2023 is reduced and is characterized by a slight upward trend for the next year, the exchange rate is unchanged and interest rates fluctuate and remain more or less stable at the same level.

The economic assumptions underlying the alternative scenarios (Scenarios 2 to 5) are provided in Table 2 below:

Table 2. Alternative Scenarios

DSA Assumptions	2022	2023	2024	2025	2026
Scenario 2: Real GDP growth rate	8.5%	0.7%	0.9%	5.2%	5.0%
Scenario 3: Exchange Rate GEL/USD	2.8	4.07	4.07	4.07	4.07

Scenario 4: Interest Rates

Interest rate on GEL borrowings (Floating)	9.3%	10.5%	9.1%	9.1%	9.1%
Interest rate on foreign currency borrowings (Floating)	1.0%	3.0%	2.9%	2.8%	2.6%

Scenario 5: Combined GDP, Exchange rate and Interest rate shock

The financial-risk analysis is based on a medium-term (5 year) model using annual figures. As such, the analysis does not attempt or purport to capture all the financial risks facing the SOEs. For example, the model does not capture the following risks, even though these risks could be significant for several or all of the SOEs:

- Credit risks arising from late or defaulted payments by the SOEs' customers;
- Sector-specific risks such as changes in gas or electricity commodity prices or volumes that Enguri HPP, GOGC and GSE in particular are exposed to;
- Market-share risks, as competitors increase their market share, for example through alternative forms of transport taking volumes away from Georgia Rail and MK Rail;
- Construction and project-management risks which can be a major source of financial risk for some of the SOEs like UWSC and MK Rail.

As with any model, the model is only as precise as the core data and assumptions underlying it. No audit of the underlying data provided by the SOEs has been undertaken.

Results of the analysis

Base Case Scenario Projections

Before presenting the results of the scenario analysis, Table 3 below provides the base-case financial projections for six SOEs combined. As the table indicates:

- The projected net profit after taxes for 2022 is 700 million GEL. The projected net profit is declining significantly for 2023, and in the following years is mainly characterized by an upward trend;
- The ROE of the SOEs in 2022 is expected to be 40%. The ROA of the SOEs ranges from 3% to 5% between 2023-2026.
- The debt to total assets ratio for the SOEs as a group is high, 82% in 2022. There is considerable variation in this ratio across the SOEs (with GOGC being around 40%, Enguri HPP– 65%, GSE- 74%, MK Rail - over 100%). The typically high level of debt to assets means the SOEs have

little ability to withstand adverse economic shocks.

Table 3. Key Financial Indicators – Base Case Scenario

Base Case	2022	2023	2024	2025	2026
NPAT (GEL Million)	700	-33	198	253	229
Net Worth (GEL Million)	1,771	2,004	2,517	3,140	3,595
Return on Equity (ROE) (%)	40%	-2%	8%	8%	6%
Return on Assets (ROA) (%)	3%	3%	5%	5%	5%
Debt to Total Assets (D/(D+E)) (%)	82%	76%	73%	69%	67%
Interest Coverage Ratio	0.7	0.9	1.8	2.0	1.9
Current Ratio (CR)	1.7	1.1	1.3	1.7	2.1
Quick Ratio (QR)	1.6	1.0	1.2	1.6	2.0

The impact of the different economic shocks on the above base-case financial projections for the six SOEs is presented below. The discussion focuses on the impact of the economic shocks on three key financial ratios for the SOEs:

- Aggregate net profit after tax (NPAT);
- The combined net worth of the SOEs; and
- The debt-to-total assets ratio for the SOEs as a group.

Low Growth Scenario

Low economic growth envisages GDP growth of 0.7% for 2023, 0.9% for 2024 and 5.2% and 5.0% for 2025-2026, respectively. Other assumptions of the baseline scenario remain unchanged.

The results of the lower economic growth assumptions on the three key financial metrics noted above for six SOEs combined is provided in Figures 1 to 3 below. The impact is material but nowhere near as large as the impact of an exchange rate shock as discussed in the next scenario.

Figure 1. Decline in net profit after tax of SOEs in low economic growth scenario

Low economic growth reduces the SOEs' projected net profit after tax (NPAT) by about 43 and 48 million GEL for 2023 and 2024.

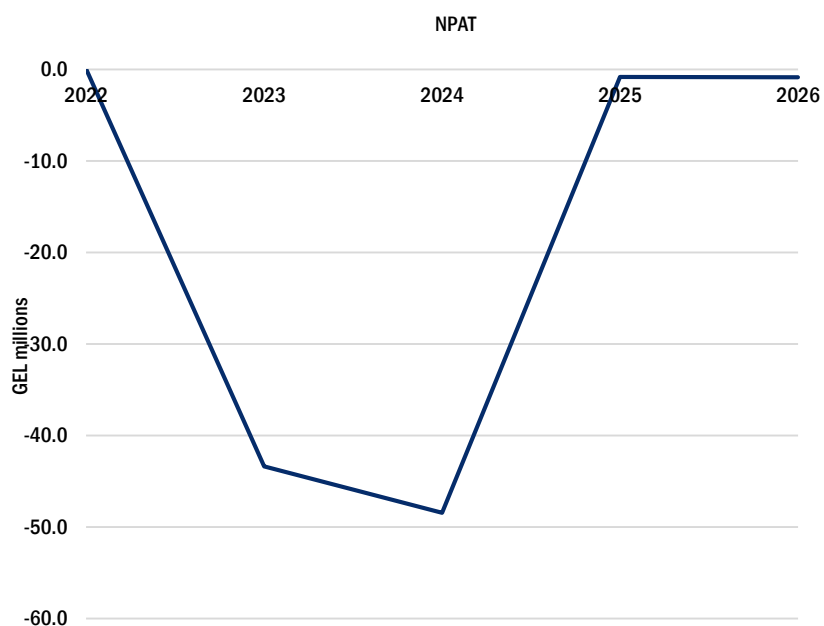


Figure 2. Decline in net worth of the SOEs in low economic growth scenario

The net worth of the SOEs declines by around 43 million GEL in 2023 under the low economic growth scenario compared to the baseline scenario.

Losses due to net worth increase in 2024 and maintain in the following years.

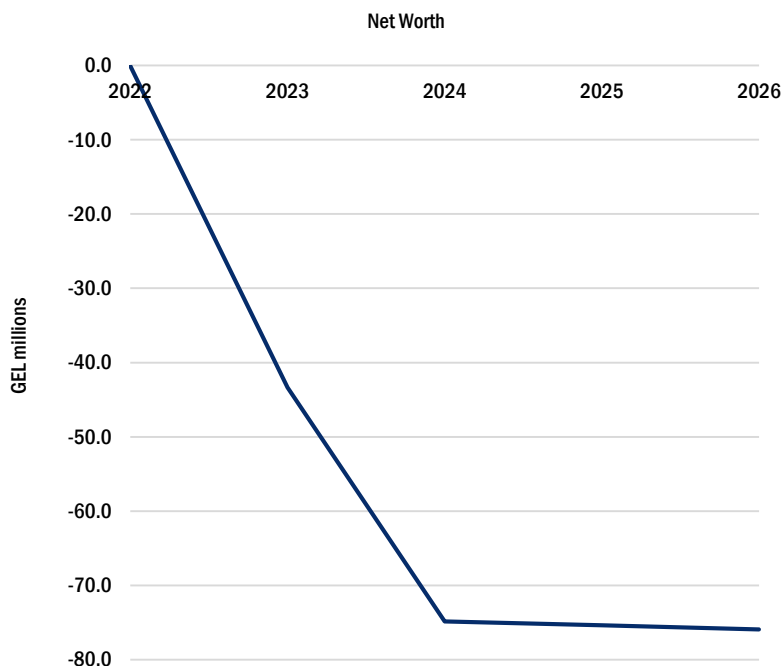
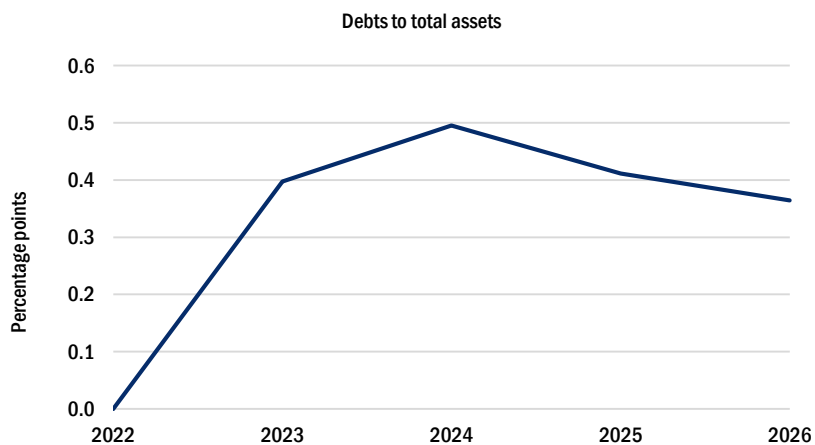


Figure 3. Debt to total assets ratio of the SOEs in low economic growth scenario

In the low economic growth scenario the ratio of debt to total assets for the SOEs is slightly increasing with a decreasing trend in the following years.



Exchange Rate Shock Scenario

In the exchange rate shock scenario, the Georgian Lari is assumed to depreciate by 30% against other currencies in 2023 and in the following years the 2023 rate is maintained.

The results of the exchange rate shock on the financial performance and financial position of the SOEs is very significant, as indicated by Figures 4 to 6 below. The impact is so large because the SOEs have around 7,745 million Lari in debt, with almost all the debt denominated in foreign currencies (mainly USD and Euro). When the Lari depreciates the costs of servicing this debt increases proportionately.

The effects of the exchange rate depreciation is dampened somewhat because some of the SOEs (eg, GOGC) receive revenue in foreign currency terms.

Figure 4. Decline in net profit after tax of SOEs in exchange rate shock scenario

The exchange rate shock has a significant impact on the SOEs' projected net profit after tax (NPAT). NPAT is projected to decline by around 3,199 million GEL. This is a huge impact and arises from the SOEs' large holdings of foreign currency denominated debt. The reduction in NPAT of SOEs is equivalent to 5% of GDP.

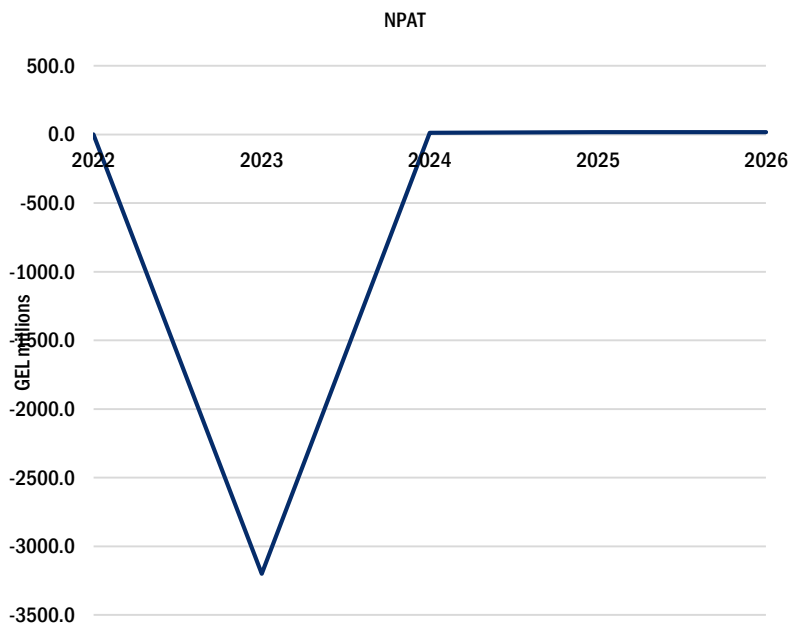


Figure 5. Decline in net worth of the SOEs in exchange rate shock scenario

The exchange rate shock results in the net worth of the SOEs declining by a similar amount as the decline in NPAT, i.e. around 3,199 million GEL.

Most of the decline in net worth is permanent. A partial recovery in net worth is expected.

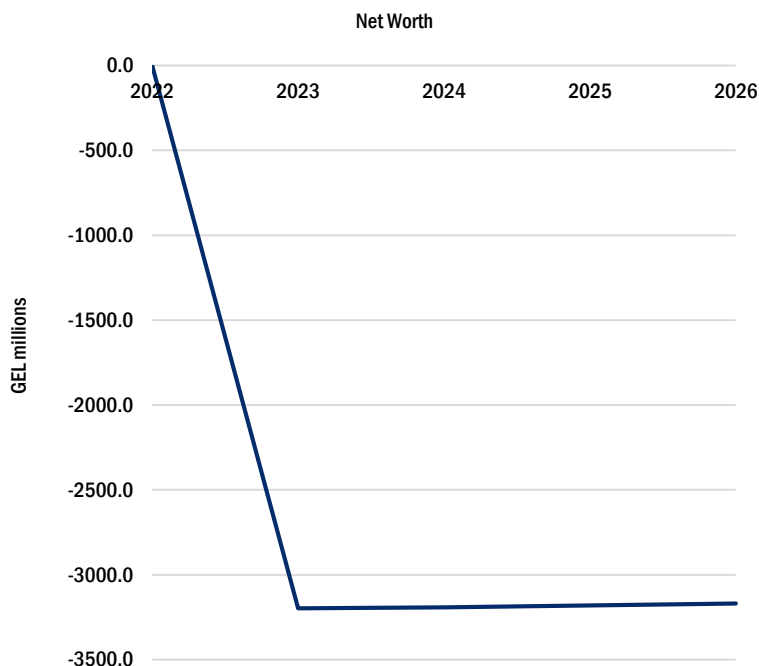
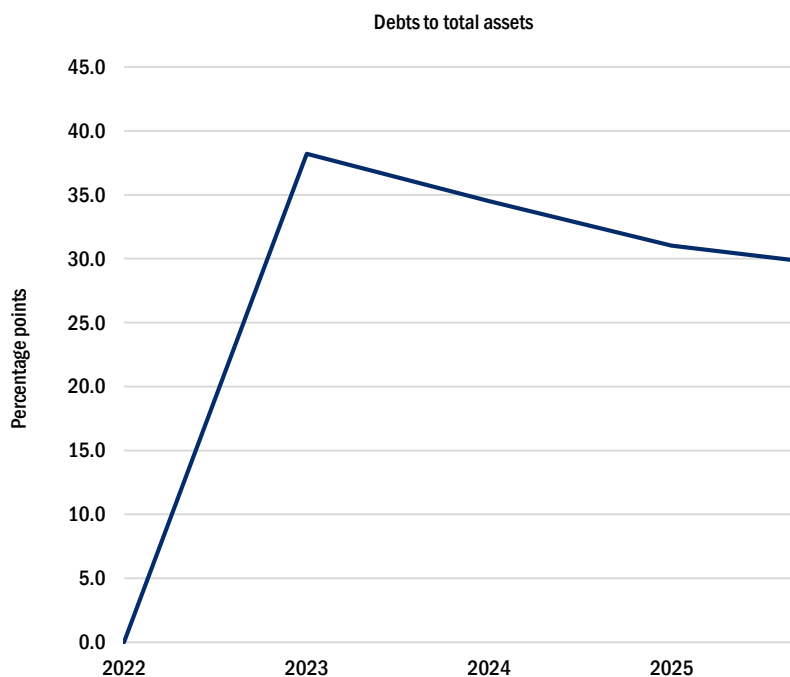


Figure 6. Increase in debt to total assets of the SOEs in exchange rate shock scenario

The ratio of debt to total assets of the SOEs increases by over 38% percentage points in the exchange rate shock scenario. In the base case, the average debt to total assets ratio for the SOEs is 82% in 2022

The exchange rate shock results in debt to total assets increasing above 100%, which indicates that the debt of state-owned enterprises exceeds the volume of their assets.



Interest Rate Shock Scenario

The interest rate scenario assumes the interest rate shock, with a standard deviation of 0.5 in 2023-2026, with all other assumptions remain unchanged.

The results of the interest rate shock on the financial metrics for the SOEs is presented in Figures 7 to 9 below. The impact is material but nowhere near as significant as the impact of the exchange rate shock. The impact of higher interest rates is dampened by many of the SOEs having large parts of their debt portfolio at fixed interest rates which are sheltered from the increase in interest rates for the term over which the rates are fixed.

Figure 7. Decline in net profit after tax of SOEs in interest rate shock scenario

The increase in interest rates reduces the SOEs’ projected net profit after tax (NPAT) by 10-14 million GEL.

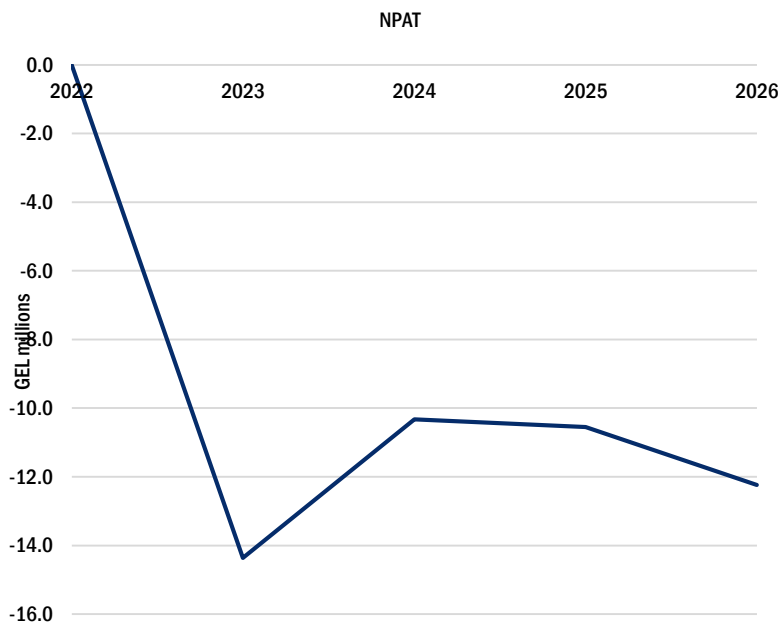


Figure 8. Decline in net worth of the SOEs in interest rate shock scenario

The net worth of the SOEs declines by around 14-36 million GEL under the higher interest rate scenario. The loss of net worth is permanent.

