



**A CITIZEN'S GUIDE TO
THE 2010 STATE BUDGET
OF GEORGIA**

**January
2010**

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INTRODUCTION

What is a State Budget?

The State Budget is the main financial document of the country. It lays out activities that the government makes commitment to fund and the resources to fund those activities.

The budget has three main categories:

1. Receipts that includes all of those sub-categories that the Government of the country plans to collect the revenues from. The following are sub-categories of receipts: tax revenues, grants, privatization receipts, loans and etc.
2. Appropriations by activities and programs that the government plans to fund within that year. It also lays out information on compensation of public and military servants, police and on other expenditures.
3. Changes in the balance, which shows a difference that occurred as a result of accumulating revenues collected excessively or expenditures underspent. When the Government spends more than it has collected it uses fund from the balance account; however, in those cases when the government collects more than it spends, excessive funds get accumulated.

Brief review of the budget process in Georgia

The budget process has been regulated since 2004 with making “The budget system law of Georgia” effective. New law canceled all of the special funds that had existed before. All of the budget receipts were directed to the Treasury Single Account (TSA). This change increased the transparency of the budget process; Information on revenue collection and spending during the year became easily accessible for any interested group.

The budget process has been uninterruptedly improving since 2004, including changing and making the budget legislation consistent with the new budget process.

In 2006 medium term expenditure planning and basic data and direction (BDD) document was introduced. The document outlined the main macro-economic indicators and basic directions and priorities of the Government for four outbudget years. The line ministries, spending agencies and local self-governance units got gradually involved in the development of the BDD document. Despite improvements, the BDD document does not still have a leading role in the budget process and remains a weak document which is primarily the result of insufficient attention of the spending agencies towards the documents. The priorities reflected in BDD document and annual budget law are not usually consistent.

In 2009 the Parliament of Georgia adopted a new Budget Code, which is a step forward in terms of improvement of the budget process. With the adoption of the new budget code the budget process got simplified and unified under a common system. This change also positively affected the transparency of the budget process. The development of BDD document became binding with the legislation. In 2010 the budget ceilings of the spending agencies for four planning years will be determined following the BDD document.

The new Budget Code formed a new equalization transfer formula that linked the size of the transfer with the level of economic development of the country.

Another significant change to the budget process is an introduction of program and capital budgeting that is planned to be implemented in 2012. Conversion into the program budgeting will clearly identify how much money is necessary for each program and activity, what the expected result of the program is and which performance indicators will be used to measure the output and outcome of the program.

To sum up, the budget process of the country has been significantly improved for the last few years, including increasing the transparency of the budget planning and execution; however it still requires further improvement and the society needs to get heavily involved in this process. Following these requirements, the Citizen's Guide to 2010 State Budget was prepared that outlines for the public the planned activities and the funding sources to implement those activities in a simple and popular language.

Economic Review

Main Macroeconomic Indicators

NAME	2008	2009	2010	2011	2012	2013
Nominal growth of GDP	12,2%	-4,0%	4,0%	9,2%	11,3%	13,4%
Real growth of GDP	2,1%	-4,0%	2,0%	4,0%	6,0%	7,0%
Nominal GDP (GEL in millions)	19 069,6	18 306,9	19 046,4	20 798,7	23 149,0	26 255,6
Nominal GDP (USD in millions)	12 795,6	10 962,2	11 405,1	12 454,3	13 861,7	15 721,9
Inflation, in the mid-term period	10,0%	2,0%	3,0%	5,0%	6,0%	6,0%
Inflation, at the end of the period	5,5%	3,0%	6,0%	6,0%	6,0%	6,0%
Export (GEL in millions)	5 469,1	5 045,3	5 532,2	6 833,2	8 636,6	11 065,4
Import (GEL in millions)	11 006,4	9 625,8	10 304,5	11 491,0	13 489,5	15 849,1

The economy of Georgia has been rapidly growing for the last few years, before the first half of 2008; in 2006, the economic growth of the country equaled 9,4 % and 12,3 % in 2007. Following the forecast of the first half of 2008, the estimated economic growth for 2008 was 9%, however, the economic growth of the country started slowing down in the second half of 2008; this was due to the Russian military aggression on the one hand and the world economic crises on the other. As a result of the crises, the foreign direct investment started to decrease and the pessimism around consumers and investors throughout the world deepened. Since October of 2008 the turn-over of enterprises and corresponding tax revenues due to the state budget has decreased. The country opened its door to recession and overall GDP growth in 2008 equaled only 2.1%.

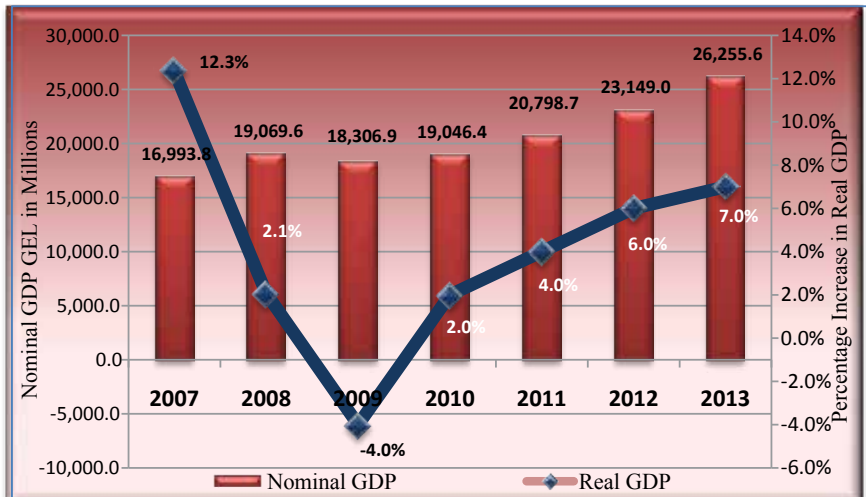
The forecasted GDP growth for 2009 was 2%, however due to the world economic crises that has negatively impacted the economy of the country, in the first

half of 2009, the initial estimate of 2009 GDP growth was revised and changed with (-1.5%) at first and with (-4) later following the final estimate.