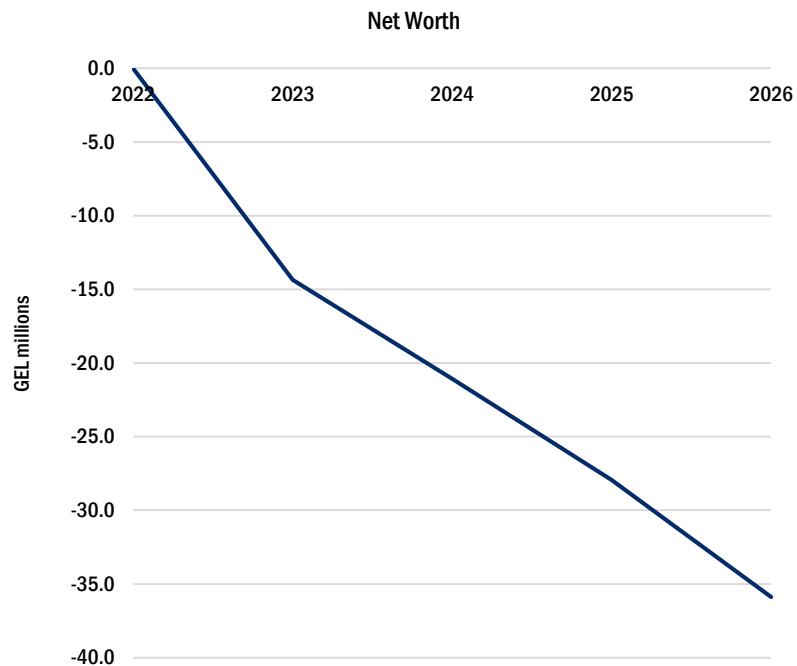
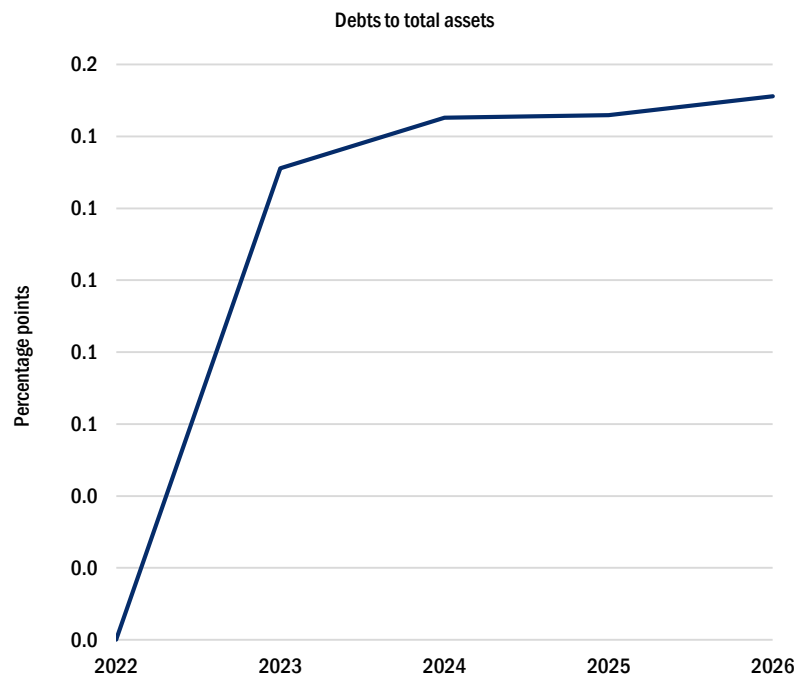


Figure 9. Increase in debt to total assets of the SOEs in interest rate shock scenario

There is only a very small increase in the ratio of debt to total assets of the SOEs in the interest rate shock scenario.



Combined Shock Scenario

In the Combined Shock scenario, there are assumed to be adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates), with the magnitude and timing of the shocks as described in the scenarios above.

The results of the combined economic shocks on the financial performance and financial position of the SOEs is very significant, largely because of the exchange rate effect noted above. The magnitude of the impacts is presented in Figures 10 to 12 below.

Figure 10. Decline in net profit after tax of SOEs in combined shock scenario

The combination of lower economic growth, depreciation of GEL and higher interest rates has a major impact on the SOEs' net profit.

NPAT is projected to decline by around 3,261 million GEL in the combined shock scenario. This decline is equivalent to 5% of GDP.

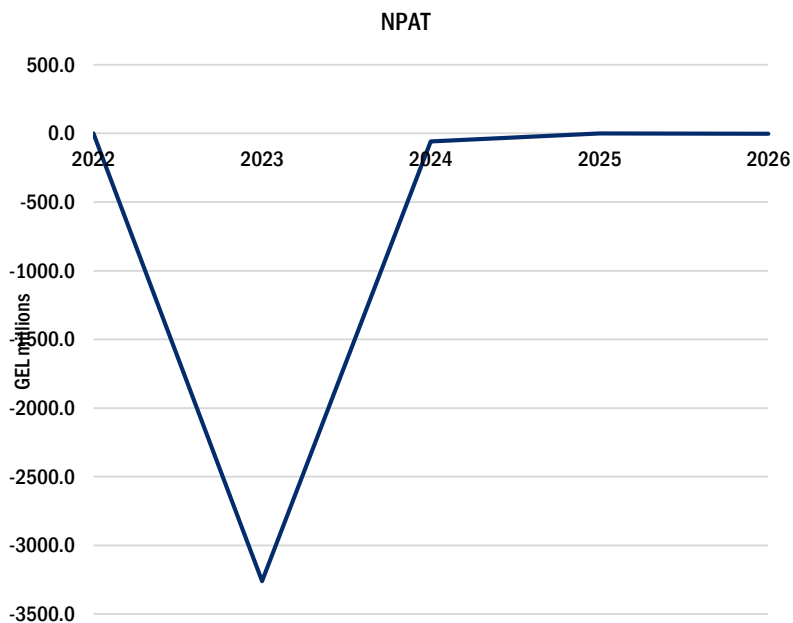


Figure 11. Decline in net worth of the SOES in combined shock scenario

The net worth of the SOEs declines by around 3,261 million GEL in the combined shock scenario.

Recovery of net worth loss is not expected in the subsequent period.

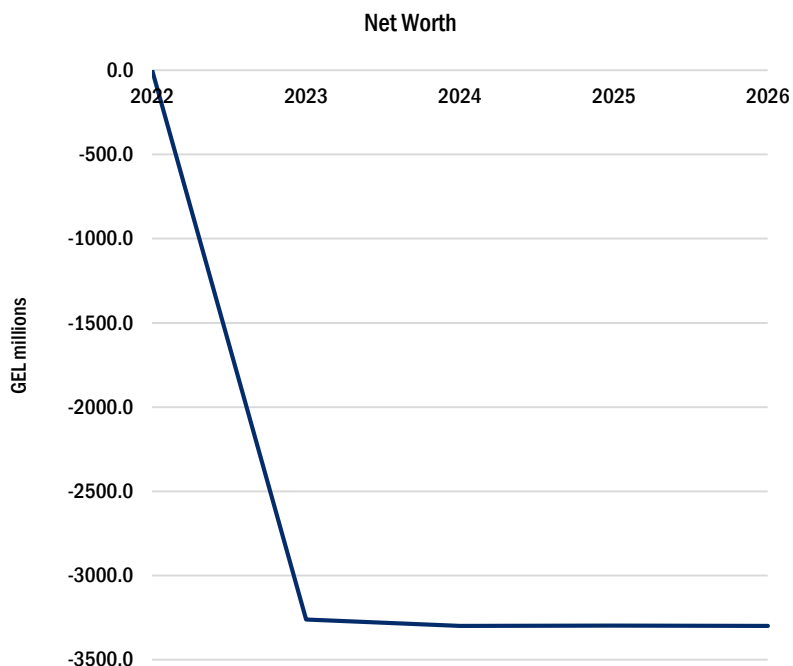
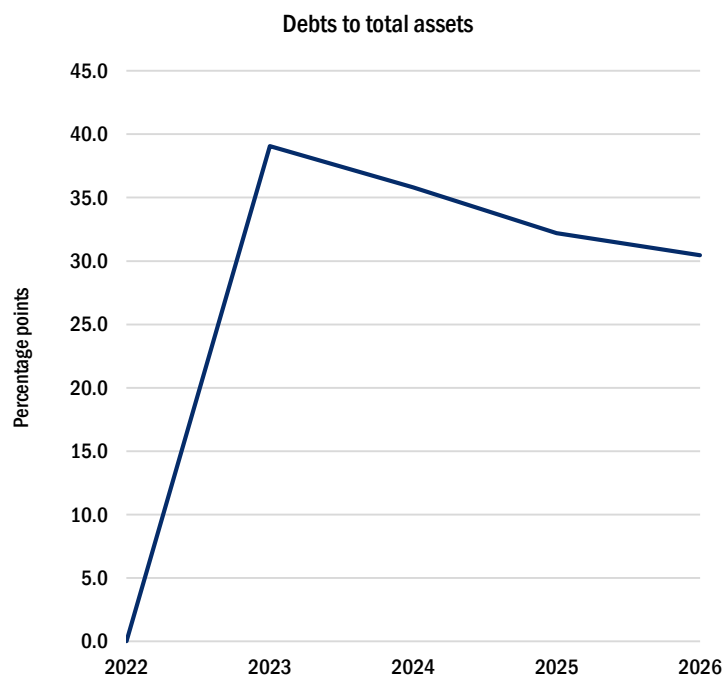


Figure 12. Increase in debt to total assets of the SOES in combined shock scenario

The ratio of debt to total assets of the SOEs increases by approximately 40 percentage points in the combined shock scenario.

In the base case, the average debt to total assets ratio is 82% in 2022. The combined economic shocks result in debt to total assets ratio increasing above 100%.



Conclusions

While the SOEs project this situation to improve over the next five years, their high levels of debt to total assets (at over 73% on average) means they are highly exposed to adverse economic shocks. That most of their current 7,745 million GEL of debt is denominated in foreign currencies means the SOEs and their owner, the government) is highly exposed to a depreciation in the exchange rate.

The analysis presented in this report highlights that this foreign exchange risk is by far the main macroeconomic risk the SOEs as a group face. The analysis in this report indicates that the impact of a major foreign exchange shock on the major SOEs is huge. The adverse impact on their combined NPAT and net worth and debt is over 3,199 million GEL and the companies' average debt to total asset increases by over 38 percentage points. The impact on NPAT is equal to around 5% of Georgia's GDP. As a result of the above mentioned, in case of the realisation of foreign exchange risk, in addition to the planned budget injections, the gross financing need of SOEs from government will be 3,199 mln Gel, that will be additional financial burden on the state budget.

The analysis indicates that the SOEs are much less exposed to downturn in the economy or higher interest rates. Further, any major economic downturn or increase in interest rates is likely to be accompanied by a decline in the exchange rate, with the resulting large negative effects as shown in this report.

SOE Remuneration Practices

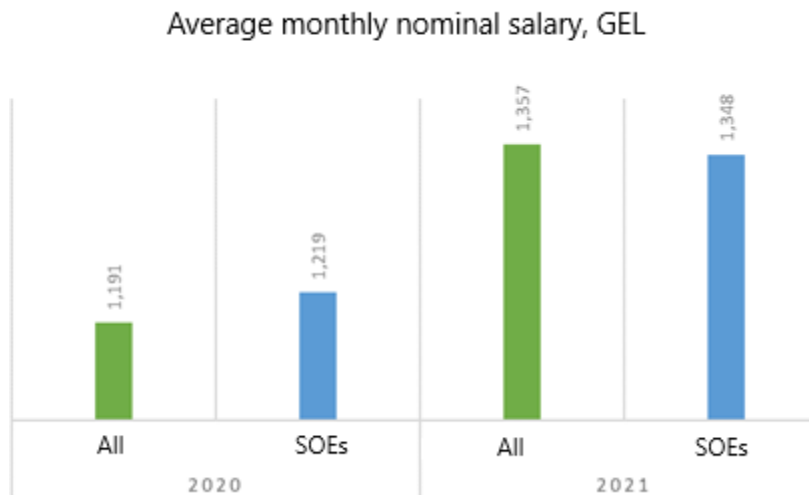
- Unlike other public sector institutions, there is no unified framework for remuneration policy in SOE sector. Overarching Reform of Public Corporations should ensure the settlement of this issue. In this part, the ultimate goal of the reform is not to reduce the aggregate salary level, it would be rational to benchmark SOE salaries to their relative private sector enterprises, and at the same time, it is important to have a centralized, precisely developed framework for remuneration in the State-owned enterprises, which ensures efficiency, accountability, and transparency.
- Excess employment in the SOEs remains historically inefficient. This is more visible in those countries, where State-owned enterprises are not corporatized, even in the case of corporatization, the private sector maintains greater efficiency. In addition, overemployment does not in all cases means same proportion of excess salary costs.
- In December 2020, up to 57,460 people were employed in the SOE sector, and up to 59,300 by the end of 2021;
- Net annual salary in the sector in 2020 was 800 million GEL, in 2021 - 907 million GEL.
- Up to 60% of total employment comes from TOP-10 enterprises;

Figure 1

TOP - 10 employers (number of employees, end of December)	2020	2021
JSC Georgian Railway	12273	12119
Tbilisi Transport Company LLC	6426	6496
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Georgian Amelioration LLC	1543	1453
Georgian State Electrosystem JSC	1455	1573
State Food Supply Ltd	1221	1218
Regional Health Center LLC	1046	1137
Enrguhesi LLC	1016	1037
Sum	35234	35080
Share in the total employment of the sector	61%	59%

- The average salary of the SOEs does not differ significantly from the average salary of the country.

Diagram 1



- Approximately 65% of employees in the SOEs are men. Exception are SOEs of the healthcare sector, where up to 75% of employees are women;
- More than 70% of paid salaries are paid to men;
- About 80% of people working in managerial positions are men;
- The average salary of the women employed in the SOE is about 300 GEL less, than the salary of employed men.

Legal Claims related to Fiscal Risks

Legal claims against the State are, as in many countries, a substantial source of fiscal risk. The Ministry of Justice takes the lead in addressing a specific category of legal claims against the State, international arbitration cases, through a specialized department. For legal cases in national courts, it can also sometimes be named a co-defendant in some cases concerning other ministries/agencies. Otherwise, each State entity is in charge of its own legal defense, even where several state entities can be jointly sued by the claimants. Therefore a unified registry of all legal cases against the government, which include cases against local city council and other sub-national levels of government, and against SOEs, still remains to be built.

In Georgia, the legal claims against the State are, in terms of size, mainly generated in the infrastructure and in the energy sectors, as they often relate to failed or terminated large projects and large contracts

(an example of this pattern is the failed deep-sea port project of Anaklia, whose shareholders have issued public statements about their intention to seek compensation from the government; often there also are disputes concerning land that has been expropriated for public investment projects, notably for roads. There also are disputes concerning foreign investors in intended companies in different sectors, who claim that their rights have not been properly protected. And disputes, whether with foreign or with local investors, related to denial of permits and licences or to cancellation of projects which had already been granted permits and licences

Apart from the larger claims, there is a big number of legal lawsuits of relatively low amount, often related to labor-disputes, notably formerly dismissed staff of public entities.

The Ministry of Finance, with the cooperation of the Ministry of Justice, has been conducting a prioritized inventory of these legal claims.

It has first identified those where the amounts claimed are above GEL 5 Million (including lower amounts which are actually related to the same case).

It deserves to be noted that in several cases, the government can end up winning the lawsuit, if not at the first level, at the appeals level or at the cassation level. Or at least having to pay a much lower amount than claimed. Sometimes the amounts claimed, or even some of the parts of the claim, are easily dismissed by the courts as “frivolous” claims.

In future, statistical analysis could be conducted on those cases, but this would need building up a solid database with sufficient history of cases first. This endeavour is easier to achieve with a large number of small cases at the beginning, as shown in international experience. Patterns in large cases are more difficult to distinguish, apart from identifying the main sources for these cases; one of the reasons is that sometimes the cases can be terminated earlier through an out-of-court settlement.

Excluding international arbitration, the MoF has identified 22 large legal claims, many of them for amounts in foreign currency, essentially USD (for which, for this report, the exchange rate of 2.8 GEL per USD is used): the total amount claimed represents **around GEL 540 Million**.

The MoF has also identified 25 cases with amounts above GEL 1 Million up to GEL 5 Million (total amount **around GEL 63.8 Million**), and 11 cases with amounts between GEL 0.5 and 1 Million (total amount **around GEL 8 Million**). The disputes are most of the time related to contested expropriation, other contested regulatory actions for example concerning the medical and pharmaceutical industries, and conflicts about the execution of procurement contracts.

The until now identified cases before the local courts (there are still the cases of some agencies to be found, as well as the amounts of smaller claims) thus represent around GEL 612 Million, slightly more than 1 % of the 2021 GDP of 60.23 Billion GEL.

Concerning international arbitration, it is necessary to warn that those cases, which can be very large in terms of claimed amounts, especially where large projects are involved, are subject to substantial confidentiality obligations for the parties by the specialized courts, such as ICSID or ICC. And that very

often a settlement is reached after the initial stages, while the amounts initially claimed tend to be much higher than what has a real chance to be awarded, and the Government can sometimes make a counterclaim, which can lead to the State winning the case and obtaining compensation. As per information from the MOJ updated as of September 23, 2022 the outstanding claimed amount of 7 existing cases represent a maximum potential amount of **around USD 2.81 Billion, i.e. around GEL 7.87 Billion.**, around 13 % of the 2021 GDP.

It should be noted that, even if in general, the amounts that would be lost are much lower than those claimed, losing a large case with a very large amount is an occurrence that cannot be discarded completely.

On the other hand, the experience of the 4 closed international arbitration cases, is the Government winning 2 cases, half-winning another one (each party has to pay compensations according to the items) and losing one case.

The government for each budgetary year, tries to allocate provisions for cases it considers it can lose, but actual amounts lost and paid during the year tend to be lower, either because the amounts awarded to the claimants were lower or because the case is not closed during the projected year, due to different circumstances either specific to the case, or general factors (for example the Covid crisis has slowed down the work of the courts in 2020).

Herebelow the amounts that have been paid by the Government since 2019 (in GEL Millions), excluding USD 11 Million (GEL 30.8 Million) paid in 2021 for the lost international arbitration case, for which it still has to pay USD 6.7 Million (GEL 18.8 Million) until February 2023

2019	2020	2021	08/2022
3.67	3.45	4.98	5.27

There seems to be an increasing trend in those payments which would be in line with the fact that litigation against the government, as in many countries, is becoming more frequent with a larger number of specialized law firms, and there are now more accumulated large cases still ongoing. It does not necessarily mean that the government is in proportion losing more cases than before.

Long-term fiscal risks, including climate change and demographics related fiscal risks

Introduction

In managing fiscal risks, the time horizon of risks is an important dimension. From a fiscal risks management perspective, long-term fiscal risks are qualitatively different from short-term macro-fiscal risks —those that could materialize within the budget horizon of one to two years—as well as medium-term macro-fiscal risks —between two to five years.