All this has negatively impacted the state budget of the country and overall tax revenues decreased by GEL 600.0 million during the year, as a result consolidated budget deficit increased from 3% to 6.8%.

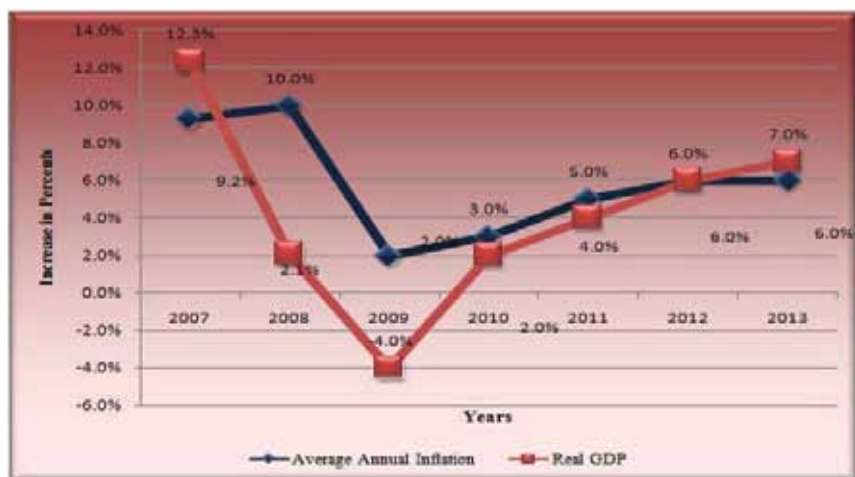
Gross Domestic Product

With due consideration to the world economic crises, the 2009 economic growth of the country was estimated to be (-4%), however, in 2010, following the existing forecast, the same indicator should equal 2%. In nominal terms, in 2010 the GDP is estimated to be GEL 19.0 billion, which is 0.7 billion higher than the same indicator of 2009.



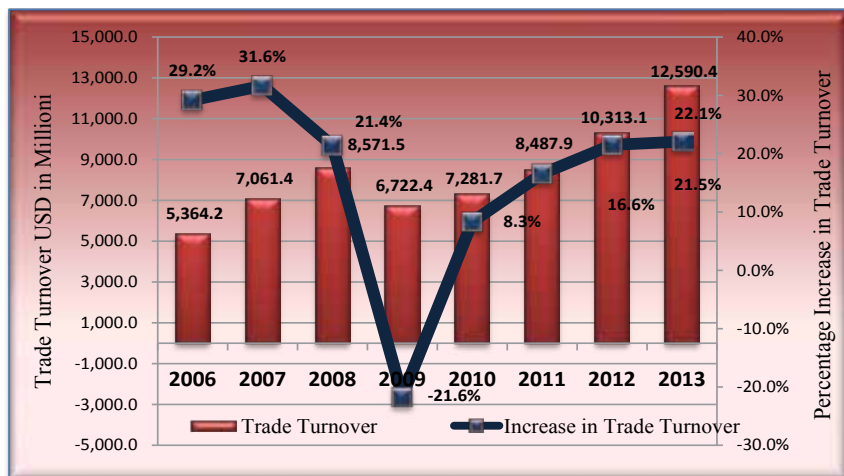
Inflation

For 2010, considering the 2% economic growth in the country, the inflation has been estimated to be 6%, which is 1 percent higher than the same indicator for 2009.



Trade Turnover

For 2010, the trade turnover has been estimated to be GEL 7.3 billion, which is 8.3% higher than the planned indicator for 2009 and comprises 64 percent of nominal GDP.



Budget Review

2010 budget appropriations are estimated to be GEL 6 759,7 million that is GEL 196,9 million lower than approved appropriations in 2009 and comprises 35.3 percent of GDP. From those appropriations, GEL 5 991,9 million are budget funds, which is GEL 280,4 million lower than the same indicator of the previous year and GEL 767,8 million are foreign credits and grants that exceed 2009 same indicator by GEL 83,5 million. In 2010, the only financing source for the State Budget appropriation is the state budget receipt. In contrast to 2009 budget, free balance account funds of the State Budget are not planned to be used as a financing source of the state budget appropriations.