Longer term fiscal risks are those that could materialize over decades. Should they crystallize, these risks could render a fiscal trajectory unsustainable in the long term, even if the fiscal settings were sustainable and risks appropriately managed in the short and medium term.

Fiscal rules and other fiscal institutions play an important role in managing long-term fiscal risks, as does long term fiscal sustainability analysis, including publication of risk assessments, especially in the form of regular long-term fiscal sustainability statements (LTFSs).

Such analysis is crucial for informed policymaking that takes into consideration trade-offs in areas that entail major long-term commitments competing with other priorities for future fiscal space. Not only do they help identify and quantify long term fiscal pressures and their impacts, such analysis also sheds light on areas for deeper analysis to identify priority long-term fiscal risks management options. Often, the appropriate options require difficult policy choices, and publication of long-term fiscal risks analysis is intended to help build the public case for them, which often takes considerable time.

Against that backdrop, this chapter provides fiscal projections under a new baseline scenario against which long term fiscal risks could be assessed. Under plausible assumptions regarding economic growth and interest rates, and with primary net borrowing held constant at the 1 percent of GDP from the end of the medium-term projections, the debt-to-GDP ratio in this baseline scenario remains well within Georgia's fiscal rule. The baseline scenario is outlined in the next section.

Building on the qualitative assessment of fiscal risks emanating from climate change and natural disasters in the 2021 Fiscal Risk Statement, possible effects of four climate change scenarios are presented next. In the most extreme case — which takes into account not only the higher temperatures in a world of unmitigated and worsening climate crisis, but also the associated increase in extreme and unpredictable weather events as well as more frequent and severe floods and droughts —the debt-to-GDP ratio could breach the 60 percent ceiling set by the fiscal rule by the 2050s.

The baseline projection incorporates demographic effects on real GDP growth rate, which then flows on to the revenue side of the budget. In addition, ageing of Georgia's population will likely have significant effects on expenditures. The final section of this chapter qualitatively discusses possible effects of demographic change on public finances. This foreshadows the preparation and publication in 2023 of Georgia's first full-scale LTFS.

Long-Term Baseline Scenario

Long-term fiscal sustainability analysis requires projecting fiscal aggregates —revenue, expenditure and debt —over decades under different scenarios. The first step in any such analysis is to project a baseline scenario for nominal GDP. Growth in nominal GDP over time reflects inflation and real GDP growth.

In the baseline scenario, as well as all the scenarios published in this chapter, annual inflation (defined as the growth in GDP deflator) is assumed to be constant at 3 percent. This is consistent with the National Bank of Georgia's assessment that an inflation rate of 3 percent is ideal for maintaining macroeconomic stability.

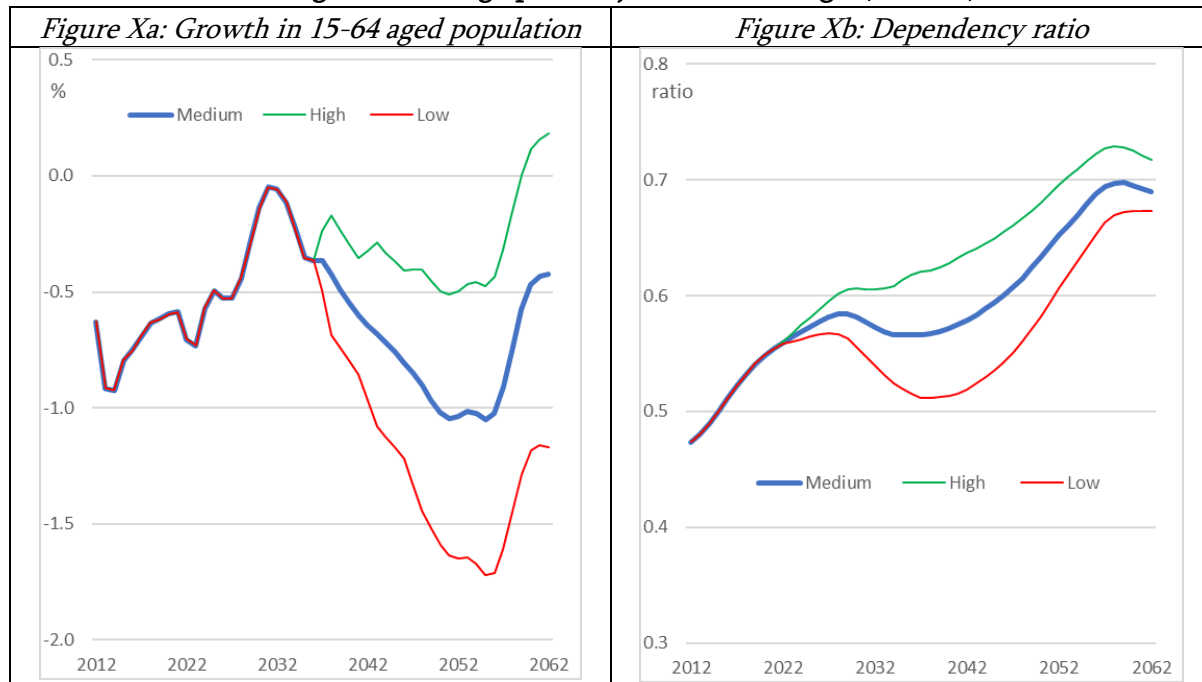
Over time, the real GDP growth in an economy depends on the number of potential workers in the economy, and the average productivity of each worker. For example, in the decade from 2010 to 2019, Georgia achieved annual real GDP growth of 4.7 percent. Over that time, employment grew by 1.2 percent a year, while the annual growth in labour productivity was 3.5 percent.

In the near term, the stage of the business cycle can affect employment growth. For example, as the Georgian economy recovers from the recession caused by the pandemic, employment growth might be faster than long term trend. In the long term, once the economy reaches full employment, employment would likely track the working age population.

The baseline scenario assumes that the Georgian economy reaches full employment by 2026. From 2027, employment is assumed to grow in line with the United Nations' (UN) projections (medium variant) for the 15-64 year-old population. The UN projects that Georgia's working age population will decline by over a fifth over the next four decades in the medium variant scenario, and by nearly a third in the low variant scenario (Figure Xa). Accordingly, employment is projected to detract from real GDP growth in the long term.

Further, the ratio of dependants —children and the elderly —to the working aged is projected to rise over the coming decades in all scenarios (Figure Xb). Whereas in the early 2010s, each dependant could be cared for by two working aged Georgians, by the early 2060s for every two dependants, there will be three working-aged persons. In addition to detracting from real GDP growth, the ageing of the population will likely have fiscal consequences operating through the expenditure side of the budget. This is discussed further in the last section.

Figure X: Demographic Projections for Georgia (2012-62)



Source: UN Population Projection. Dependency ratio refers to the ratio of the sum of those aged below 15 or above 64 to the 15-64 population.

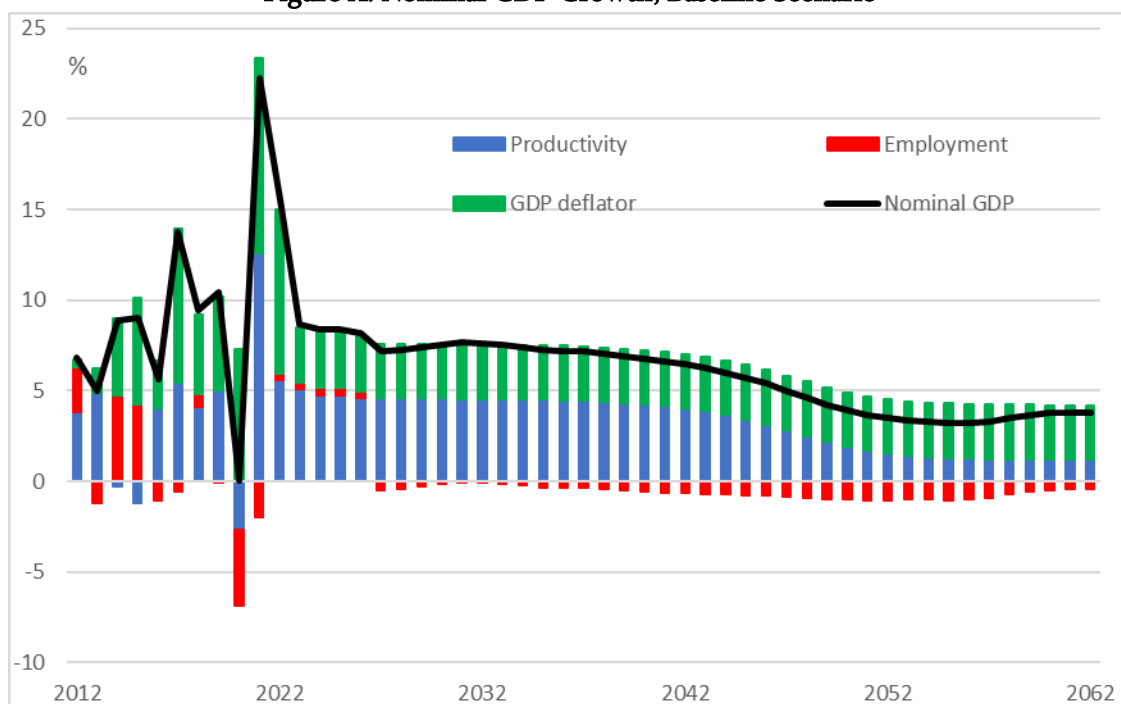
Similar to employment, the stage of the business cycle can also exert an influence on labour productivity. For example, Georgia might be experiencing strong labour productivity growth as the economy recovers from the pandemic and the excess capacity in the economy is absorbed. In the long term, however, an emerging economy's productivity growth will reflect its ability to catch up with that of advanced economies.

Over the past quarter century, Georgia's labour productivity has been catching up with the OECD average. In the mid-1990s, the average Georgian worker was around 10 percent as productive as an average OECD worker. Currently, Georgian labour productivity is around 40 percent of the OECD average. In contrast, over the past quarter century, the Baltic economies have seen their labour productivity rise from less than 40 percent of OECD average to around 80 percent currently.

The Baltic experience can be used as an ambitious and yet achievable benchmark for Georgia. If Georgia were to emulate the Baltic productivity convergence experience over the long term, the average Georgian worker would be around 95 percent as productive by the late 2050s. Of course, as the productivity *level* catches up to the OECD average, productivity *growth rate* will also slow to the assumed OECD annual average of 1.2 percent, which has been the annual average over the past three decades.

On this basis, the baseline scenario assumes that productivity growth declines from 4.6 percent in 2026 (implied by the Medium-Term Fiscal Framework) to 1.2 percent by the late 2050s. Figure X shows nominal GDP growth over the next four decades in the baseline scenario, with contributions from employment, productivity, and inflation.

Figure X: Nominal GDP Growth, Baseline Scenario



Source: UN Population Projection; World Bank World Development Indicators; MoF calculations.

For the long-term fiscal projections in the baseline scenario, revenue and primary expenditure are assumed to remain constant relative to nominal GDP from 2026. That is, the policy settings are assumed to remain unchanged from the Medium-Term Fiscal Framework (MTFF). The MTFF projects a primary net borrowing requirement of 1 percent of GDP, and this is projected forward into the long term.

The MTFF assumes that the financing for the fiscal deficit is at a weighted nominal annual interest rate of 4 percent. Over the long term, two factors are likely to exert opposing pressures on the interest rate.

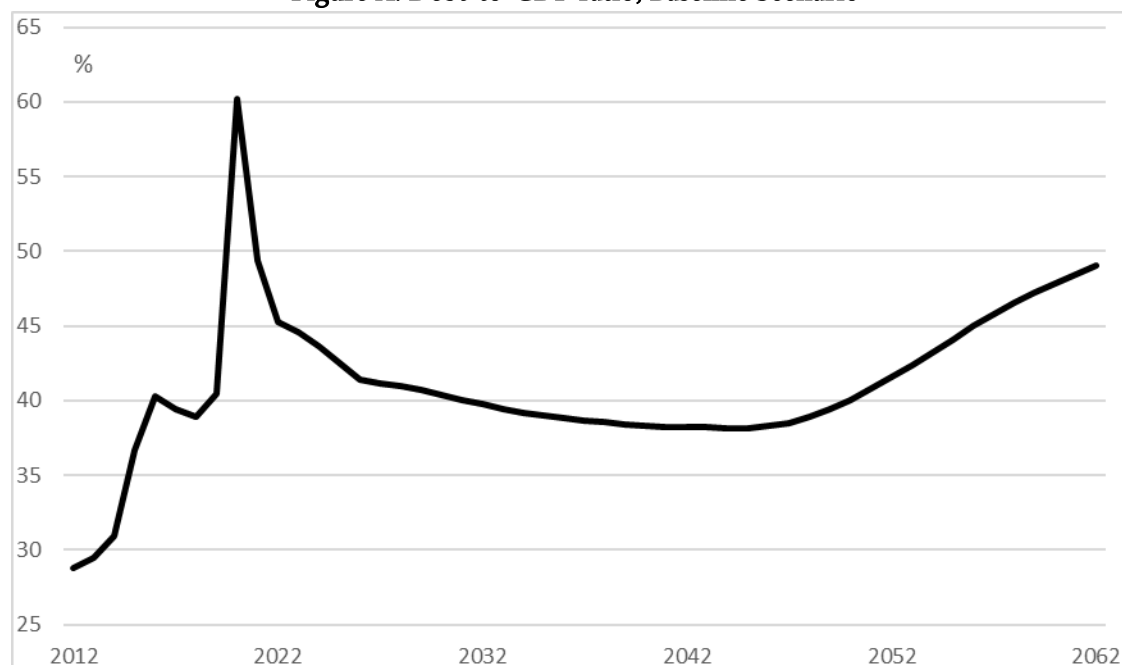
On the one hand, over the long term, the real interest rate should track labour productivity. With productivity growth approaching the OECD rate, and given the constant inflation assumption, the nominal interest rate would be expected to decline. On the other hand, Georgia's ability to attract concessional loans from multilateral agencies and development partners will cease as the country approaches OECD levels of productivity, which would put upward pressure on the interest rate.

The baseline scenario assumes that the nominal interest rate will decline in line with productivity growth until the late 2040s, and remain constant at 2.8 percent thereafter. This assumption balances the above considerations.

With the assumed nominal GDP growth rate, nominal interest rate, and primary net borrowing requirement, it is possible to calculate the trajectory of public debt relative to GDP over time. Figure Y shows the debt-to-GDP ratio to 2062 in the baseline scenario. In this scenario, the projected decline in the ratio during between 2030 and 2040 reflects the decline in the interest rate. Thereafter,

debt rises relative to GDP as productivity slows further but the interest rate remains unchanged. In the baseline scenario, the debt-to-GDP ratio remains below the fiscal rule ceiling of 60 percent during the next four decades.

Figure X: Debt-to-GDP ratio, Baseline Scenario



Source: UN Population Projection; MoF calculations.

Climate Change Scenarios

Climate change is likely to have global macroeconomic impacts in complex manners that are difficult to forecast. That said, it is likely to have significant fiscal consequences through: (i) macroeconomic outcomes such as potential growth; (ii) other specific impacts on revenues and expenditures; and (iii) reprofiling of specific fiscal risks including those associated with SOEs, PPPs, and PPAs. These issues were discussed qualitatively in the 2021 Fiscal Risk Statement. In this section, quantification of potential fiscal impacts of climate change under four different scenarios are presented.⁵

The four scenarios are:

- The Paris Agreement scenario, whereby the commitments of the 2015 Paris Agreement are met. The United Nations Intergovernmental Panel on Climate Change (IPCC) describes this scenario as RCP2.6, and its models suggest this is consistent with limiting global warming to well below 2 degrees Celsius above pre-industrial levels. For Georgia, this scenario is a benign one.
- The unmitigated and worsening climate scenario, in which the Paris Agreement commitments are not implemented, and greenhouse gas emissions continue to rise in line

⁵ The analysis uses a methodology developed with the support of the IMF's technical assistance. See: Harris J et al (2022), Updating the Balance Sheet and Quantifying Fiscal Risks from Climate Change in Georgia: <https://www.imf.org/-/media/Files/Publications/CR/2022/English/1GEOEA2022001.ashx>

with global economic output. The IPCC describes this scenario as RCP8.5, and its models suggest this would lead to average global temperature increases around 4 degrees above pre-industrial levels.

- The volatile scenario, in which the economic impacts of the increased climate volatility are modelled explicitly in addition to the effects of the rise in average temperatures in line with the unmitigated and worsening climate scenario. That is, the volatile scenario aims to capture the effects of not just a hotter planet, but also the higher volatility of weather patterns (such as unseasonal snowfall) and increased numbers of extreme weather situations (hotter summers and colder winters) that are likely to occur with climate change.
- The extreme scenario, which adds macroeconomic effects of more frequent and severe major floods and droughts to the volatile scenario. Floods are assumed to occur in 2030 and 2050, and droughts are assumed to hit in 2040 and 2060.

Under each scenario, climate change is assumed to affect labour productivity. The empirical estimates of Kahn et al (2021) are used to simulate the effect of climate change under the Paris, unmitigated, and baseline scenarios.⁶ Economic modelling by the MoNE is used to inform the effect of natural disasters on productivity in the extreme scenario.

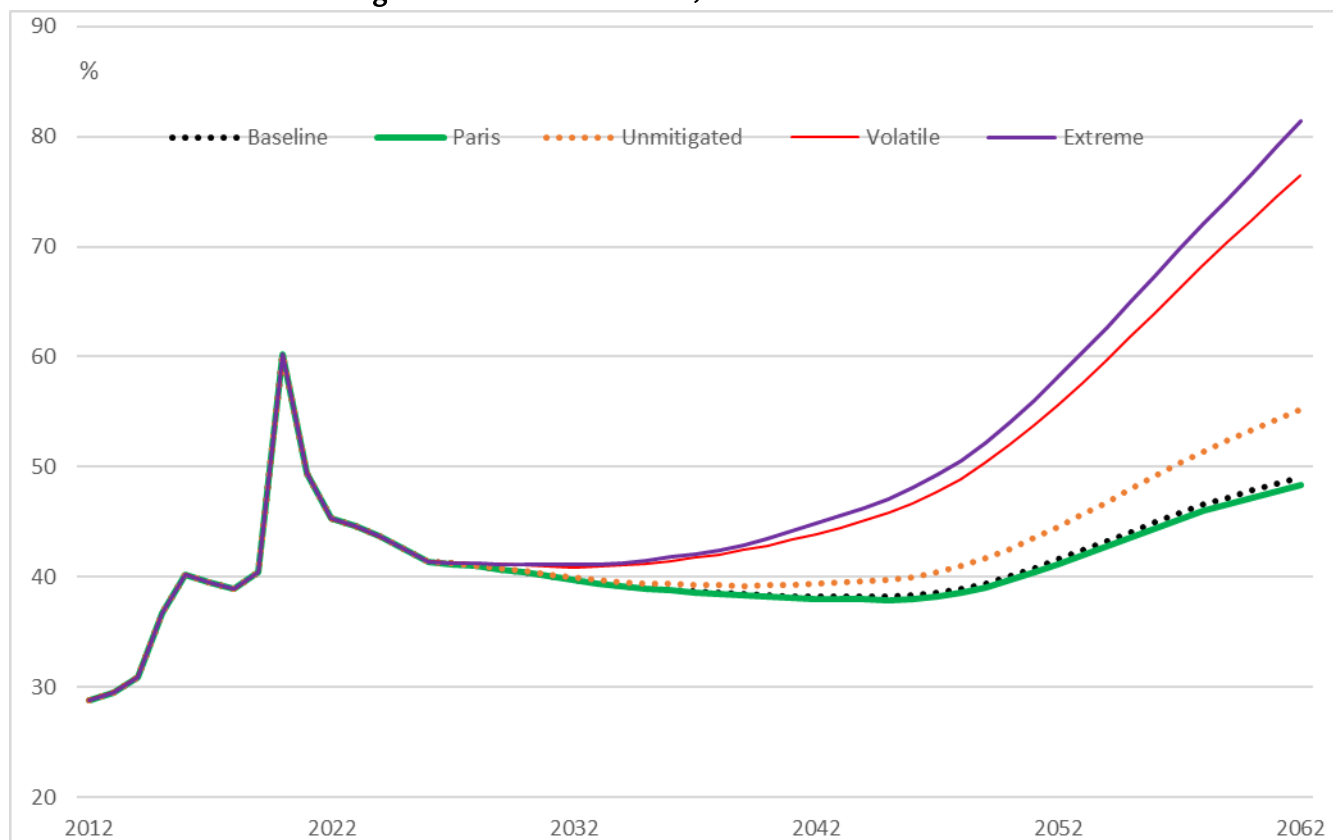
Even in the worst-case scenario, annual slowdown in productivity growth is 0.2 of a percentage point of GDP by the 2060s. That is, on a year-to-year basis, the slowdown in GDP caused by climate change might not be perceptible enough to affect the budget process. Therefore, in each of the climate scenarios, the level of primary expenditure in GEL is assumed to remain unchanged from the baseline, implying a gradual increase in the expenditure-to-GDP ratio.

In contrast, the revenue-to-GDP ratio in each scenario is assumed to remain unchanged from the baseline. That is, even a small slowdown in GDP growth is assumed to result in a similar slowdown in revenue. Over time, as GDP is smaller than the baseline in the unmitigated, volatile, and extreme scenarios, there are fewer revenues to meet the unchanged expenditure profiles. The result is worsening primary net borrowing requirements.

Since climate change is a gradual process, annual increases in the financing needs are assumed to not affect financing costs. Interest rate and inflation are assumed to remain unchanged. Nonetheless, a combination of slower economic growth and larger primary net borrowing requirement results in a higher debt-to-GDP ratio. This is shown in Figure Z.

⁶ Kahn, M., Mohaddes, K., Ng, R., Pesaran, M., Raissi, M., & Yang, J. (2021). Long-term macroeconomic effects of climate change: A cross-country analysis. *Energy Economics*, 104 (105624), 105624-105624. <https://doi.org/10.1016/j.eneco.2021.105624>
Also, see Harris et al (2022) for intuitive details.

Figure X: Debt-to-GDP ratio, Baseline Scenario



Source: UN Population Projection; MoF calculations.

When the effects of increased climate volatility and more frequent and severe natural disasters are explicitly modelled in addition to the effects temperature rises that are likely to occur in the unmitigated and worsening climate change scenario, debt is projected to breach the 60 percent ceiling in the decade from 2050.

There is significant uncertainty around these projections. The channels through which climate change might affect labour productivity include: (i) higher depreciation of the public and private capital stock; (ii) reduced hours worked and effort; and (iii) reduced firm level total factor productivity. On the one hand, more refined assessment of these channels might yield a greater impact of climate change on the economy than that presented above. On the other hand, each of these channels present avenues through which the government can pursue adaptation measures.

Faster adaptation to climate change is likely to require significant public and private investment. International analysis suggests that while adaptation investment may be more costly than traditional public investment, in the longer run it could reduce the fiscal impacts of natural disasters by making the country more resilient.⁷ Further, not all adaptation measures involve public expenditure. For example, changing work hours to avoid times of extreme heat may be achieved through regulations.

⁷ For example, see: Duenwald et al, 2022, *Feeling the Heat: Adapting to Climate Change in the Middle East and Central Asia*, IMF Departmental Paper, DP/2022/08.

The 2021 FRS chapter on climate change and natural disasters fiscal risks discussed climate change adaptation in Georgia.

The above projections are based on a strong assumption that spending under the climate scenarios remains at the same levels as the baseline path. This assumption implies that the government does not adjust fiscal settings in response to the climate induced economic slowdown. This likely overstates the effects of climate change on fiscal sustainability as primary expenditure may well be recalibrated as growth slows and revenues decline.

Such fiscal recalibration might be forced by adverse effects on the external and monetary sectors. In addition to the gradual dampening of productivity growth, climate change could make Georgia more vulnerable to imbalances in the external and monetary sector. For example, the risk premium faced by the country may well rise with increased climate volatility, affecting the country's capital accounts and exchange rates. Another possibility is that supply chain disruptions caused by climate volatility lead to inflation, which would tend to cause a depreciation of the exchange rate.

There might be other longer term effects on the economy. In addition to the channels described above, climate change could well affect the structure of the Georgian economy. For example, in a relatively worse climate scenario, certain industries such as high value-added agriculture or niche tourism are less likely to develop. Further, extreme climate volatility may exacerbate demographic pressures by inducing emigration of highly skilled population.

In addition to the above macroeconomic fiscal risks, discrete fiscal risks can arise from direct exposure of government assets and contracts to climate change. There are two general types of discrete fiscal risk related to climate change: (i) direct physical risks to the assets (increasing temperature, reduced precipitation and water flow, and increased natural disasters); and (ii) transition risks (related to changing policy, technology and international commitments) that affect the viability of assets and contracts.

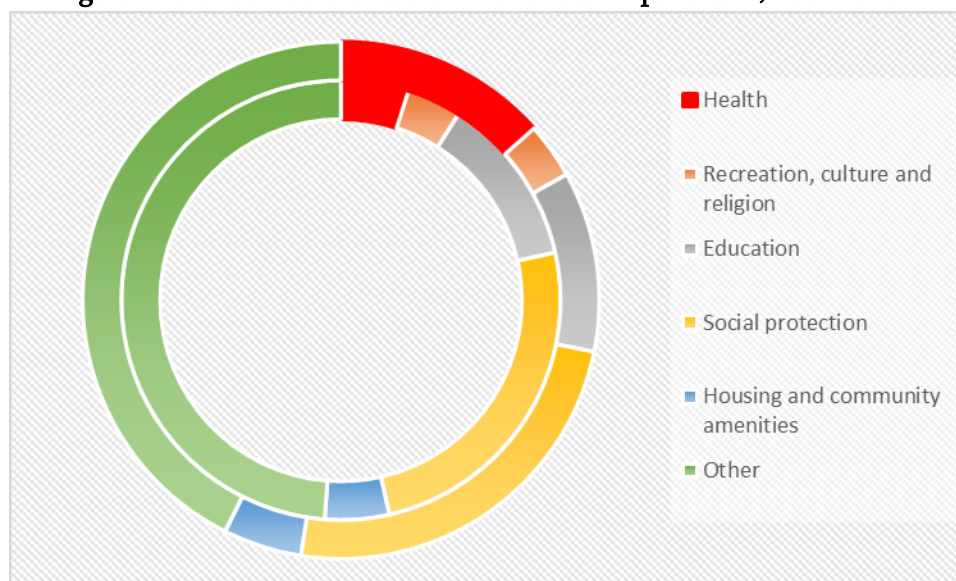
PPPs, SOEs, government guarantees and government projects are all potential channels for these types of climate change-related fiscal risks. Assets and contracts in Georgia are exposed to both of these types of risks, but particularly physical risks given the exposure of key SOEs and PPPs to higher and more volatile temperatures, reduced rainfall, and natural disasters.

Demographic fiscal risks

Climate change is not the only long-term fiscal risk faced by Georgia. Demographic changes also pose significant fiscal risks over the long term. The macroeconomic effects of demographic change in a particular scenario —decline in the working age population in line with the UN medium variant population —is reflected in the baseline climate change fiscal risks assessment in this chapter. However, this baseline assumes that primary expenditure remains unchanged even as the elderly's share of total population rises over time.

This is not a realistic projection as the ageing of the population has already been affecting expenditure profiles. For example, during the period 2002-2019, general government expenditure grew by 16 percent a year, but general government expenditure on health grew by an annual rate of 22 percent. As a result, health's share of general government total expenditure increased from 5 percent in 2002 to over 13 percent in 2021 (Figure Y).

Figure X: Share of General Government Total Expenditure, 2002 vs 2021



Source: MoF calculations. The inner rung of the donut represents 2002 shares, and the outer rung is 2021.

Without policy changes, demographic changes are likely to increase health, aged care, and pension expenditures in the long run. These are explored further in what follows.

Health expenditure

Over time, public expenditure on health reflects government policy decisions, non-demographic factors such as new technology, changing preferences, and rising income, and demographic factors. Typically, long term fiscal assessments are conducted on a 'no new policy' assumption. Therefore, any long-term projection of health spending would assume that health sector policy settings will remain unchanged beyond the medium term.

Technological advancement over time makes it possible for Georgians to make use of an array of health services that were hitherto unavailable. By enabling interventions that were previously not possible, technology can boost the supply of, and demand for, health services. Meanwhile, rising income levels make many such services affordable. Changes in national income are among the largest driver of government spending on health internationally.

That is, health spending may well be increasing over time independent of the ageing of the population. An ageing population will, however, exacerbate that trend. Older people need to use more health services, so as the population ages, health spending rises.

Take chronic conditions, for example. The cost and prevalence of chronic conditions such as arthritis, back pain, cardiovascular disease, diabetes, and mental health conditions tend to develop gradually and become more common with age. As the population ages, chronic conditions become more prevalent, adding to the total health bill. Capital expenditure on hospitals is another example where an ageing population increases health spending.

To project health expenditure in the long term in the presence of an ageing population, two sets of information are required. First, an assessment needs to be made of the extent of public health expenditure for the younger (below 65) population. Health expenditure for the younger population per younger person is an indicator of this. Second, an estimate is needed relating the per person health spending for the older (over 65 years) population to the per person health spending for the younger population. International evidence suggests that per person health spending for older people is about 3.5 times that for the younger people.

Using international estimates and high-level pre-COVID-19 Georgian expenditure data, IMF analysis found that ageing could raise health expenditure between half and one percent of GDP over the coming decades. However, there is room for significant refinement of this estimate, using granular and detailed historical expenditure trends to project long term effects of demography on health expenditure.

Pension Risks

Pension systems are often a source of fiscal risk due to social pressures, which can lead governments to provide additional support to a publicly funded scheme becoming unsustainable or with low pensions (for example, through guarantees, loans which are never recovered or direct annual subsidies). Even when other pillars exist, funded by employers and employees, and sometimes with the participation of some government funding, if pensions become low due to different shocks or negative demographic trends, there is a risk that additional funding from the State will be demanded. This can even happen when pillars with additional voluntary contributions are also affected by reductions in pensions, which can derive not only from the same shocks, but also from political pressures to make it easier to withdraw funds contributed in advance; this can create pressure for further increases in publicly-funded basic schemes. For example, in some Latin American countries, Fully-funded systems which were initially successful, are experiencing a credibility crisis (too many defaulting employers, lower pensions than announced), which has led to the creation of previously non-existent basic pension pillars. Another possibility of fiscal risk materialization derives from deep shocks forcing a bailout of previously funded pillars.

The Pension System in Georgia is based on 3 Pillars:

A publicly funded Basic Pillar which is providing pensions slightly above the poverty line; with recent reforms, it is possible now to have those pensions indexed, which can create additional unexpected expenditure on this budgetary item in future.

A fully-funded Second Pillar: a Pension Agency established following the 2018 pension reform started collecting and administering the funds of the participants of the mandatory funded pension scheme on January 1, 2019. The funded pension scheme is based on the 2% + 2% + 2% principle of accumulation. The employer transfers on behalf of the employee 2% of the untaxed amount of employee salary to the employee's individual pension account. The same amount is contributed to the employee's individual pension account by the employer on their behalf. Based on the amount of the employee's salary (but not more than 2% of the untaxed salary), the contribution for the benefit of the employee is also made by the State. The Pension Agency determines the investment policies. The National Bank regulates and supervises only the investment (and not administrative) part of the Pension Agency's work.

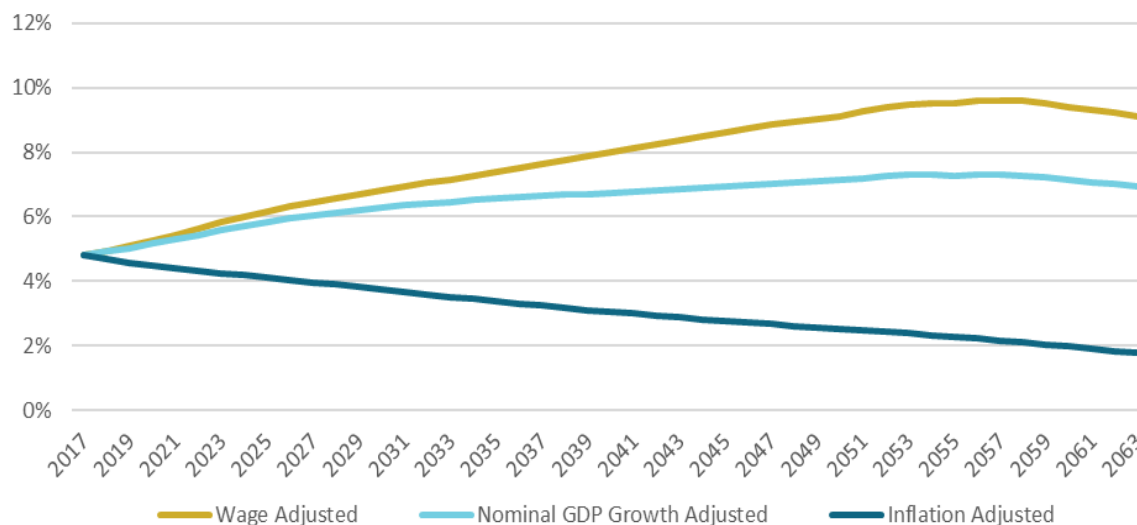
A fully-funded Third Pillar, called Supplementary Pension Insurance, also managed by the Pension Agency.

The fiscal risk concerns mainly the Basic Pillar, given the possibility of indexation, and probable unfavourable demographic evolution (a World Bank study considers a decrease of the population towards 2050, and a UNDP study also points to a decrease in population). As said above, even if more remote, fiscal risks from the other Pillars cannot be excluded completely. In any event, Fully-funded schemes remain one of the preferred ways to mitigate fiscal risk from pensions.

The projected fiscal implications for the Basic Pillar were analysed in 2015-16 to support the initial policy discussion which led to the reform policy adopted by the government.

The Ministry of Finance constructed a model to generate likely scenarios based on population projections and under different pension index policies these were included in the Pension Reform paper adopted by the Government in 2016. Figure Y shows the results in budget expenditure under the different pension index scenarios.

Figure Y: Projected Pensions Expenditure (percent of GDP?)



Source: MoF calculations

The analysis indicated that only if pensions were indexed in line with inflation would the fiscal implication be a reducing trend as a percentage of GDP. The other pension indexation scenarios showed an increasing trend making the Basic Pillar fiscally unsustainable. Thus, the reform adopted was to introduce the second Pillar to reduce the pressure on the Basic Pillar.

The Fiscal impact of the Basic Pillar remains manageable and is not expected to exceed 5.2% of GDP over the long term.

With respect to the Second Pillar, population - related fiscal risks are unlikely to materialize since it is a fully funded defined contribution scheme without any guarantees either during accumulation or payout phases. However, Fiscal risks could materialize as a result of factors, such as significant shocks and/or social pressures.

Natural Disaster and Climate Change Fiscal Risks

Natural Disasters in Georgia

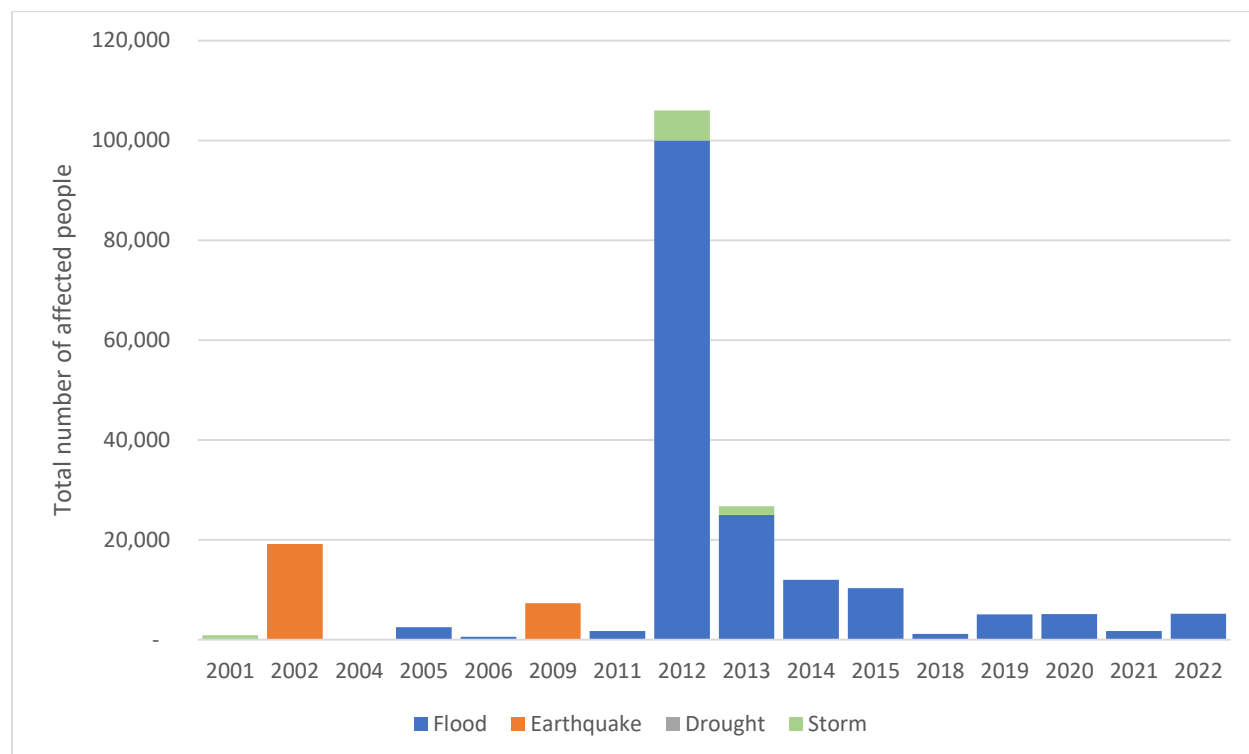
Georgia has been affected notably by floods and earthquakes in the past. The 2015 flood⁸ in Tbilisi resulted in GEL 55 million in physical damage and GEL 10 million in financial losses, the largest amount in recent history. The largest earthquake in the past few decades occurred in Tbilisi in 2002, the losses of which have been estimated at up to GEL 703 million⁹. Historical data on the number of

⁸ Tbilisi needs assessment, 2015

⁹ https://www.preventionweb.net/files/54533_drrstrategy2017annex1eng.pdf

people affected from the International Disaster Database (EM-DAT¹⁰) by different disaster types are shown in Chart 1.