Main Budget Framework

GEL in millions

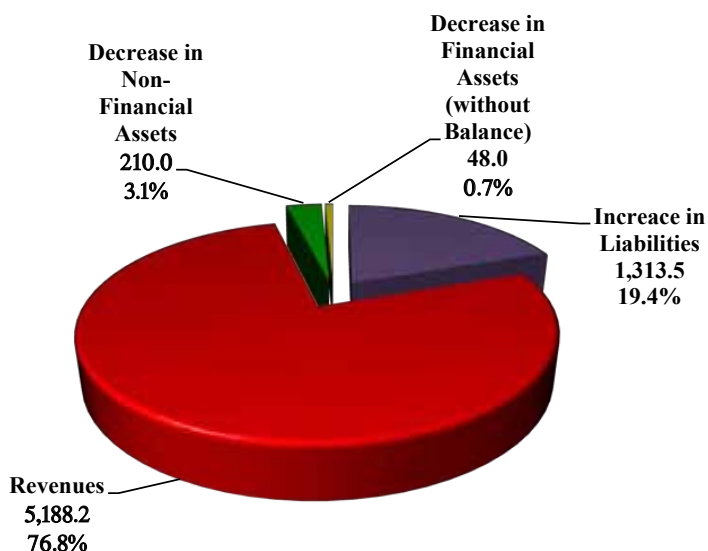
NAME	2008	2009	2010	2010-2009
1. TOTAL RECIPITS	7 175,1	6 465,5	6 759,7	294,2
1.1 REVENUES	5 517,8	4 945,6	5 188,2	242,6
Taxes	4 541,6	4 139,2	4 382,0	242,8
Income Tax	1 218,3	1 048,8	1 165,0	116,2
Profit Tax	592,1	520,6	535,0	14,4
VAT	2 069,0	2 034,3	2 039,0	4,7
Excise	518,5	446,4	538,0	91,6
Customs Duty	51,9	35,0	74,0	39,0
Other Taxes	91,8	54,1	31,0	-23,1
Grants	617,2	463,2	463,2	0,0
Other Revenues	359,0	343,3	343,0	-0,3
1.2 Decrease in NON-FINANCIAL ASSETS	568,8	168,0	210,0	42,0
Fixed Assets	511,4	84,5	210,0	125,5
Inventory	0,2			0,0
Nonproduced Assets	57,2	83,5		-83,5

1.3 Decrease in FINANCIAL ASSETS	15,4	222,2	48,0	-174,2
Loans		40,5	48,0	7,5
Securities and Other Shares	15,2	181,7		-181,7
Other Accounts Receivable	0,2			
1.4 INCREASE LIABILITIES	1 073,1	1 129,7	1 313,5	183,8
Foreign Liabilities	1 073,1	869,7	1 213,5	343,8
Domestic Liabilities	0,0	260,0	100,0	-160,0
2. TOTAL EXPENSES	6 758,8	6 956,6	6 759,7	-196,9
2.1 EXPENSE	5 554,7	5 476,2	5 476,3	0,1
Compensation of Employees	913,1	948,9	1 046,0	97,1
Goods and Services	1 508,8	877,6	856,2	-21,4
Interest	119,3	173,4	229,9	56,5
Subsidies	362,5	502,5	225,5	-277,0
Grants	858,9	825,2	979,8	154,6
Social Benefits	1 286,1	1 417,4	1 488,2	70,9
Other Expense	506,1	731,4	650,8	-80,6
2.2 Increase in NON-FINANACIAL ASSETS	893,4	936,7	997,0	60,3
2.3 Increase in FINANACIAL ASSETS	199,7	169,7	86,9	-82,7
2.4 Decrease in LIABILITIES	111,0	373,9	199,4	-174,5
Foreign Liabilities	58,6	116,5	135,4	18,9
Domestic Liabilities	52,4	257,5	64,0	-193,4
3. TOTAL CHANGE IN THE BALANCE	416,3	-491,1	0,0	491,1

1.State Budget Receipts

State Budget receipts for 2010 are estimated to be GEL 6 759,7 million, which is GEL 294.2 million higher than the 2009 corresponding indicator and comprises 35.3 percent of GDP. The increase of 2010 state budget receipts compared to the 2009 data is primarily attributed to the increase in foreign obligations and tax revenues and comprises 18 and 64.8 percent of state budget receipts and 6.4 and 23 percent of the GDP correspondingly.

The Breakdown of the 2010 State Budget Receipts



1.1 State Budget Revenues

State Budget revenues for 2010 are estimated to be GEL 5 188,2 million, which is GEL 242.6 million higher than the 2009 corresponding indicator and comprises 76.8 percent of overall receipts and 27.2 percent of GDP. The state revenues consist of taxes, grants and other revenues; in 2010 only tax revenues are planned to go up compared to 2009; grants and other revenue estimates will be maintained on 2009 level.

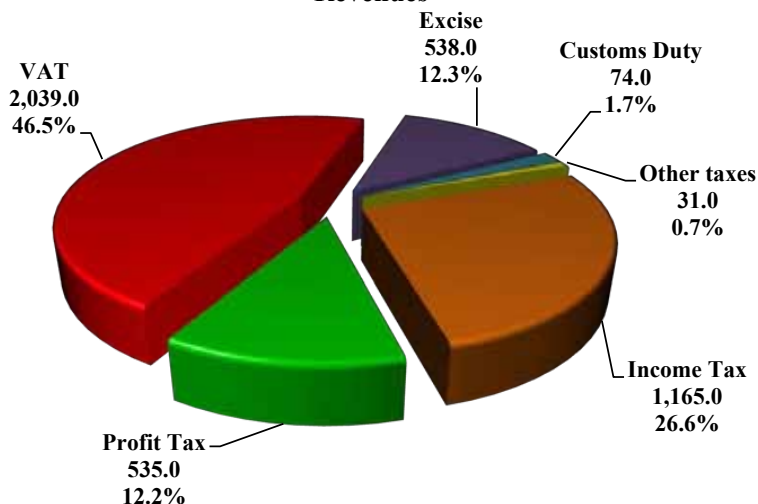
GEL in millions

REVENUE CATEGORIES	2008	2009	2010	2010-2009
TOTAL REVEUES	5 517,8	4 945,6	5 188,2	242,6
Taxes	4 541,6	4 139,2	4 382,0	242,8
Grants	617,2	463,2	463,2	0,0
Other Revenues	359,0	343,3	343,0	-0,3

Taxes

For 2010 State Budget, GEL 4 382.0 million is expected to be collected from taxes, which is GEL 242,8 million higher than the similar indicator planned for 2009. The tax revenues comprise 64.8 percent of the State Budget receipts and 23% of GDP. Increase in tax revenues compared to 2009 is primarily due to the economic growth, inflation rate and improved tax collection.