Chart 1. Number of People Affected by Natural Disasters in Georgia



Source: EM-DAT

It can be seen that the most frequent peril that Georgia is exposed to is the risk of flooding and since 2011 there has been at least 1 flood per year impacting the population. Looking purely at historical losses from natural disasters to Georgia does not demonstrate the full possibility of losses that may happen in Georgia. For example, it is possible for Georgia to have a very large earthquake despite this not having occurred in the last 20 years. To consider all possibility of losses to Georgia, catastrophe risk models can be considered, these look at individual hazards and provided expected losses and the probability these losses may occur.

The analysis shown in the annex details flood and earthquake risk modelling for Georgia. This analysis is unchanged from the 2021 Fiscal Risk Statement. The mode for floods in Georgia, shows that a flood event which has that has a 20 per cent chance of happening each year — that is, a once-in-five-year event, can cause damage of GEL 93 million to residential assets. (Source JBA).

¹⁰ The international disaster database: EM-DAT contains essential core data on the occurrence and effects of over 22,000 mass disasters in the world from 1900 to the present day. The database is compiled from various sources, including UN agencies, non-governmental organisations, insurance companies, research institutes and press agencies.

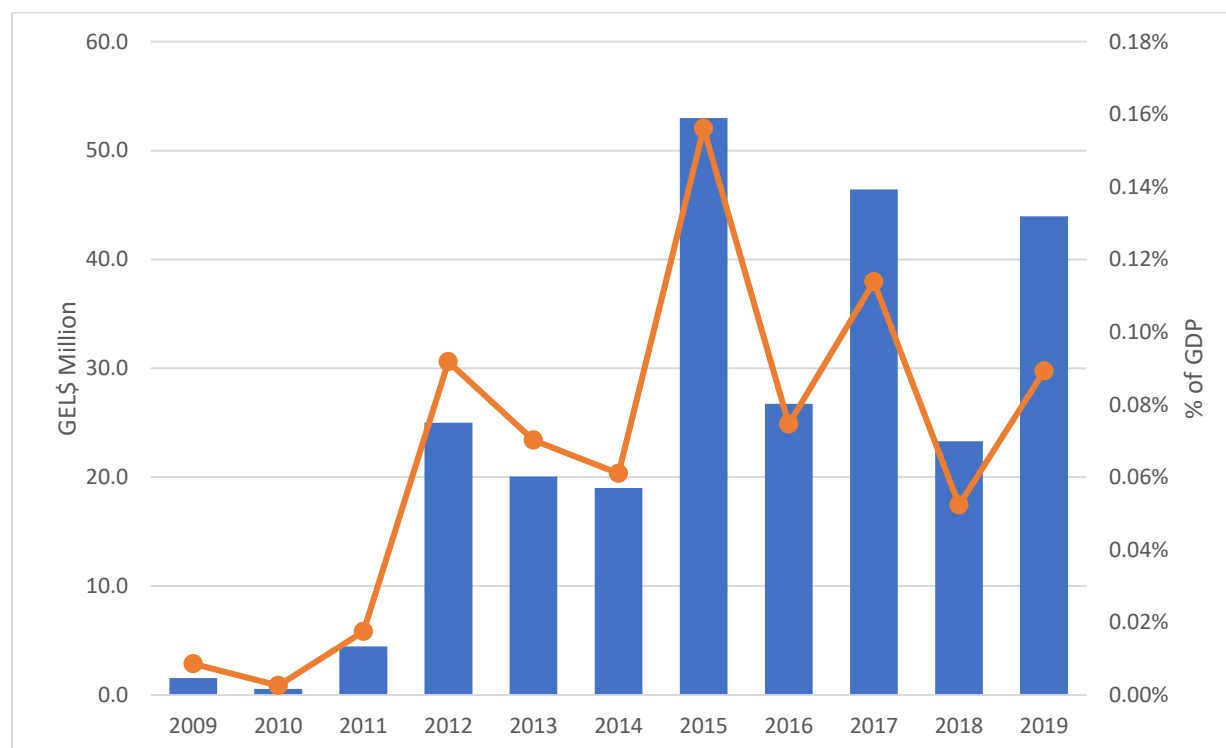
Different catastrophe risk models can produce very different expectations of loss. This can be due to a variety of factors including differences in exposure information, assumptions hazard (floods, earthquakes etc.) modelling or assumed vulnerability functions. As part of the DRF framework being development for the government of Georgia, more in depth risk models for both flood and earthquakes will be investigated and considered. There are risk models and exposure datasets which have been derived especially for Georgia which could provide valuation insight into the possible losses from natural disasters for government.

Government expenditure on disasters

The central government records the amount of funds that are allocated from the regional fund for disasters. The Government spent on average 0.09 percent of total expenditure on disasters from 2009 to 2019.

This spending mainly included compensation and fiscal transfers. Budget funds spent on disaster response and recovery are shown in Chart 4. The amount spent from the budget is not disaggregated by type of disaster and might not correlate with the damages and economic losses caused by these disaster events. The reported expenditures might not have captured all the spending related to disasters, e.g., on the reconstruction of public assets in following years.

Chart 4. Government of Georgia Disaster Expenditure



While the Government's disaster-related expenditure has in the past been a small proportion of the GDP, there are a few reasons why the government may face larger contingent liabilities than that show above:

- 1) The historical disasters do not include very low frequency events, not seen in the history. As shown in risk models these values can be large and increase the government's contingent liabilities.
- 2) The allocations from the regional fund may not capture the full amount spent on disasters as this does not include the amount spent by the different municipalities or line ministries where assistance from the central government is not required. (See next section)

Moreover, amounts from disasters will be exacerbated by climate change.

The Government's post-disaster financing instruments include the: Reserve Fund of the Government; Fund for Projects Implemented in the Regions of Georgia (RegFund); and the budgets of local government and line ministries. Except for the RegFund, the total post-disaster financing may not exceed 2 percent of the total annual budget allocation unless a budget revision is approved by parliament. Table 2 refers shows the planned budget for these funds for 2023.

Table 2. Available Post-disaster State Budget Financing
GEL million

	2021		2022	
	Budget	Actual	Budget	Actual
Reserve Fund of the Government	900.0	900.0		
Regional Fund	29,325.4	27,521.4	45,327.9	20,561.9

In 2020, the Government also established an agriculture insurance program which co-finance insurance providers to stimulate insurance development for agriculture lands and harvest against disasters such as hail, flood, hurricane and autumn frosts. It is financed from the state budget.

Disaster related impacts at the municipality level

The templates were returned by 41 of 65 municipalities, this accounts for the most material municipalities in terms of population, expenditure and losses from disasters. The fiscal risk team have worked to cleanse this data with the municipalities. The exercise of data cleansing hopes to improve the information collected but also increase capacity within the municipalities. Further work, stated in the next section, needs to be done before analysis by peril and sector can be performed however this is the first time the government of Georgia has been able to quantify disaster related impacts at a municipality level. Table 1 shows the total spend on disaster losses as reported by the municipalities for the 2017-2022 years. The top 4 municipalities account for over 60% of total spending on disasters. The municipalities can request support from the central government, the figure below does not include spending from funds allocated from the central government.

Table 1 - Disaster spending by municipality

Municipality	Spending on natural disaster losses 2017-2022 (GEL) *	% of total municipality spend on disasters
Tbilisi	28,235,920	27%
Lanchkuti	18,506,598	18%
Kobuleti	10,962,903	10%
Khelvachauri	10,304,392	10%
Sachkhere	7,350,390	7%
Batumi	6,485,182	6%
Abasha	5,785,560	5%
Kharagauli	4,176,505	4%
Mestia	1,817,455	2%
Samtredia	1,661,505	2%
Tianeti	1,586,714	2%
Borjomi	1,560,233	1%
Shuakhevi	1,256,553	1%
Ambrolauri	1,171,045	1%
Sagarejo	1,054,438	1%
Other munis total	3,595,910	3%
Total	105,511,303	
<i>* 2022 is data to end of Sep</i>		

It is also important to understand the correlation between municipality spending on disasters and the amount requested from the central government. For example Lanchkuti has spent over GEL 18 million since 2017 however it has not requested any assistance from the central government. Converse to this Oni has spent GEL 750k over the same period to fund disasters from local budget, however has requested over GEL 25 million for this period. Overall the amount requested from central government as a proportion of the amount spent from the municipality budget on disasters for all municipalities combined, is approximately 100%. However, this varies significantly by municipality as shown in Table 2.

Table 2 - Proportion of requested funds versus amount spent from municipality budget

Municipality	% requested compared to amount spent from municipality budget
Tbilisi	56%
Lanchkuti	0%
Kobuleti	0%
Khelvachauri	0%
Sachkhere	0%
Batumi	0%
Abasha	110%
Kharagauli	0%
Mestia	291%
Samtredia	104%
Tianeti	146%
Borjomi	84%
Shuakhevi	0%
Ambrolauri	0%
Sagarejo	0%
Oni	3350%
Other munis total	1645%
Total	99%

The large percentage for the ‘other munis total’ is due to a few municipalities who have not spent funds to support disasters but have requested funds from the central budget. Namely these municipalities are Tkibuli, Baghdati, Zestaponi, Ozurgeti and Lagodekhi.

As this is the first time the municipalities have had to submit this information, there is likely to be inconsistencies in the data and further validation will be conducted with the municipalities during the year to refine this process. Investigations to understand the data such as cases where there is requested assistance but no local spending on disasters will be discussed with the municipalities.

The total spend for all 41 municipalities since 2017 is shown in Table 3.

Table 3 - Municipality spend on disasters by year

Year	Municipality spend on natural disasters
2017	20,142,664
2018	18,190,882
2019	8,025,627
2020	10,043,066
2021	25,281,413
2022	23,827,651
Total	105,511,303
Average 2017-2022*	18,908,976
<i>* 2022 grossed up assuming 9 months of data</i>	

This average annual municipality spend is almost GEL 19 million which is in addition to an annual allocation of the regional fund of GEL 32.2 million. This indicates that looking at disaster cost without municipality information would underestimate the spend on natural disasters by more than 50%. The figures above do not include spending on disasters from line ministries. For the 2023 circular there is a plan to include a data template to the line ministries to provide a more wholistic view on disaster spend for the government of Georgia.

Further statistical analysis can be conducted after the data cleansing has been performed at a peril level with the municipalities. The aim is to do this as part of the DRF framework.

Renewable Energy Support

Previous Fiscal Risks Statements

Previous Fiscal Risks Statements have assessed fiscal costs and risks of power purchase agreements (PPAs). These are contracts signed by the state-owned Electricity System Commercial Operator (ESCO) with private investors to encourage them to invest in new electricity generation facilities, notably hydro power plants (HPPs). The PPAs require ESCO to buy electricity from investors when the PPA prices are above the market price.

In the current regulated market, PPAs coexist with the low-cost generation of the state-owned Enguri and Vardnili HPPs. In practice, there is a cross-subsidization between low-cost generation projects (i.e., Enguri and Vardnili) and high-cost generation projects (PPAs). As a result, even when PPA-determined prices of electricity have been above the prices of imports, electricity consumers in Georgia have paid prices comparable with, or below, import prices. So far, through cross-subsidization the Government has avoided fiscal costs arising from the need to shield electricity consumers from PPAs costs above import prices.

However, the likelihood of PPAs materializing as fiscal costs may increase under certain scenarios. One potential scenario would be an increase in electricity demand with a stable or decreasing amount of cheap electricity available from Enguri and Vardnili for cross-subsidization to consumers in unoccupied Georgia, because of increased supply to the territory of Abkhazia. In this scenario, the regulated prices to consumers would tend to increase. If these prices were significantly above import prices, the Government could be pressured to provide electricity subsidies to both businesses and households, funded through the state budget.

Governments around the world are often under pressure to subsidize electricity prices. However, subsidizing electricity prices is a very inefficient way of supporting vulnerable households and distorts the economy. Indeed, this is seen in the subsidized electricity provided to Svaneti which has artificially increased electricity demand, including from crypto miners who scour the world looking for the cheapest electricity.

Georgia is committed to deregulate its electricity market. This is a requirement for strengthening the relationship with the European Union. International experience suggests that deregulation tends to reduce electricity fiscal risks because consumers accept the market risks as part of their economic decisions, at least when the market is not experiencing high volatility for prolonged periods. Experience shows that there is less pressure on the Government to subsidize electricity prices when it does not influence them.

Against this background, Georgia's previous Fiscal Risks Statements have assumed that the electricity market would be deregulated in the near future and, on this basis, assessed that the Government's fiscal exposure would be the difference between the PPA prices and the projected market prices for electricity. In this year Fiscal Risks Statement, estimations include an additional element related to the potential fiscal impact on the new energy support scheme.

Expected New Structure of Partly Deregulated Electricity Market

Since the 2021 Fiscal Risks Statement, considerable information has been released about the expected structure of the future deregulated electricity market. In fact, it is likely to remain partly regulated and will include, in addition to PPAs, contracts for differences (CfDs) and feed-in premiums (FiPs). CfDs are similar to PPAs except that they are two-way instead of one-way contracts.¹¹ That is to say, if ESCO is the counterparty investor to the CfDs, it receives revenues when the CfD prices are below the market prices and makes payments when the CfD prices are above the market prices. FiPs are additional amounts paid to generators per unit of renewable electricity.

In due course, it is expected that the electricity market will operate only on the basis of FiPs. However, this is likely not feasible until the market has a sufficient track record. In the meantime, it is expected that:

- CfDs will be issued instead of new PPAs;
- existing PPAs that have not yet resulted in investment in new generation will be cancelled or replaced by CfDs; and
- existing PPAs relating to existing generation will continue until they expire.

The prices of CfDs will be set by auction. Moreover, it is expected that electricity prices for households in unoccupied Georgia will continue to be regulated, and that electricity will continue to be supplied at zero price to Abkhazia. In this context, ESCO will:

- pay the FiPs;
- make any payments to generators required related to existing PPAs;
- make any payments to, and accept any receipts from, generators related to CfDs; and
- make payment, and accept receipts, to/from the universal service providers to cover the differences between the market prices and the regulated household prices.

For these purposes, ESCO will manage a new fund, called the WPSO Fund, as part of the new energy support scheme. The inflows for the WPSO Fund will comprise mainly three sources. First, inflows related to CfDs contracts (i.e., negative difference between CfD prices and market prices). Second, the differences between the regulated and market prices for the Enguri and Vardnili HPPs.¹² Third, the positive difference between the market price and the regulated prices for universal service providers. The WPSO Fund outflows will also be threefold. First, those related to CfDs contracts (i.e., positive difference between CfDs prices and market prices). Second, the negative difference between the market price and the regulated prices for universal service providers. And third, the cost of electricity purchased by ESCO for consumption in the territory of Abkhazia. To the extent that funds accumulated in the WPSO Fund are insufficient, the state budget is expected to replenish it.

¹¹ In PPAs, ESCO only makes payments when the PPA prices are above the market prices and does not receive any revenues.

¹² The output of Enguri and Vardnili HPPs will be sold at market prices. But the Georgian National Energy and Water Supply Regulatory Commission (GNERC) will regulate the prices that these HPPs will actually receive from consumers.

Management of Fiscal Costs and Risks

While the drivers of the fiscal costs and risks arising from the energy support scheme will remain the same, their management is expected to improve significantly. Key drivers comprise:

- changes in electricity demand and market prices;
- volumes of projects contracted as PPAs, FiPs, and CfDs;
- the prices negotiated for PPAs, FiPs, and CfDs;
- the declining share of Enguri and Vardnili in total generation, available to cross-subsidize household prices, the costs of PPAs, FiPs, and CfDs;
- changes in electricity consumption in the territory of Abkhazia.

The WPSO Fund, to be introduced under the new energy support scheme, will serve as a mitigation mechanism, facilitating a more efficient and transparent management of fiscal risks. Compared with the current situation, fiscal transparency would be significantly improved by simply disclosing expected and actual inflows and outflows of the WPSO Fund. Moreover, the management of potential fiscal costs and risks would be strengthened by implementing the WPSO Fund as a budgetary fund, in line with international good practices.¹³ As part of the budgetary process, budget allocations for the WPSO Fund would be based on forecasts for the overall energy market (i.e., prices, demand, etc.), while budget appropriation would be needed only if fiscal risks materialize (i.e., if due to market conditions the fund is depleted and state budget support is needed).

Estimation of Fiscal Costs and Risks of the Support Energy Scheme

The estimation of fiscal costs and risks arising from the support energy scheme includes a baseline scenario with the following assumptions:

- All the electricity generated is consumed;
- Market prices are estimated considering the weighted average of current import electricity prices, adjusted by 2 percent in USD;
- CfDs strike prices are assumed at USD 0.07;¹⁴
- The WPSO accumulates funds based on the price projections from 2023 onwards.
- Projects included are based on the existing list of PPA, CfDs and FiP projects provided by the MOESD, including strategic projects.¹⁵
- The regulated price paid by consumers remains stable at 2022 current levels;
- 20 percent of the electricity generated in the new market is consumed by the territory of Abkhazia.

¹³ The decision how to implement the WPSO Fund is still pending.

¹⁴ A report of the *Georgia 2020 Energy Policy Review*, IEA (2020) noted that the cap of US\$ 0.06 was unattractive for investors.

¹⁵ As of September 2022.

Under this baseline scenario, the cost of energy support scheme would be 3% of GDP in Net Present Value (NPV), considering the PPAs, FiPs and CfDs (Table 1, first row, first column). In this scenario, final consumers¹⁶ fully pay the estimated cost of electricity generation (second column),¹⁷ with no impact on the state budget or any expected specific use of funds accumulated in the WPSO Fund (third column).