The Breakdown of the 2010 State Budget Tax Revenues



Grants

For 2010 the grants are estimated to be maintained on the same 2009 level and equal GEL 463.2, which is 6.8% of the total budget resources and 2.4% of GDP. However, that money is divided into GEL 341,9 million, which would be used to fund investment projects and is GEL 67.1 million higher than 2009 similar indicator and GEL 121,3 million – to make budget support.

Other revenues

Similar to grants, the other revenues are planned to be maintained on the same 2009 level and comprise GEL 343,0 million that is 5 percent of overall receipts and 1,8 percent of GDP.

1.2 Non-Financial Assets

For 2010 State Budget, GEL 210.0 million is estimated to be collected through the decline of the non-financial assets that is GEL 42,0 million higher than the same indicator for 2009. The primary source of that collection would be privatization of property under the state ownership. In 2009, a significant amount of funds (GEL 78.1 million) were collected through issuing the licenses for different radio frequencies, mostly 10 year licenses for mobile companies, which are not planned for 2010.

1.3 Financial Assets

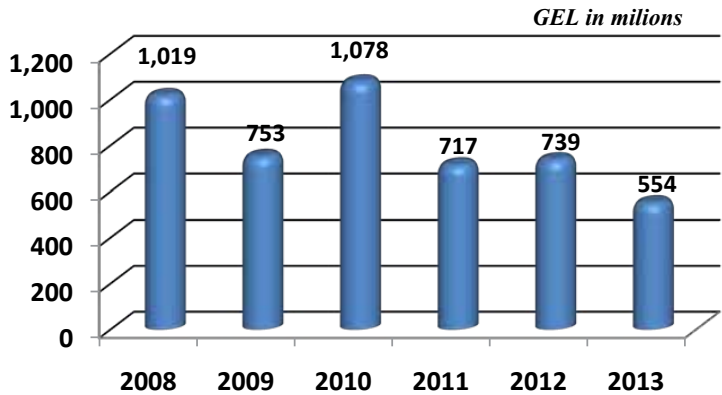
In contrast to 2009, there has been no plans developed to collect the money through selling of the shares and/or any other assets under the state ownership for 2010; however, GEL 48.0 million is still expected to be collected through retrieving back the old loan, which is GEL 7,5 million higher than the similar indicator of the previous year.

1.4 Increases in Liabilities

In 2010, GEL 1 313.5 million is estimated to be collected by the state through loans, which is 19.4% of the total budget resource and 6.9% of GDP. GEL 1 213,5 million from these funds comes from foreign loans, in particular: GEL 425.9 million is allocated to fund investment projects, GEL 651.6 million

is IMF budget credit and GEL 136.0 million comprise the ADB and WB budget credits; domestic loan is estimated to increase through issuance of T-bills; the Government of Georgia resumed the practice of issuing of T-bills in 2009. In 2010, the Government plans to collect GEL 100.0 million from T-bills that is GEL 160,0 million less than it was in 2009.

Net increase in foreign loan in 2008-2013*

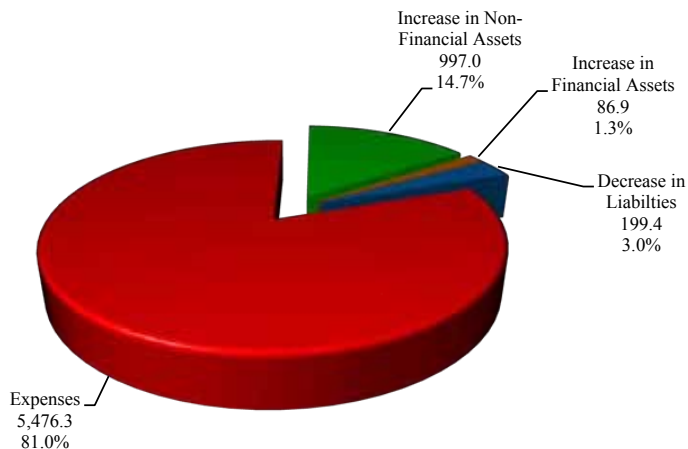


*** Note:** The diagram shows increased foreign loan taken for the state budget. The diagram does not include the credit that the National bank took from IMF.

2. State Budget Expenses

Total expenses for 2010 are estimated to be GEL 6 759.7 million that is GEL 196.9 million lower than the planned level in 2009.

The Economic Breakdown of the State Budget Expenses



The budget funds comprise GEL 5 991,9 million of the overall state budget expenses (GEL 6 759.7 million); however, the rest GEL 767.8 million is allocated for those projects that are funded through the credits and grants.

The following is the breakdown of the budget funding:

Diagram №1: Total budget fund breakdown

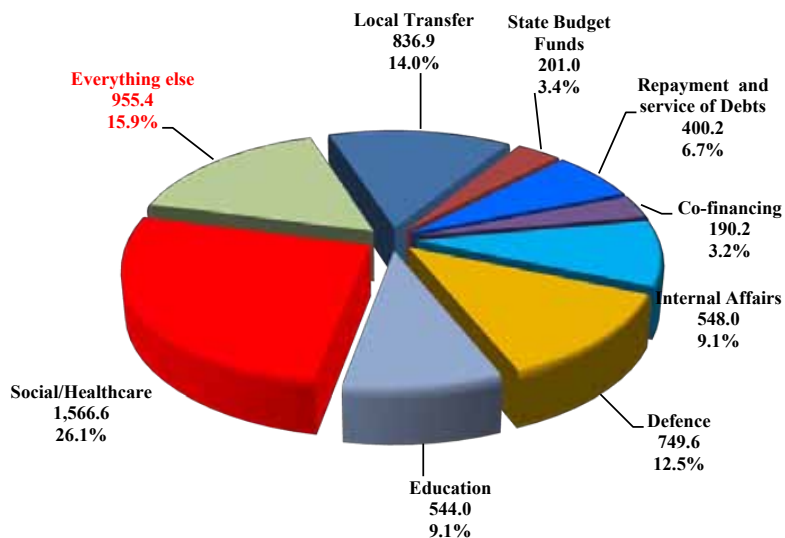


Diagram №2: The breakdown of the rest GEL 955.4 million:

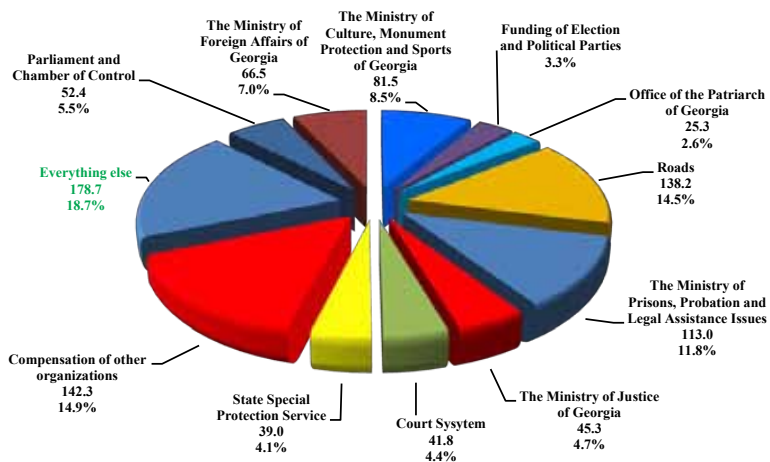
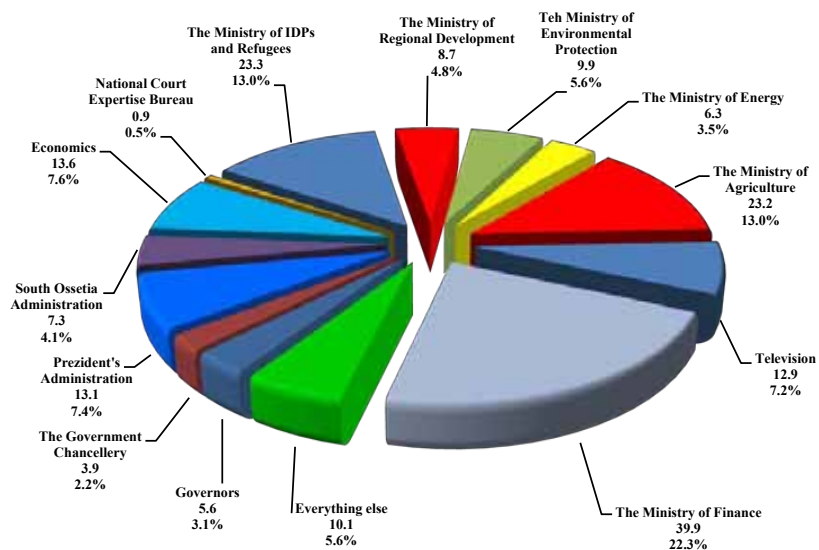
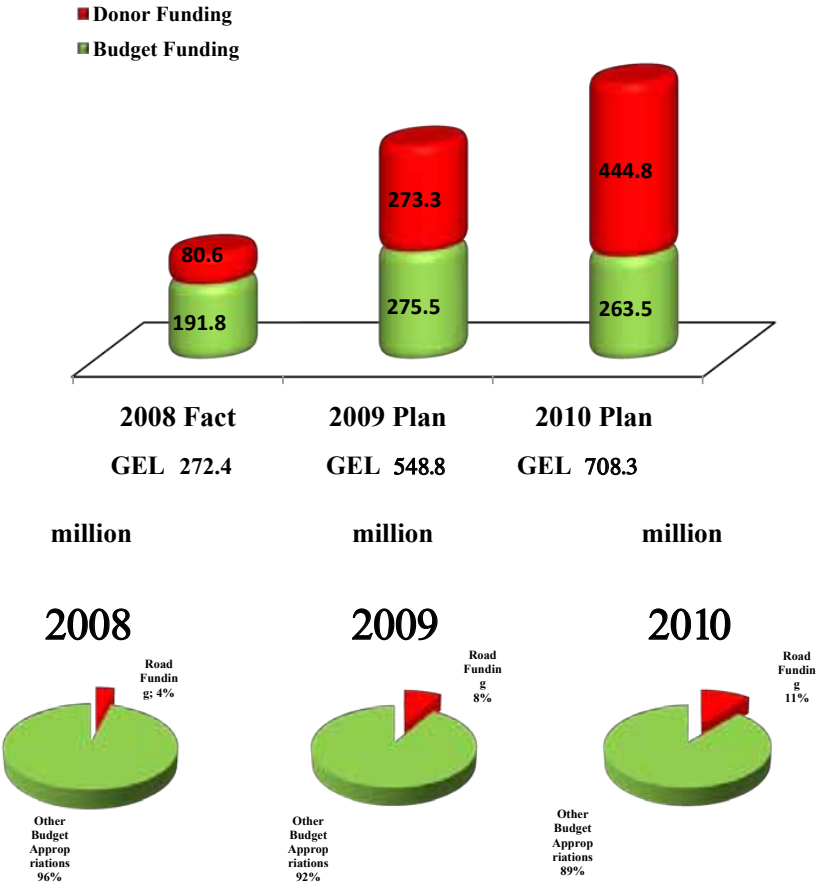


Diagram №3: The breakdown of everything else GEL 178.7 million:



Main Activities considered in 2010 State Budget

Road infrastructure construction and rehabilitation



- GEL 192.5 million has been allocated to construct a transit east-west highway;
- GEL 38.8 million has been allocated to rehabilitate Vaziani-Gombori-Telavi highway;
- GEL 43.0 million is planned to be used to construct the round way for Batumi and Kobuleti;

- GEL 212.1 million has been appropriated to fund road construction and reconstruction in Samtskhe-Javakheti;
- GEL 112.6million has been allocated for regular repair and rehabilitation of roads;
- GEL 25.8 million has been planned to be spent for regular repair of roads in winter;
- GEL 6.5 million is planned to be spent on liquidating and preventing of natural disasters.
- GEL 80.0 million has been planned to construct and rehabilitate artery and local roads;
- GEL 138.0 million has been planned to construct and rehabilitate roads in different regions.