Table 1. Alternative scenarios for total costs and fiscal impact of the energy support scheme

	PPAs + CfDs + FiPs + Strategic Projects			
	Total Cost of the Scheme (NPV %GDP)	Consumers Payments (NPV %GDP)	Other Incomes / WPSO Fund (NPV %GDP)	Pass Through
Baseline Scenario	3,0%	3,0%	0,0%	100,0%
BS - One Standard Deviation (SD) Energy Prices	5,2%	4,7%	0,4%	93,1%
BS - One SD EP + 10% Increase in CfD Price	5,5%	4,7%	0,7%	89,6%
BS - One SD EP + 10% Inc CfD Price + Abkhazia's Consumption 30%	5,5%	4,2%	1,3%	79,4%
BS - One SD EP + 10% Inc CfD Price + Abkhazia's Consumption 40%	5,5%	3,6%	1,9%	67,6%
BS - One SD EP + 20% Increase in CfD Price	5,8%	4,8%	1,0%	86,6%
BS - Two SD Energy Prices	7,4%	5,6%	1,8%	78,5%
BS - Two SD EP + 10% Increase in CfD Price	7,7%	5,6%	2,1%	76,2%
BS - Two SD EP + 10% Inc CfD Price + Abkhazia's Consumption 30%	7,7%	4,9%	2,8%	66,1%
BS - Two SD EP + 10% Inc CfD Price + Abkhazia's Consumption 40%	7,7%	4,1%	3,6%	56,0%
BS - Two SD EP + 20% Increase in CfD Price	8,0%	5,6%	2,4%	74,3%
BS - Two SD EP + 20% Inc CfD Price + Abkhazia's Consumption 30%	8,0%	4,9%	3,1%	64,4%
BS - Two SD EP + 20% Inc CfD Price + Abkhazia's Consumption 40%	8,0%	4,1%	3,9%	54,5%

However, under more pessimistic scenarios, the total cost of the energy support scheme could more than double. Alternative pessimistic scenarios would comprise a combination of:
a drop of the energy market prices (lower prices than the baseline);¹⁸
unfavorable strike prices in the CfDs obtained at auctions (higher prices than the baseline);
higher share demand from the territory of Abkhazia.

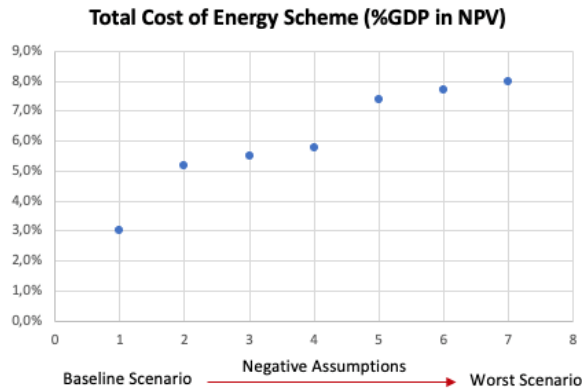
For example, if energy prices drop approximately 35 percent (2 standard deviations), and the strike price of the CfDs auctions is 20 percent higher than the baseline, the projected cost of energy support scheme could reach up to 8.0 percent of the GDP in NPV (Table 1, last 3 rows). Therefore, the estimated total cost of the energy support scheme depends on the underpinning assumptions, as it is shown in Figure 1 for some alternative scenarios.

Figure 1. Total Cost of Energy Support Scheme Under Alternative Scenarios.

¹⁶ Final consumers comprise: (i) direct consumer, which are large consumers that pay market prices; (ii) distribution companies, which are medium to small consumers that pay regulated prices; and (iii) the territory of Abkhazia that is exempted of payment.

¹⁷ In Table 1, last column, 100% pass-through means that under the current structure of the market, payments from final consumers are sufficient to fully fund the electricity generation costs.

¹⁸ A drop in the energy market prices would result in higher payments by WPSO Fund to the existing PPAs, FiPs and CfDs to compensate for the fixed prices agreed in these contracts.



More importantly, under pessimistic scenarios, final consumers may not be able to afford the cost of the electricity arising from the new market conditions. If consumers were expected to pay approximately the same prices of electricity as of today, under the most pessimistic scenario, the pass-through would be about 50%. As a result, the remaining costs from electricity generation would be assumed by the WPSO Fund, or by the state budget, if not sufficient funds were accumulated in the fund. In the case of only 50% pass-through to final consumers, the fiscal impact could reach up to 4.0% of GDP in NPV. Figure 2 shows the potential fiscal impact if the cost of the energy support scheme cannot be assumed by final consumers.

Figure 2. Fiscal impact of the energy support scheme under alternative scenarios

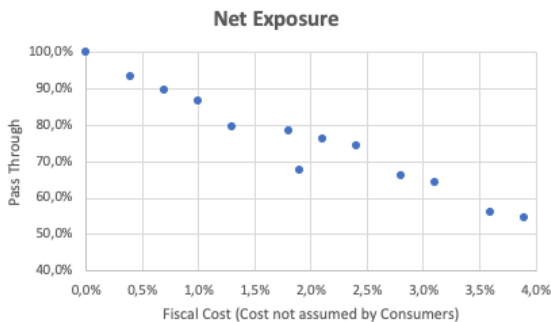
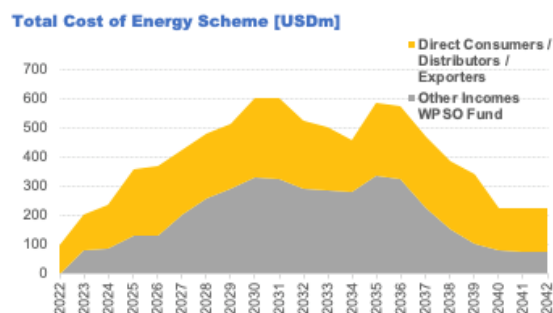


Figure 3 present the same estimations of total costs of the energy support scheme over time under the worst-case scenario, in USD (instead of in NPV).

Figure 3. Total costs of the energy support scheme, 2022-2042, (Millions USD)



Impact of Strategic Projects in Current Estimations

The strategic projects comprise: Namakhvani, Nenskra and Khudon. They are included in the estimations presented above. If we exclude them from the analysis, other things equal, the estimations of the cost of the energy support scheme would change as follows:

In the baseline total cost would be 1.6 percent of GDP in NPV (compared to 3.0)

In the worst-case scenario:

- Total cost would be 5.9 percent of the GDP in NPV (compared to 8.0)
- And fiscal costs would be 2.2 percent of GDP in NPV (instead of 3.9).

Key Implications of Assessment

The key implications of the assessment are:

- Caution should be exercised in planning new generation projects, to ensure that Georgia does not bring additional higher-cost generation onstream earlier than necessary;
- Auctions of CfDs should be managed to prevent manipulation or insufficient competition leading to excessive prices; and
- Under current conditions, strategic projects substantially increase fiscal risks.

Assessment of PPP commitments

PPP liabilities as of January 1, 2022 amount to GEL 384,576,908 (including Nenskra - 297 102 908, Tbilisi Airport - 87 474 000). The data will be substantially clarified in the near future, after the completion of the ongoing audit in Nenskra.

Pandemic Fiscal Risks

The COVID-19 pandemic has raised awareness of not just the increased likelihood of pandemics, but also the fiscal costs of public health and other measures to manage and mitigate pandemics. Health sector costs of treating the sick and measures to reduce the pandemic's spread can add to public expenditure. In addition, restrictions on economic activity to reduce the spread of a pandemic can lead to decline in GDP and government revenue.

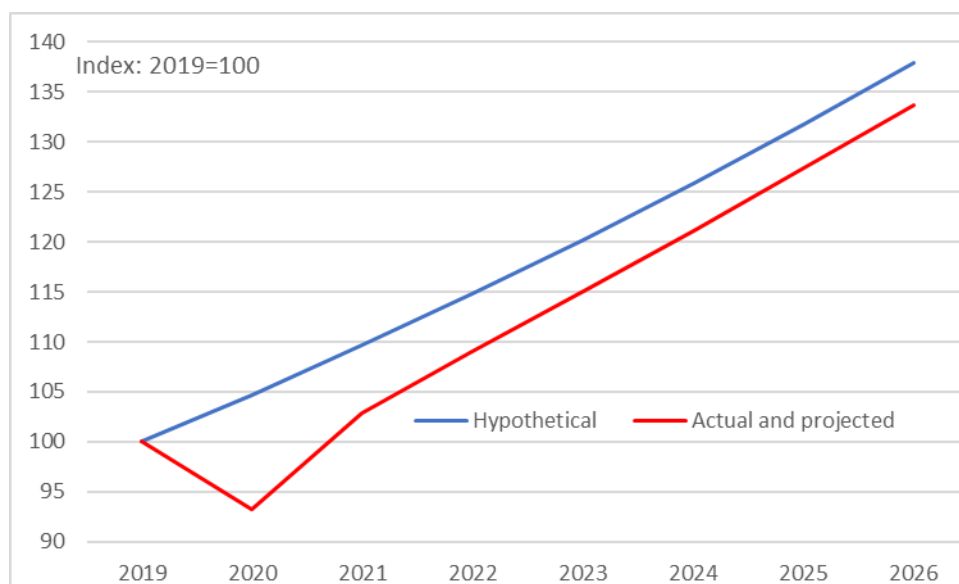
Reflecting this increased awareness, a chapter on pandemic fiscal risks was published in the 2021 Fiscal Risk Statement. With the advent of vaccines and the mutation of the virus, it is hoped that the worst of the COVID-19 pandemic is behind us. However, further mutations of the virus into a vaccine-resistance strain cannot be ruled out. Further, climate change might make Georgians susceptible to diseases that are novel to the country. This makes it important to publish another assessment of pandemic fiscal risks.

The 2021 FRS analysis of pandemic fiscal risks applied the International Monetary Fund's Pandemic and Natural Disaster Assessment Tool (PANDA-T) to the Georgian historical (pre-pandemic) national accounts and fiscal indicators. The 2022 FRS extends this analysis by using sectoral outputs in the Georgian economy in 2020 and 2021. The results suggest that should a future pandemic require prolonged lockdowns, public debt might rise by up to 25 percent of GDP. Before the results are described, Georgia's macroeconomic and fiscal experiences during the COVID-19 pandemic are summarized.

Georgia's macro-fiscal experience during the COVID-19 pandemic

Between 2010 and 2019, the Georgian economy grew by an average rate of 4.7 percent a year. The economy declined by 6.8 percent in 2020 but rebounded to grow by 10.4 percent in 2021. The economy is forecast to grow by over 5 percent a year until 2026 according to the Medium Term Fiscal Framework. However, as shown in Figure X, even if the MTFF forecasts were realised, the Georgian economy would still be smaller in 2026 than would have been the case in a hypothetical non-pandemic scenario of 4.7 percent annual growth.

Figure X: Real GDP in Georgia, 2019-2026



Source: MTFF. Hypothetical scenario assumes constant real GDP growth of 4.7 percent a year (the rate achieved between 2010 and 2019).

That is, the strong rebound notwithstanding, the pandemic has left a medium-term scar on the Georgian economy. Consistent with the output loss, government revenue has also been reduced. Meanwhile, expenditures rose sharply during the pandemic. Thus, there were considerable direct negative effects on public finances.

In 2020 and 2021, health expenditure increased by 2.6 percent of GDP to pay for healthcare goods and services, testing and treatment, purchase of vaccines, and purchase of COVID-19 related health equipment. In addition, additional pandemic related non-health care expenditures — compensation for private sector employees who lost employment, direct transfers to vulnerable families and people with severe disabilities, direct transfers to families with children, university tuition fee subsidies, subsidies to households for utilities (electricity and water) bills and tariff increases, subsidies for food producers, interest rate subsidies and other financial support to targeted sectors, microgrants — and forgone revenues due to income and property tax exemptions for businesses, amounted to 4.5 percent of GDP.

A combination of the economic contraction and the worsening net borrowing requirement caused the debt-to-GDP ratio to increase by 20 percentage points to 60.2 percent in 2020. The MTFF projects debt to decline to 41.4 percent of GDP in 2026, close to the pre-pandemic level. Of course, had there been no pandemic, Georgia would have had considerably more fiscal space. For example, had the nominal GDP growth, interest rates, and net primary borrowing remained at their 2010s averages, the debt-to-GDP ratio would have declined by as much as 15 percentage points of GDP between 2019 and 2026.

That is, strong fiscal consolidation notwithstanding, Georgia's fiscal space has been affected considerably by the pandemic.

Updating the PANDA-T module with Georgian data

The Pandemic and Natural Disaster Assessment Tool (PANDA-T) developed by the IMF uses parameter values that link deviations of outputs at industry sector level from their trend under different pandemic lockdown intensities and length over a number of years. In the 2021 analysis, the module's default parameter values—reflecting IMF research on cross-country experiences *before* the COVID-19 pandemic—were used. These parameter values were updated with the Georgian industry level outputs from 2020 and 2021.

Simulating the PANDA-T module with the updated parameter values suggests that, should there be another pandemic-induced lockdown similar to that which was experienced in 2020, real GDP could decline by 8.6 percent in the year of the impact (Year 1), before returning to the pre-lockdown baseline by Year 3. That is, the module simulation is qualitatively similar to the actual experience, albeit the economic impact is sharper and the recovery is stronger quantitatively.

The module also generates a fiscal response from the lockdowns that is quantitatively stronger than that which has been experienced, although they are broadly similar qualitatively. In the simulated scenario, the debt-to-GDP ratio increases by 25 percentage points, compared with the 20 percentage points increase experienced in 2020. In addition to the sharper macroeconomic adjustments in the module, another reason why debt increases further in the simulated scenario than in actual experience is that, unlike in the module, the weighted average nominal interest rate on Georgia's debt declined in 2020.

These differences notwithstanding, experiences from 2020 and 2021 as well as simulations using the PANDA-T module suggest that pandemics are an important fiscal risk for Georgia.

Annexes

Annex 1

Subsidiaries of State-Owned Enterprises

	SOE Name	state share in %	Founder	PC/GG/other	Economic Activity	Turnover 2022 (thousand Gel)
1	JSC Elmavalmshenebeli	13	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	2 083
2	LTD Rose Revolution Park	100	Tbilisi Municipality	PC	Communal, social and personal services	50
3	JSC Remsheni	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	13
4	LTD Geoexpertise	100	Georgian Chamber of Commerce and Industry	GG	Real Estate transactions, leasing and customer service	140
5	LTD Tbilisi N3 Medical Prophylactic Center	100	Tbilisi Municipality	GG	Human health and social work activities	205
6	JSC Builder	51	Ministry of Economy and Sustainable Development of Georgia	GG	Construction	-
7	JSC Boris Paichadze National Stadium	92	Tbilisi Municipality	GG	Communal, social and personal services	543

8	LTD V. Sanikidze War Veterans Clinical Hospital	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	81
9	LTD Social Rehabilitation Center for Persons with Disabilities	100	Ministry of Economy and Sustainable Development of Georgia	GG	Manufacturing	107
10	LTD Adult and Pediatric Pathology Scientific-Practical Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
11	LTD Wine Laboratory	100	Ministry of Economy and Sustainable Development of Georgia	PC	Real Estate transactions, leasing and customer service	2 069
12	JSC Georgian Railway	100	JSC Partnership Fund	PC	Transport and communication	499 078
13	LTD Tbilisi Transport Company	100	Tbilisi Municipality	PC	Transport and communication	145 736
14	JSC N. Makhviladze Scientific Research Institute of Occupational Medicine and Ecology	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
15	LTD City Blood Transfusion Station	100	Tbilisi Municipality	GG	Human health and social work activities	17
16	LTD Hermes	100	Tbilisi Municipality	PC	Communal, social and personal services	5 373
17	LTD Georgian Bazaar	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-

18	LTD Georgian TV and Radio Center	100	Ministry of Economy and Sustainable Development of Georgia	PC	Transport and communication	5 018
19	LTD Georgian Post	100	Ministry of Economy and Sustainable Development of Georgia	PC	Transport and communication	93 919
20	JSC Sakpressa	15	Ministry of Economy and Sustainable Development of Georgia	other	Trade; Repair of automobiles, household goods and personal items	-
21	JSC Georgian Tungo and Essential Oil	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
22	LTD Gurjistan Newspaper	51	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
23	JSC Kakheti Energy Distribution	100	Ministry of Economy and Sustainable Development of Georgia	GG	Electricity, gas and water production and distribution	-
24	LTD Marabda-Kartsakhi Railway	100	Ministry of Economy and Sustainable Development of Georgia	other	Construction	3 780
25	LTD Georgian Land Reclamation	100	Ministry of Environmental Protection and Agriculture of Georgia	GG	Agriculture, hunting and forestry	7 824
26	LTD Service- 7	100	Ministry of Economy and Sustainable Development of Georgia	PC	Communal, social and personal services	1 624
27	LTD Royal District Theater	49	Tbilisi Municipality	other	Real Estate transactions,	114

					leasing and customer service	
28	LTD Tsinandali Estates	33	JSC Partnership Fund/LTD Tsinandali Savane(54.49%)	other	Hotels and Restaurants	17 943
29	LTD Georgian Lottery Company	70	Ministry of Economy and Sustainable Development of Georgia	PC	Communal, social and personal services	-
30	LTD Newspaper Vrastani	51	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
31	LTD Tskneti Medical Outpatient Clinic	100	Tbilisi Municipality	GG	Human health and social work activities	38
32	JSC Energotekkomplekti	25	Ministry of Economy and Sustainable Development of Georgia	other	Construction	3
33	LTD Sportmshenservice	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	3 262
34	JSC Saktransgazmretsvi	100	Ministry of Economy and Sustainable Development of Georgia	GG	Electricity, gas and water production and distribution	-
35	LTD GCCI Service	100	Georgian Chamber of Commerce and Industry	GG	Real Estate transactions, leasing and customer service	199
36	LTD Logos	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and	-

					customer service	
37	JSC Georgian State Electrosystem	100	Ministry of Economy and Sustainable Development of Georgia	PC	Electricity, gas and water production and distribution	298 604
38	LTD Medula - Chemotherapy and Immunotherapy Clinic	15	Ministry of Education and Science of Georgia	other	Human health and social work activities	-
39	LTD Mushtaidi Culture and Recreation Park	100	Tbilisi Municipality	PC	Communal, social and personal services	770
40	LTD State Construction Company	100	Ministry of Economy and Sustainable Development of Georgia	GG	Construction	102
41	JSC Electricity System Commercial Operator	100	Ministry of Economy and Sustainable Development of Georgia	GG	Electricity, gas and water production and distribution	723 029
42	LTD Abkhazia Psychoneurological Dispensary	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	-
43	LTD EXPRESS	70	Ministry of Economy and Sustainable Development of Georgia	PC	Real Estate transactions, leasing and customer service	254
44	LTDTbilisi №4 Family Medicine Center	100	Tbilisi Municipality	GG	Human health and social work activities	569
45	LTD Rehabilitation	100	Ministry of Economy and Sustainable Development of Georgia	PC	Real Estate transactions, leasing and customer service	162