Other Infrastructural Projects

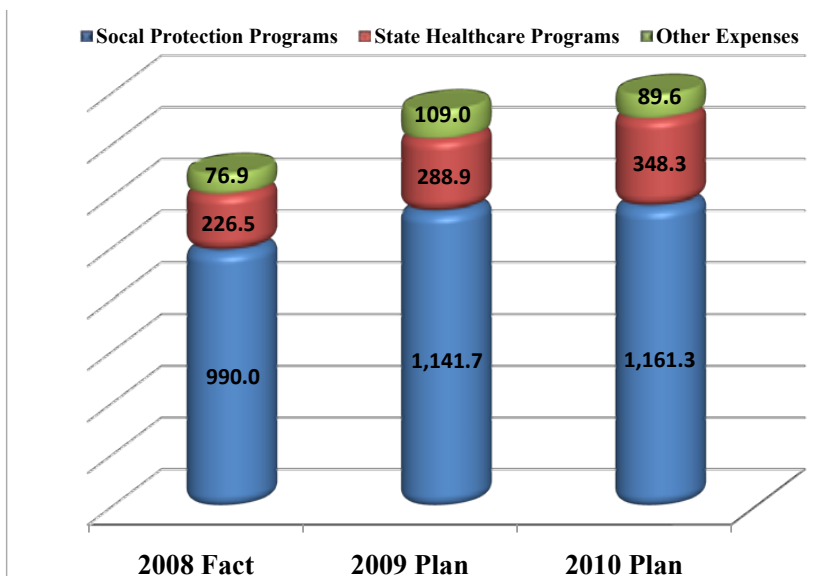
- GEL 132.3 million has been planned to rehabilitate sewerage system and local roads in municipalities
- GEL 91.0 million will be allocated to implement multiple infrastructural projects in different regions of Georgia;
- GEL 45.0million will be allocated for the Tbilisi municipality to construct new Varaziskhevi and Tamarashvili road and GEL 47.0 million – to design the Rike garden and construct the overpass for pedestrians;
- GEL 61.2 million has been planned to rehabilitate Batumi municipal infrastructure;
- GEL 4.0 million has been planned to rehabilitate Khelvachauri municipal infrastructure;
- GEL 25.0 million will be allocated for Batumi to rehabilitate historical districts and tourism infrastructure in the city and GEL 54.5 million – for other infrastructural projects;
- GEL 24.0 million has been planned to construct and rehabilitate prisons;
- GEL 31.5 million has been planned to construct IDP houses;
- GEL 2.0 million will be used to repair irrigation and melioration systems.

Village Support

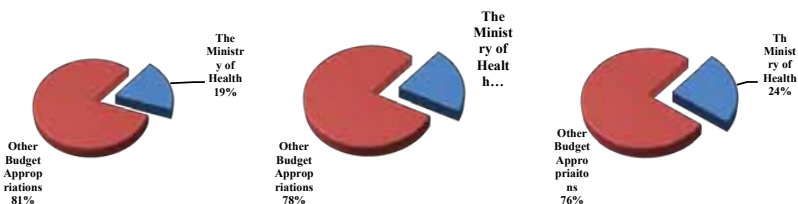
- GEL 40.0 million has been allocated for village support program; The money will be distributed to all of the villages following the Government's regulation and spent with the decision of the population;
- GEL 14.0 million is considered for the development of agriculture in the regions of Georgia;

- GEL 5.3 million is allocated to compensate the gas consumption up to 700 cubic meter (no more than 350 cubic meter in the period of May and October) of the resident population of Kazbegi municipality and mountainous villages of Dusheti municipality (Seturebi, Jaghmiani, Zakani, Khada and Kaishauri) for the periods of December the 1st and May 15th of 2010 and October 15th and November 30th of the same year.

The Ministry of Labor, Health and Social Protection



GEL 1 293.4 million GEL 1 539.6 million GEL 1 599.2 million



GEL in millions

Title	2008	2009	2010	2010-2009
The Ministry of Labor, Health and Social Protection	1 293,4	1 539,6	1 599,2	59,6
including Social Programs	990,0	1 141,7	1 161,3	19,6
State pensions and compensations	773,8	866,2	895,9	29,7
Social assistance program	125,5	160,2	161,8	1,6
Other social programs	90,7	115,3	103,6	-11,7
including State Health Protection Program	226,5	288,9	348,3	59,4
State insurance program	80,5	129,6	168,1	38,5
Oncological disease treatment program	5,8	3,9	4,0	0,1
Medical program for targeted population	24,7	19,6	18,0	-1,6
Emergency service program	12,6	9,3	11,5	2,2
Heart surgery program	7,7	8,7	8,7	0,0
Primary healthcare program	23,3	23,7	28,8	5,1
Dialysis program	10,7	15,7	20,1	4,4
Other health care programs	61,3	78,4	89,1	10,7

The following activities are planned to be implemented in 2010 within the social assistance programs

- Social allowance of GEL 30 is considered for one member families below the poverty line (the targeted population with the rating less than 57001 points calculated on the bases of the Government's regulation) and additional GEL 24 for the second and each following member in the family i.e. the family with two members will get GEL 54, the three member family will receive GEL 78 and etc.

- GEL 22 will be allocated for the one member family consisting of the single pensioner without any employment and GEL 35 – for the families consisting of two pensioners without any employment;
- GEL 22 will be granted for each orphan child under 18 despite the work ability of the tutor;
- GEL 22 will be allocated for blind (1st group blindness) unemployed people;
- GEL 22 will be allocated for each child under 18 with physical disabilities;
- GEL 35 will be granted for large families with 7 or more children under 18 years old.

The following are 2010 pensions for different categories of pensioners:

- The lowest state pension is considered to be GEL 55;
- The pensions for those people entitled to a pension based on their age would equal GEL 80;
- GEL 80 would be granted for the people with distinct physical disabilities (1st group invalids);
- GEL 70 would be granted for all of the rest of the invalids with different physical disabilities except the ones of the first group;

- The following pensions have been identified in 2010 state budget for the Second World War participants:
 - ✓ GEL 129 – for those participants with distinct and significant physical disabilities (invalids of the first and the second group);
 - ✓ GEL 80 – for those invalids with relatively distinct physical disabilities (invalids of the third group)
 - ✓ GEL 80 – for all other participants

- The following pensions have been identified in 2010 state budget for the participants of the war on territorial integrity, freedom and independence:
 - ✓ GEL 129 – for those participants with distinct and significant physical disabilities (invalids of the first and the second group)
 - ✓ GEL 80 – for those invalids with relatively distinct physical disabilities (invalids of the third group)

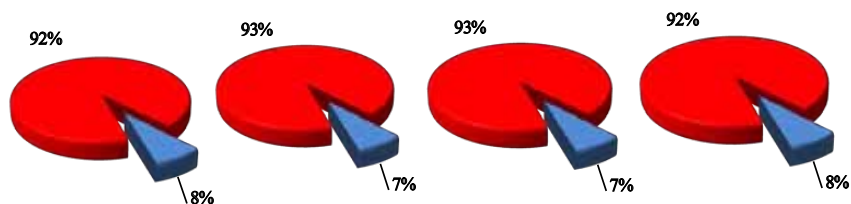
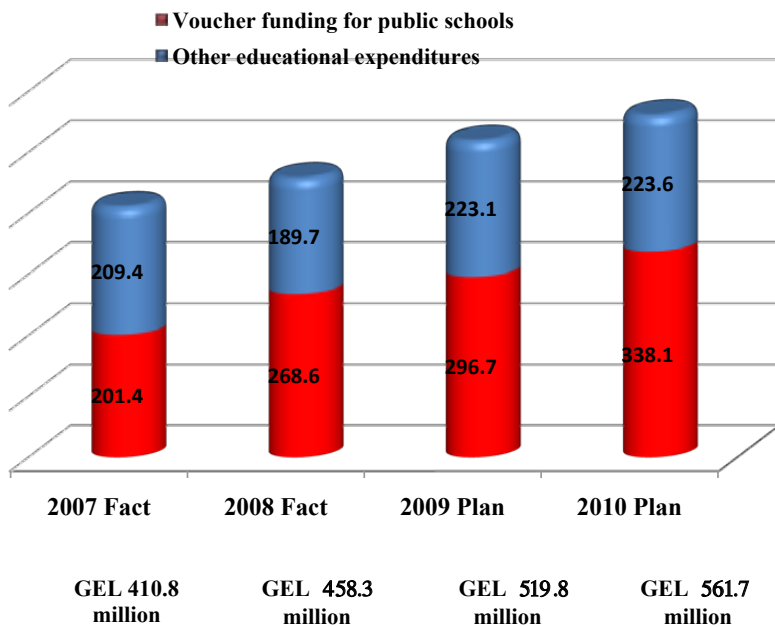
- The following are the pensions for the participants of the war on territory of another country:
 - ✓ GEL 84 – for those participants with distinct and significant physical disabilities (invalids of the first and the second group);
 - ✓ GEL 70 – for those invalids with relatively distinct physical disabilities (invalids of the third group)

The following are the state allowances considered in 2010 state budget for pensions:

- GEL 55 for the single parents entitled to state pension/state compensation, also for the parents with work disability who lost the son/daughter in the war for territorial integrity, freedom and independence and for those parents whose son/daughter disappeared or died from wounds;
- GEL 55 – for the parents of the servants of the Ministry of Defense, the Ministry of Internal Affairs, the Ministry of Prisons and Legal Assistance Issues, the Ministry of Finance (including Ministry of Security, State Department of Border Protection, Prisons Department, State Department of Foreign Intelligence, Financial Police) or servants of the organizations with the military equivalent status (including the ones temporarily serving as a reservist or resigned servants), also for the parent of the volunteers – the civil servants enrolled in the military units participating in war activities who died for the freedom and independence of Georgia and during the war had been implementing their responsibilities and also for those parents who lost two or more children (GEL 55 per each child);

In 2010, GEL 22 is planned to be granted for each IDP and refugee residing in an organized settlement and GEL 28 – for those ones living in a private sector.

The Ministry of Education and Science



- GEL 22.1 million is considered in 2010 state budget to construct and repair public schools;
- Additional GEL 45.0 million is planned to be allocated for those schools that have a fewer amount of pupils and therefore the voucher transferred to them from the State is not enough;
- GEL 8.1 million is considered in the 2010 state budget for the pupils below the poverty line to get the school manuals;
- GEL 4.0 million is planned to be appropriated for the Georgian students to continue studying in leading foreign universities within the “Door to the Knowledge” program;
- GEL 2.5 million is planned to be used from the 2010 state budget to fund the tuition fee for the graduate level students selected on the bases of Unified National Examinations;
- GEL 2.5 million is considered in the 2010 state budget to rehabilitate vocational educational centers;
- In 2010, the students with good academic records will get a president’s stipend of GEL 150. For this purpose GEL 1.8 million is appropriated in the state budget.
- GEL 18.7 million is appropriated in the 2010 state budget for providing the public school teachers’ and administrative/technical staff with free insurance premium;
- GEL 2.2 million is planned to be spent from 2010 state budget to support the teachers and administrative/technical staff of the schools located on the occupied area.