46	LTD Georgian Gas Transportation Company	100	Ministry of Economy and Sustainable Development of Georgia	PC	Transport and communication	149 242
47	LTD Tbilaviamsheni	100	Ministry of Economy and Sustainable Development of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	1
48	LTD Sakgeoservice	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-
49	JSC Georgian Oil and Gas Corporation	100	JSC Partnership Fund	PC	Electricity, gas and water production and distribution	736 724
50	LTD Tbilservice Group	100	Tbilisi Municipality	GG	Communal, social and personal services	114 669
51	LTD IDP Family Medicine Center	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	241
52	LTD Medical dispensary Ponichala	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	19
53	LTD Agricultural Logistics and Services Company	100	NNLE Agriculture Projects Management Agency	GG	Agriculture, hunting and forestry	13 184
54	LTD Sakaeronavigatsia	100	Ministry of Economy and Sustainable Development of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	76 741

55	LTD Adult Polyclinic N25, Tbilisi	100	Tbilisi Municipality	GG	Human health and social work activities	91
56	JSC Fermentation	49	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	-
57	LTD Lilo Medical Center	100	Tbilisi Municipality	GG	Human health and social work activities	12
58	LTD Tbilisi Mental Health Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	13
59	JSC United Energy System Sakrusenergo	50	Ministry of Economy and Sustainable Development of Georgia	PC	Electricity, gas and water production and distribution	40 834
60	LTD Specialized Epidemiological Surveillance Center for Disinfection, Disinsection and Sterilization	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
61	LTD Outpatient Medical Rehabilitation Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	7
62	JSC Business Center Agromontation	59	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-
63	LTD Sports Palace	100	Tbilisi Municipality	PC	Real Estate transactions, leasing and customer service	1 423
64	JSC Scientific-Practical Center for AIDS and Clinical Immunology of Infectious Pathology	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	708

65	LTD Kutaisi N4 Mixed Polyclinic	100	Kutaisi Municipality	GG	Human health and social work activities	395
66	LTD Kutaisi Regional Blood Bank	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	129
67	LTD Kutaisi Press House	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
68	LTD Kutaisi Elevator	100	Kutaisi Municipality	GG	Communal, social and personal services	-
69	LTD Kutaisi Adult Polyclinic N5	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	53
70	LTD B. Gabashvili Culture and Recreation Park	100	Kutaisi Municipality	GG	Communal, social and personal services	301
71	LTD LJ & Company - Center for Tuberculosis and Infectious Diseases of Western Georgia	5	Ministry of Economy and Sustainable Development of Georgia	other	Human health and social work activities	12 347
72	LTD Kutaisi d. Nazarishvili Family Medicine and Family Medicine Training Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	466
73	LTD IGS	50	Ministry of Economy and Sustainable Development of Georgia	GG	Manufacturing	16
74	LTD Shans Oil	100	Ministry of Economy and Sustainable Development of Georgia	GG	Trade; Repair of automobiles, household goods and personal items	-

75	LTD Company Imeretmsheni-2000	5	Ministry of Economy and Sustainable Development of Georgia	other	Construction	-
76	LTD IDP Family Medicine Center - Bichvinta	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	23
77	LTD Building Materials	100	Ministry of Economy and Sustainable Development of Georgia	GG	Construction	-
78	LTD Vardisubani	70	Ministry of Economy and Sustainable Development of Georgia	GG	Hotels and Restaurants	-
79	LTD Mountain Resorts Development Company	100	Ministry of Economy and Sustainable Development of Georgia	GG	Transport and communication	4 485
80	LTD Football Club Kolkheti 1913	100	Poti Municipality	GG	Communal, social and personal services	-
81	LTD Poti Polyclinic for Internally Displaced Persons from Abkhazia	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	9
82	LTD Laboratory Research Center	100	Poti Municipality	GG	Human health and social work activities	-
83	LTD Poti Free Industrial Zone	10	Ministry of Economy and Sustainable Development of Georgia	other	Real Estate transactions, leasing and customer service	3 591
84	LTD Football Club Chiatura	100	Chiatura Municipality	GG	Communal, social and personal services	-

85	LTD Kvemo Kartli Regional Blood Transfusion Station	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
86	LTD Rustavi Mental Health Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	13
87	LTD Rustavi Skin and Venereal Diseases Dispensary	100	Rustavi Municipality	GG	Human health and social work activities	111
88	LTD Architect	100	Rustavi Municipality	GG	Real Estate transactions, leasing and customer service	46
89	LTD Gema	100	Rustavi Municipality	GG	Communal, social and personal services	197
90	LTD Basketball Club - Rustavi 1991	100	Rustavi Municipality	GG	Communal, social and personal services	-
91	LTD Rustavi Municipal Road Transport Enterprise	100	Rustavi Municipality	GG	Transport and communication	154
92	LTD Gori Dental Polyclinic	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
93	LTD Kurta Hospital	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
94	LTD Nikozis Ambulatoria	100	Gori Municipality	GG	Human health and social work activities	33
95	LTD Football Club Miner	100	Tkhibuli Municipality	GG	Communal, social and	-

					personal services	
96	JSC Tsekavshiri Zugdidi Food Factory	51	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	98
97	LTD Zugdidi Pharmacy	100	Ministry of Economy and Sustainable Development of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	-
98	LTD Zugdidi Polyclinic for Internally Displaced Persons from Abkhazia	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	155
99	LTD Zugdidi Municipal Transport	100	Zugdidi Municipality	GG	Transport and communication	-
100	JSC Sanatorium Gelati	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
101	JSC Sanatorium Imereti	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
102	JSC Sanatorium Friendship	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
103	LTD Geguti Polyclinic	100	Tskaltubo Municipality	GG	Human health and social work activities	65
104	LTD Tskaltubo Polyclinic for Internally Displaced Persons from Abkhazia	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	57
105	LTD Ambrolauri Service Center	100	Ambrolauri Municipality	GG	Communal, social and	298

					personal services	
106	LTD New Transport	100	Ambrolauri Municipality	GG	Transport and communication	-
107	LTD Largvisi Medical Outpatient	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
108	LTD Akhalgori District Polyclinic	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
109	LTD Akhalgori local Hospital	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
110	LTD Tsinagris Medical Dispensary	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
111	LTD Restaurant Baghdati	51	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	1
112	LTD Des-Effect	100	Bolnisi Municipality	GG	Communal, social and personal services	-
113	LTD Hospital-Polyclinic Association	100	Bolnisi Municipality	GG	Human health and social work activities	16
114	LTD Kveshi Medical Dispensary	100	Bolnisi Municipality	GG	Human health and social work activities	3
115	LTD Communal Services	100	Bolnisi Municipality	GG	Communal, social and personal services	-

116	LTD Newspaper Bolnisi	100	Bolnisi Municipality	GG	Communal, social and personal services	-
117	LTD Bolnisi Culture and Recreation Park	100	Bolnisi Municipality	GG	Communal, social and personal services	5
118	LTD Football Club Sioni Ltd	100	Bolnisi Municipality	GG	Communal, social and personal services	951
119	LTD Bolnisi-2000	70	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-
120	JSC Wagon	33	Ministry of Economy and Sustainable Development of Georgia	other	Real Estate transactions, leasing and customer service	2 992
121	LTD Kojori Medical Dispensary	100	Tbilisi Municipality	GG	Human health and social work activities	10
122	JSC Tbilisresmsheni	100	Ministry of Economy and Sustainable Development of Georgia	GG	Construction	-
123	LTD Kumisi Dispensary	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	0
124	LTD Axali Samgoris Dispensary	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
125	LTD Gardabanproject	100	Garabani Municipality	GG	Real Estate transactions,	-

					leasing and customer service	
126	LTD Chateau Zegaani	3	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	967
127	JSC Resort Akhtala	99	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	343
128	LTD Shida Kartli Primary Health Care Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	1
129	LTD Shirak	100	Dedoplistqaro Municipality	GG	Communal, social and personal services	-
130	LTD Dusheti Disinfection Service	100	Dusheti Municipality	GG	Communal, social and personal services	-
131	LTD Barisakhos Dispensary	100	Dusheti Municipality	GG	Human health and social work activities	-
132	LTD Shatili Medical Dispensary	100	Dusheti Municipality	GG	Human health and social work activities	-
133	LTD Automotive Enterprise - 2006	100	Dusheti Municipality	GG	Transport and communication	195
134	JSC Grace	43	Ministry of Economy and Sustainable Development of Georgia	other	Real Estate transactions, leasing and customer service	-
135	LTD Kvirila	100	Zestafoni Municipality	GG	Real Estate transactions,	53

					leasing and customer service	
136	LTD Manglisi Hospital Polyclinic	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
137	LTD Tetrtskaro Service Group	100	Tetrtskaro Municipality	GG	Communal, social and personal services	2 317
138	JSC Alazani	50	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-
139	JSC Akura	99	Ministry of Environmental Protection and Agriculture of Georgia	PC	Manufacturing	14 985
140	Deo-Clack	20	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	-
141	LTD Telavi Psychoneurological Dispensary	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	50
142	LTD Child Health Center	100	Telavi Municipality	GG	Human health and social work activities	76
143	LTD Terjola	100	Terjola Municipality	GG	Trade; Repair of automobiles, household goods and personal items	-
144	LTD New Gantiadi	100	Kaspi Municipality	GG	Communal, social and	0

					personal services	
145	LTD Xurotmodzgvari	100	Lagodekhi Municipality	GG	Real Estate transactions, leasing and customer service	-
146	LTD Grigol Ormotsadze Center Neuron	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	0
147	LTD Lanchkhuti	100	Lanchkhuti Municipality	GG	Trade; Repair of automobiles, household goods and personal items	-
148	LTD Guria Medical Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
149	LTD Autopark of Marneuli Municipality	100	Marneuli Municipality	GG	Transport and communication	320
150	LTD Mestia Municipal Transport	100	Mestia Municipality	GG	Transport and communication	447
151	LTD Autozaz	5	Ministry of Economy and Sustainable Development of Georgia	other	Real Estate transactions, leasing and customer service	10
152	JSC Glass	0,1	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	82 203
153	LTD Dastakari	100	Tbilisi Municipality	GG	Human health and social work activities	1

154	LTD Uniormsheni	60	Ministry of Economy and Sustainable Development of Georgia	GG	Construction	-
155	LTD Devebi	1	Ministry of Economy and Sustainable Development of Georgia	other	Hotels and Restaurants	-
156	LTD Adam Beridze Soil and Food Diagnostic Center "Anaseuli"	100	Ministry of Economy and Sustainable Development of Georgia	GG	Agriculture, hunting and forestry	331
157	LTD Ozurgeti Municipality Board Enterprise - Municipal Transport	100	Ozurgeti Municipality	GG	Transport and communication	-
158	JSC Samtredia 2002	90	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	-
159	LTD Samtredia Herald	100	Samtredia Municipality	GG	Communal, social and personal services	-
160	LTD Sports Complex - Samtredia	100	Samtredia Municipality	GG	Real Estate transactions, leasing and customer service	-
161	LTD Sachkhere Water Supply	100	Sachkhere Municipality	GG	Electricity, gas and water production and distribution	964
162	JSC Sachkhere Production Combine	75	Ministry of Economy and Sustainable Development of Georgia	GG	Mining	-
163	LTD Forming Sands	49	Ministry of Economy and Sustainable Development of Georgia	other	Mining	602

164	JSC Sachkheregaz	100	Sachkhere Municipality	PC	Electricity, gas and water production and distribution	6 416
165	JSC Sachkhere District Hospital-Polyclinic Association	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	1 676
166	LTD Senaki Hospital-Polyclinic Association	100	Senaki Municipality	GG	Human health and social work activities	113
167	LTD Information Center	100	Senaki Municipality	GG	Communal, social and personal services	-
168	LTD Senaki Children's Hospital	100	Senaki Municipality	GG	Human health and social work activities	26
169	LTD Dispensary-polyclinic association	100	Senaki Municipality	GG	Human health and social work activities	34
170	LTD Senaki Maternity Hospital	100	Senaki Municipality	GG	Human health and social work activities	13
171	LTD Senaki Mental Health Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
172	LTD Senaki IDP Polyclinic	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	9
173	LTD Panacea	100	Kazbegi Municipality	GG	Trade; Repair of automobiles, household goods and personal items	154

174	LTD Media Center	100	Kvareli Municipality	GG	Communal, social and personal services	5
175	LTD Kevri	72	Ministry of Economy and Sustainable Development of Georgia	GG	Agriculture, hunting and forestry	-
176	LTD Tsageri Auto-Tractor Park	100	Tsageri Municipality	GG	Construction	-
177	LTD IDPs from Abkhazia Dispensary	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	48
178	LTD East Georgia Mental Health Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	0
179	LTD Tsalka Municipality AutoService	100	Tsalka Municipality	GG	Transport and communication	-
180	JSC Autotrans	36	Ministry of Economy and Sustainable Development of Georgia	other	Transport and communication	3
181	JSC Khashuri glass container	23	Ministry of Economy and Sustainable Development of Georgia	other	Manufacturing	107
182	LTD Mzia Nikolaishvili Surami Polyclinic	100	Khashuri Municipality	GG	Human health and social work activities	23
183	LTD Khashuri Disinfection, Disinsection, Deratization and Sterilization Service	100	Khashuri Municipality	GG	Communal, social and personal services	-
184	JSC Khobi Petroleum Product	51	Ministry of Economy and Sustainable Development of Georgia	GG	Trade; Repair of automobiles, household goods and personal items	-

185	LTD Khobi Polyclinic for IDPs from Abkhazia	100	State body Autonomous Republic of Abkhazia	GG	Human health and social work activities	2
186	LTD Khobi Cleaning and Lighting	100	Khobi Municipality	GG	Communal, social and personal services	27
187	LTD Abkhazia	100	Khobi Municipality	GG	Communal, social and personal services	-
188	LTD Acad. B. Naneishvili National Center for Mental Health	5	Ministry of Economy and Sustainable Development of Georgia	other	Human health and social work activities	13 464
189	LTD Batumi Seaport	100	Ministry of Economy and Sustainable Development of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	59 635
190	LTD Adjara Asset Management Company	100	Batumi Municipality	GG	Real Estate transactions, leasing and customer service	-
191	LTD Batumi Oil Refinery	100	Batumi Municipality	PC	Real Estate transactions, leasing and customer service	533
192	JSC Batumi Autostation	30	Batumi Municipality	other	Real Estate transactions, leasing and customer service	303

193	LTD Batumi Regional Center for Infectious Diseases, AIDS and Tuberculosis	100	Batumi Municipality	GG	Human health and social work activities	1 002
194	LTD Adjara Technical Specialists Training Center	100	Batumi Municipality	GG	Human health and social work activities	28
195	LTD Batumi №1 Polyclinic	100	Batumi Municipality	GG	Human health and social work activities	462
196	LTD Newspaper Adjara and Adjara	100	Batumi Municipality	GG	Communal, social and personal services	-
197	LTD Batumi Republican Clinical Hospital	100	Batumi Municipality	GG	Human health and social work activities	1 122
198	LTD Batumi Autotransport	100	Batumi Municipality	GG	Transport and communication	14 267
199	LTD Sanitation	100	Batumi Municipality	GG	Communal, social and personal services	11 610
200	LTD Batumi Water	100	Batumi Municipality	PC	Manufacturing	16 129
201	LTD Dinamo Batumi	100	Batumi Municipality	PC	Communal, social and personal services	847
202	LTD Black Sea Flora and Fauna Research Center	100	Batumi Municipality	PC	Real Estate transactions, leasing and customer service	2 180
203	LTD Adjara Waste Management Company	100	Batumi Municipality	GG	Real Estate transactions,	18

					leasing and customer service	
204	LTD Shopping Center 2009	100	Batumi Municipality	PC	Real Estate transactions, leasing and customer service	2 855
205	LTD Goderdzi Resorts	100	Batumi Municipality	GG	Hotels and Restaurants	6
206	LTD Keda AutoTransport Enterprise	100	Keda Municipality	GG	Transport and communication	-
207	LTD Keda Communal Service	100	Keda Municipality	GG	Communal, social and personal services	858
208	LTD Kobuleti Transregulation	100	Kobuleti Municipality	GG	Transport and communication	519
209	JSC Kobuleti Resort Polyclinic	98	Kobuleti Municipality	GG	Human health and social work activities	207
210	LTD Kobuleti Preventive Disinfection Station	100	Kobuleti Municipality	GG	Communal, social and personal services	-
211	LTD Kobuleti Water	100	Kobuleti Municipality	GG	Manufacturing	691
212	LTD Engurhesi	100	Ministry of Economy and Sustainable Development of Georgia	PC	Electricity, gas and water production and distribution	95 512
213	LTD Autoparking 2011	100	Tbilisi Municipality	GG	Real Estate transactions, leasing and	620

					customer service	
214	JSC Georgian Film Development Center	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	-
215	LTD Georgian Food Company	100	Ministry of Defense of Georgia	GG	Hotels and Restaurants	-
216	LTD Delta International	100	Ministry of Defense of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	439
217	LTD Construction Company - Builder 2011	100	Ministry of Defense of Georgia	GG	Construction	78 656
218	LTD Chkhorotsku Samegrelo	100	Chkhorotsku Municipality	GG	Communal, social and personal services	-
219	LTD Infrastructure Development Partner Company	100	JSC Partnership Fund	GG	Financial activities	-
220	NNLE Georgian Medical Holding	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-
221	LTD Tolia 2020	100	Ministry of Justice of Georgia	GG	Communal, social and personal services	2
222	LTD Delta Textile	100	Ministry of Defense of Georgia	GG	Manufacturing	13 179
223	LTD Regional Hospital	100	Ministry of Economy and Sustainable Development of Georgia	GG	Human health and social work activities	-

224	LTD Imereti Greener	100	JSC Partnership Fund/ შპს "Georgian Fresh Holding B.V."	GG	Agriculture, hunting and forestry	1 225
225	LTD Georgian Airports Association	100	Ministry of Economy and Sustainable Development of Georgia	PC	Trade; Repair of automobiles, household goods and personal items	56 224
226	JSC Georgian Energy Development Fund	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	12 157
227	LTD Ilia Garden	100	Tbilisi Municipality	PC	Real Estate transactions, leasing and customer service	279
228	JSC Partnership Fund	100	State Body	GG	Financial activities	679
229	JSC Borjomi Likani International	100	JSC Partnership Fund	GG	Hotels and Restaurants	13 105
230	LTD Borjomi Likani	100	JSC Partnership Fund	GG	Hotels and Restaurants	-
231	LTD New Technology Impex	10	JSC Partnership Fund	other	Manufacturing	1 172
232	LTD Thermal Waters	100	Ministry of Economy and Sustainable Development of Georgia	PC	Manufacturing	173
233	LTD Lagodekhi Trade Center	100	JSC Partnership Fund	GG	Construction	-
234	LTD Georgian Black Sea Port	100	JSC Partnership Fund	GG	Real Estate transactions, leasing and	-

					customer service	
235	LTD Anaklia Development Consortium	0,01	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	0
236	LTD State Food Provision	100	Ministry of Economy and Sustainable Development of Georgia	GG	Hotels and Restaurants	46 570
237	LTD Rukhi Shopping Center	100	JSC Partnership Fund	GG	Real Estate transactions, leasing and customer service	511
238	JSC Aerostructure Technologies	33	JSC Partnership Fund/LTD Project (33%), Elbit Systems Cyclone (34%)	other	Manufacturing	15 846
239	LTD Startup Georgia	100	JSC Partnership Fund	GG	Financial activities	0
240	LTD Ecoservice Group	100	Tbilisi Municipality	GG	Real Estate transactions, leasing and customer service	739
241	NNLE Peace Fund for a better future	100	JSC Partnership Fund	GG	Financial activities	-
242	LTD Tbilisi Logistics Center	100	JSC Partnership Fund	GG	Real Estate transactions, leasing and customer service	-
243	LTD Perspective	100	Ministry of Justice of Georgia	GG	Real Estate transactions, leasing and	66

					customer service	
244	LTD Food Production Company	63	Ministry of Economy and Sustainable Development of Georgia	GG	Manufacturing	127
245	LTD Georgian Solid Waste Management Company	100	Ministry of Regional Development and Infrastructure of Georgia	GG	Communal, social and personal services	4 474
246	LTD Asset Management and Development Company	100	Ministry of Economy and Sustainable Development of Georgia	GG	Real Estate transactions, leasing and customer service	8 751
247	JSC Nenskra Hydro	8	JSC Partnership Fund/K Water (Korea) 90%	other	Construction	628
248	LTD Black Sea Arena Georgia	100	Ministry of Economy and Sustainable Development of Georgia	GG	Communal, social and personal services	218
249	LTD Global Brand	100	JSC Partnership Fund	GG	Manufacturing	9
250	LTD Georgian Sectoral and Regional Development Company	100	JSC Partnership Fund	PC	Financial activities	42
251	LTD Likani Residence	100	JSC Partnership Fund	GG	Hotels and Restaurants	-
252	KSH Caucasian Sus Heritage	50	JSC Partnership Fund/ LTD Native Georgia (49.90%)	GG	Agriculture, hunting and forestry	134
253	LTD East West Bridge	100	JSC Partnership Fund	GG	Financial activities	-
254	LTD Partnership Fund-Green Development	100	JSC Partnership Fund	GG	Hotels and Restaurants	8

255	LTD Crop Management Company	100	Ministry of Economy and Sustainable Development of Georgia	GG	Agriculture, hunting and forestry	6 773
256	LTD United Water Supply Company of Georgia	100	Ministry of Regional Development and Infrastructure of Georgia	GG	Electricity, gas and water production and distribution	51 651
257	LTD Basketball Club Kutaisi-2010	100	Kutaisi Municipality	GG	Communal, social and personal services	-
258	LTD Georgian Traditions 2011	100	Tbilisi Municipality	GG	Communal, social and personal services	-
259	LTD Parking Service	100	Kutaisi Municipality	GG	Transport and communication	478
260	LTD Football Club Kutaisi Management	100	Kutaisi Municipality	GG	Communal, social and personal services	-
261	LTD Ramaz Shengelia Stadium	100	Kutaisi Municipality	GG	Communal, social and personal services	-
262	LTD Kutaisi Transport Company	100	Kutaisi Municipality	GG	Transport and communication	1 527
263	LTD Poti Transport Company	100	Poti Municipality	GG	Transport and communication	-
264	LTD Chiatura Transport Company	100	Chiatura Municipality	GG	Transport and communication	134
265	LTD Chiatura Water	100	Chiatura Municipality	GG	Electricity, gas and water production and distribution	-

266	LTD Football Club Rustavi	100	Rustavi Municipality	GG	Trade; Repair of automobiles, household goods and personal items	-
267	LTD ANAKLIA-GANMUKHURI RESORTS	100	Zugdidi Municipality	GG	Construction	177
268	LTD Akhalkalaki Agrarian Market	100	Akhalkalaki Municipality	GG	Real Estate transactions, leasing and customer service	24
269	LTD Improvement	100	Akhaltzikhe Municipality	GG	Communal, social and personal services	147
270	LTD Bolnisi Municipal Transport Service	100	Bolnisi Municipality	GG	Transport and communication	696
271	LTD Ritual Service Agency	100	Bolnisi Municipality	GG	Real Estate transactions, leasing and customer service	-
272	LTD Bolnisi Agro Center	100	Bolnisi Municipality	GG	Manufacturing	5
273	LTD Dusheti Agro Market	100	Dusheti Municipality	GG	Real Estate transactions, leasing and customer service	34
274	LTD Municipalmsheni	100	Dusheti Municipality	GG	Construction	78
275	LTD Telavi Municipality Service Improvement	100	Telavi Municipality	GG	Communal, social and personal services	1 641

276	LTD Rural Water	100	Kaspi Municipality	GG	Construction	-
277	LTD Women's Football Club Lanchkhuti Lanchkhuti	100	Lanchkhuti Municipality	GG	Communal, social and personal services	-
278	LTD Marneuli Soptskali	100	Marneuli Municipality	GG	Manufacturing	1 520
279	LTD Marneuli Organic Waste Processing Enterprise	100	Marneuli Municipality	GG	Manufacturing	13
280	LTD Martvili Central Group	80	Martvili Municipality	GG	Communal, social and personal services	-
281	LTD Chuberi-Ushguli Specialized Dispansery Service	100	Mestia Municipality	GG	Human health and social work activities	-
282	LTD Mestia Hospital-Dispansery Association	100	Mestia Municipality	GG	Human health and social work activities	257
283	LTD Mtskheta Soptskali	100	Mtskheta Municipality	GG	Construction	-
284	LTD Mukhrani Agrocultural market	100	Mtskheta Municipality	GG	Real Estate transactions, leasing and customer service	27
285	LTD Satsi	100	Ozurgeti Municipality	GG	Manufacturing	-
286	LTD Ozurgeti Municipality Football Club-Swallow	100	Ozurgeti Municipality	GG	Real Estate transactions, leasing and customer service	-

287	LTD Oni Service Group	100	Oni Municipality	GG	Real Estate transactions, leasing and customer service	638
288	LTD Sagarejo Municipality Information Newspaper Gareji Matsne	100	Sagarejo Municipality	GG	Communal, social and personal services	-
289	LTD Sagarejo	100	Sagarejo Municipality	GG	Communal, social and personal services	-
290	LTD Football Club Sagarejo Gareji	40	Sagarejo Municipality	other	Communal, social and personal services	666
291	LTD Clean Municipality 2018	100	Sagarejo Municipality	GG	Communal, social and personal services	-
292	LTD Chokhatauri Agro Market	100	Chokhatauri Municipality	GG	Real Estate transactions, leasing and customer service	29
293	LTD Khobi Municipality Water Supply	100	Khobi Municipality	GG	Manufacturing	-
294	LTD Handball Club Batumi	100	Batumi Municipality	GG	Communal, social and personal services	-
295	LTD Basketball Club Batumi - 2010	100	Batumi Municipality	GG	Communal, social and personal services	-

296	LTD International Arbitration Under Chamber of Commerce-Industry of Ajara A.R	100	Batumi Municipality	GG	Real Estate transactions, leasing and customer service	-
297	LTD Volleyball Club Batumi	100	Batumi Municipality	GG	Communal, social and personal services	-
298	LTD Rugby Club Batumi	100	Batumi Municipality	GG	Communal, social and personal services	-
299	LTD Water Polo Club Batumi	100	Batumi Municipality	GG	Communal, social and personal services	-
300	LTD Adjara Project Management Company	100	Batumi Municipality	GG	Construction	1 258
301	JSC Adjara Water Alliance	26	Batumi Municipality	other	Electricity, gas and water production and distribution	-
302	LTD Football Club Bethlehem	100	Keda Municipality	GG	Communal, social and personal services	-
303	LTD Kedi Water Channel	100	Keda Municipality	GG	Manufacturing	-
304	LTD Rugby Club Firals	100	Keda Municipality	GG	Communal, social and personal services	-
305	LTD Keda Tourism Development Support Center	100	Keda Municipality	GG	Hotels and Restaurants	31

306	LTD Football Club Shukura	100	Kobuleti Municipality	GG	Communal, social and personal services	-
307	LTD Rugby Club Ponto	100	Kobuleti Municipality	GG	Communal, social and personal services	-
308	LTD Khelvachauri Water Canal	100	Khelvachauri Municipality	GG	Manufacturing	-
309	LTD Machakhela Football Club	100	Khelvachauri Municipality	GG	Communal, social and personal services	-
310	LLC Georgian Natural Products	100	JSC Partnership Fund	GG	Trade; Repair of automobiles, household goods and personal items	-
311	LLP Caucasus Clean Energy I	10	JSC Partnership Fund/other international shareholders (90%)	other	Financial activities	-
312	Gazelle Fund LP	29	JSC Partnership Fund/other international shareholders (70.90%)	other	Financial activities	-
313	LTD Imereti Agro Zone	100	Ministry of Environmental Protection and Agriculture of Georgia	GG	Agriculture, hunting and forestry	-
314	LTD Delta CAA	25	Ministry of Defense of Georgia	other	Manufacturing	-
315	LTD Delta+	50	Ministry of Defense of Georgia	GG	Manufacturing	-

316	LTD Batumi Republican Clinical Hospital	100	Batumi Municipality	GG	Human health and social work activities	325
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Daughter Companies

	SOE Name	state share in %	Founder	PC/GG/other
1	JSC Agroinvest	100	LTD Rehabilitation	GG
2	LTD Saknavtprodukti	100	LTD Rehabilitation	GG
3	LTD Tbilisi N2 Lung Diseases Outpatient Clinic	100	JSC National Center for Tuberculosis and Lung Diseases	GG
4	JSC Georgian Film	100	JSC Georgian Film Development Center	GG
5	JSC Georgian film-real estate	100	JSC Georgian Film	GG
6	LTD NATIONAL CENTER FOR TUBERCULOSIS AND LUNG DISEASE	100	NNLE Georgian Medical Holding	GG
7	LTD GR Property Management	100	JSC Georgian Railway	PC
8	LTD GR Logistics and Terminals	100	JSC Georgian Railway	PC
9	LTD GeoBook	100	LTD Rehabilitation	GG
10	LTD Tbilisi State Concert Hall	100	LTD Asset Management and Development Company	GG
11	LTD Sakcoopservice	100	LTD Rehabilitation	GG
12	JSC Energoremsheni	9	LTD Rehabilitation	other

13	JSC Georgian Railway Construction	100	JSC Georgian Railway	GG
14	LTD National High Technology Center of Georgia	100	LTD Asset Management and Development Company	PC
15	LTD Tbilisi Children's Infectious Clinical Hospital	100	NNLE Georgian Medical Holding	PC
16	JSC Givi Zaldastanishvili American Academy in Tbilisi	0,1	LTD Tbilaviamsheni	other
17	LTD Special Cap Service	100	LTD Asset Management and Development Company	GG
18	LTD GR Georgia Transit	100	JSC Georgian Railway	PC
19	LTD Sakspectransi	100	LTD Asset Management and Development Company	GG
20	LTD Academician Nikoloz Kipshidze Central University Clinic	100	NNLE Georgian Medical Holding	PC
21	LTD Demetre 96	100	LTD Asset Management and Development Company	GG
22	LTD Tbilisi N1 Lung Diseases Outpatient Clinic	100	JSC National Center for Tuberculosis and Lung Diseases	GG
23	LTD Scientific-Practical Center of Clinical Pathology	100	LTD Rehabilitation	GG
24	LTD Technical Specialists Training Center	100	LTD Rehabilitation	GG
25	LTD Tam-Valley	100	LTD Tbilaviamsheni	GG
26	LTD Tam-Energy	100	LTD Tbilaviamsheni	GG
27	LTD Tam-Kera	100	LTD Tbilaviamsheni	GG
28	LTD Tam-Polymer	100	LTD Tbilaviamsheni	GG

29	LTD Samtomashveli	100	LTD Asset Management and Development Company	PC
30	LTD Fashion Lyceum	100	LTD Demetre 96	GG
31	LTD National Product Sales Service	100	LTD Demetre 96	GG
32	JSC building-structures builder	8	LTD Rehabilitation	other
33	JSC "Tam" Tbilaviamsheni	94	LTD Tbilaviamsheni	PC
34	LTD MshentTechnician	63	LTD Rehabilitation	GG
35	LTD Vakhtang Bochorishvili Anti-Sepsis Center	100	LTD Rehabilitation	GG
36	LTD Kutaisi Regional Narcology Center	100	LTD Mental Health and Drug Prevention Center	GG
37	JSC Rioni	62	LTD Rehabilitation	GG
38	JSC Tkibuli Oil Product	76	LTD Rehabilitation	GG
39	LTD Samegrelo-Zemo Svaneti TV and radio company Samegrelo	64	LTD Rehabilitation	GG
40	LTD Infrastructure Development Company	100	LTD Rehabilitation	GG
41	JSC Sanatorium Railway	100	LTD Rehabilitation	GG
42	LTD Abastumani Lung Center	100	JSC National Center for Tuberculosis and Lung Diseases	GG
43	LTD Bolnisi Agrobazar	100	LTD Rehabilitation	GG
44	JSC Marble	56	LTD Rehabilitation	GG

45	LTD Regional Health Center	100	NNLE Georgian Medical Holding	GG
46	LTD Energy maintenance	46	LTD Rehabilitation	other
47	LTD Ninotsminda Ubon	56	LTD Rehabilitation	GG
48	JSC Resort Menji	100	LTD Asset Management and Development Company	GG
49	LTD Tskaltubo Thermal Waters	100	LTD Asset Management and Development Company	GG
50	LTD Georgian Traditions	100	LTD Rehabilitation	GG
51	LTD Senaki District Hospital	100	LTD Rehabilitation	GG
52	LTD Tsalenjikha Agrarian Market	100	LTD Georgian Bazaar	GG
53	LTD Tskaltubo Resort Development Company	100	LTD Rehabilitation	GG
54	LTD Georgia, Maritime Navigation	100	LTD Asset Management and Development Company	PC
55	LTD Batumi Airport	100	LTD Georgian Airports Association	PC
56	LTD Vardnili HPP Cascade	100	LTD Engurhesi	PC
57	LTD Sakpresa +	100	JSC Sakpresa	GG
58	Ltd Gino Green City Corporation	49	LTD PF Green Development	other
59	LTD GR Trans-Shipment	100	JSC Georgian Railway	PC
60	LTD GR Transit	100	JSC Georgian Railway	PC

61	LTD Maganahydro	49	JSC Georgian Energy Development Fund	other
62	LTD Georgian Kargo	100	LTD Georgian Post	GG
63	LTD Jeo-em-teks	49	LTD Delta Tekstil	other
64	LTD Gardabani Power Plant	49	JSC Partnership Fund / JSC Georgian Oil and Gas Corporation	PC
65	LTD GR Transit Line	100	JSC Georgian Railway	PC
66	JSC Chalik Georgia Wind	15	JSC Georgian Energy Development Fund	other
67	LTD Georgian Solar Company	10	JSC Georgian Energy Development Fund	other
68	LTD Enguri Tourist Center	100	JSC Georgian Energy Development Fund	GG
69	LTD Anaklia Magazine	100	LTD Anaklia Development Consortium	GG
70	LTD Borjomhesi	100	JSC Georgian Energy Development Fund	GG
71	JSC Georgian Energy Exchange	50	JSC Georgian State Electrosystem, JSC Electricity System Commercial Operator	GG
72	Georgia-Belarus trade and economic agency	10	LTD Rehabilitation	other
73	LTD Center for Mental Health and Prevention of Addiction	100	NNLE Georgian Medical Holding	GG
74	LTD Georgian Fruit and Vegetable Export Company	100	LTD Tbilisi Logistics Center	GG
75	LTD Akhalsopelihesi	100	JSC Georgian Energy Development Fund	GG

76	LTD Georgian Product	100	LTD Tbilisi Logistics Center	GG
77	JSC Universal Medical Center	100	NNLE Georgian Medical Holding	GG
78	LTD Kvirilahesi	20	JSC Georgian Energy Development Fund	other
79	LTD Chordulahesi	45	JSC Georgian Energy Development Fund	other
80	LTD Enguri Hydro-Accumulating Power Plant	40	JSC Georgian Energy Development Fund/ JSC Georgian Oil and Gas Corporation/LTD Engurhesi	other
81	JSC Namakhvani	100	JSC Georgian Energy Development Fund	GG
82	LTD Inter Glass-Georgia	40	LTD Georgian Gas Transportation Company	other
83	LTD Georgian Gas Storage Company	100	JSC Georgian Oil and Gas Corporation	GG
84	LTD Poti Fiz Ltd Communal Management TZK	100	LTD Poti Free Industrial Zone	GG
85	LTD GR Borjomi-Bakuriani	100	LTD GR Property Management	GG
86	LTD Gardabani Power Plant 2	100	JSC Georgian Oil and Gas Corporation	PC
87	LTD Kutaisi Davit Agmashenebeli International Airport	100	LTD United Airports of Georgia	GG
88	LTD Biomass Energy	100	JSC Georgian Energy Development Fund	GG
89	JSC Karchal Energy	100	JSC Georgian State Electrosystem	GG
90	Georgian Post (Greece)I.K.E	100	LTD Georgian Post	GG

91	GOGC Trading S.A.	100	JSC Georgian Oil and Gas Corporation	GG
92	LTD Georgian Post (Czech)	100	LTD Georgian Post	GG
93	LTD Gardabani Power Plant 3	100	JSC Georgian Oil and Gas Corporation	GG
94	LLC Owner of Natural Gas Transmission Network of Georgia	100	JSC Georgian Oil and Gas Corporation	GG
95	LTD Agroservice Centre	100	LTD Agricultural Logistics and Services Company	GG
96	JSC Gurjaani Oil Products	100	LTD Rehabilitation	GG