Funding for Spending Institutions for 2008 – 2010

GEL in thousands

N A M E	2008 Fact	2009 Plan	2010 Plan	Difference between 2010-2009
Parliament of Georgia and Related Organizations	34 904,0	37 532,4	40 588,7	3 056,3
Administration of the President of Georgia	21 622,7	14 260,5	16 955,7	2 695,2
The Apparatus of the Council of National Security of Georgia	19 902,1	1 300,0	1 285,2	-14,8
The Government Chancellery of Georgia	8 978,1	8 500,0	7 590,7	-909,3
Chamber of Control	9 120,4	12 959,6	12 629,7	-329,9
Central Election Commission of Georgia	50 027,4	12 540,0	37 229,0	24 689,0
The Constitutional Court of Georgia	2 368,7	2 595,4	2 550,0	-45,4
The Supreme Court of Georgia	5 439,2	5 915,0	5 955,0	40,0
General courts of Georgia	34 441,1	37 428,1	33 000,0	-4 428,1
The Supreme Council of Justice of Georgia	1 058,6	1 090,0	1 000,0	-90,0
Governor's administration in Samegrelo and Zemo-Svaneti	639,2	936,0	1 479,6	543,6
Governor's administration in Guria	450,3	522,0	996,4	474,4
Governor's administration in Imereti	586,8	715,0	1 296,7	581,7
Governor's administration in Kakheti	673,1	720,7	1 252,6	531,9
Governor's administration in Mtskheta-Mtianeti	504,5	569,7	1 056,8	487,1
Governor's administration in Racha-Lechkhumi and Qvemo Svaneti	513,4	551,7	1 038,8	487,1

N A M E	2008 Fact	2009 Plan	2010 Plan	Difference between 2010-2009
Governor's administration in Samtskhe-Javakheti	501,3	560,7	1 073,2	512,5
Governor's administration in Qvemo Kartli	533,5	657,7	1 198,3	540,6
Governor's administration in Shida Kartli	495,9	570,0	1 057,1	487,1
The Apparatus of the State Minister on Integration with European and Euro-Atlantic Structures	1 443,9	1 130,3	1 601,0	470,7
The Apparatus of the State Minister on Diaspora Issues	848,4	906,0	780,0	-126,0
The Apparatus of the State Minister on Reintegration	1 520,2	1 330,0	1 031,4	-298,6
The Ministry of Finance of Georgia	107 917,4	137 855,0	103 393,5	-34 461,5
The Ministry of Economic Development of Georgia	114 121,4	56 158,8	23 836,5	-32 322,3
The Ministry of Regional Development and Infrastructure	300 304,6	749 837,2	815 095,5	65 258,3
The Ministry of Justice of Georgia	51 541,0	70 536,9	45 300,0	-25 236,9
The Ministry of Prisons, Probation and Legal Assistance Issues	98 475,5	119 192,0	113 419,3	-5 772,7
The Ministry of Foreign Affairs of Georgia	57 177,5	66 270,0	66 498,1	228,1
The Ministry of Defense of Georgia	1 547 183,1	872 193,3	749 550,0	-122 643,3
The Ministry of Internal Affairs of Georgia	739 264,8	573 814,4	548 000,0	-25 814,4
Special Intelligence Service of Georgia	5 742,7	6 500,0	5 000,0	-1 500,0
The Ministry of Education and Science of Georgia	458 337,2	519 797,5	561 685,5	41 888,0
The Ministry of Culture, Monument Protection and Sports of Georgia	82 422,3	86 250,7	81 542,4	-4 708,3
The Ministry of Settlement of Refugees and IDPs	121 783,1	65 217,5	27 857,1	-37 360,4

N A M E	2008 Fact	2009 Plan	2010 Plan	Difference between 2010-2009
The Ministry of Health, Labor, and Social Protection	1 293 368,1	1 539 621,2	1 599 218,7	59 597,5
The Ministry of Energy of Georgia	120 729,5	57 911,2	17 872,1	-40 039,1
The Ministry of Agriculture of Georgia	70 870,6	93 553,4	55 348,0	-38 205,4
The Ministry of Environment and Natural Resource Protection	29 010,0	38 033,6	28 514,9	-9 518,7
State Special Protection Service	41 605,5	44 000,0	39 000,0	-5 000,0
Public Defender Office of Georgia	1 888,9	2 144,7	1 976,7	-168,0
PLE – Georgia Broadcasting	24 902,4	26 500,0	22 000,0	-4 500,0
PLE –State Procurement Agency	772,0	824,7	800,0	-24,7
South Ossetia Administration	18 993,5	10 000,0	8 845,9	-1 154,1
Office of the Patriarch of Georgia	9 517,1	25 000,0	25 300,0	300,0
PLE – National Court Expertise Bureau named after Levan Samkharauli	4 110,9	4 347,8	4 500,0	152,2

Expenditures of general state importance

In contrast to the prior year budgets, following the new “Budget Code”, 2010 state budget considers a separate line item for expenditures of general state importance, which consolidates all the other appropriations not related to the implementation of the spending agency functions. GEL 1 448.5 million is considered for expenditures of general state importance for 2010 that is 21.4% of the state budget appropriations and 7.6 % of the total GDP.

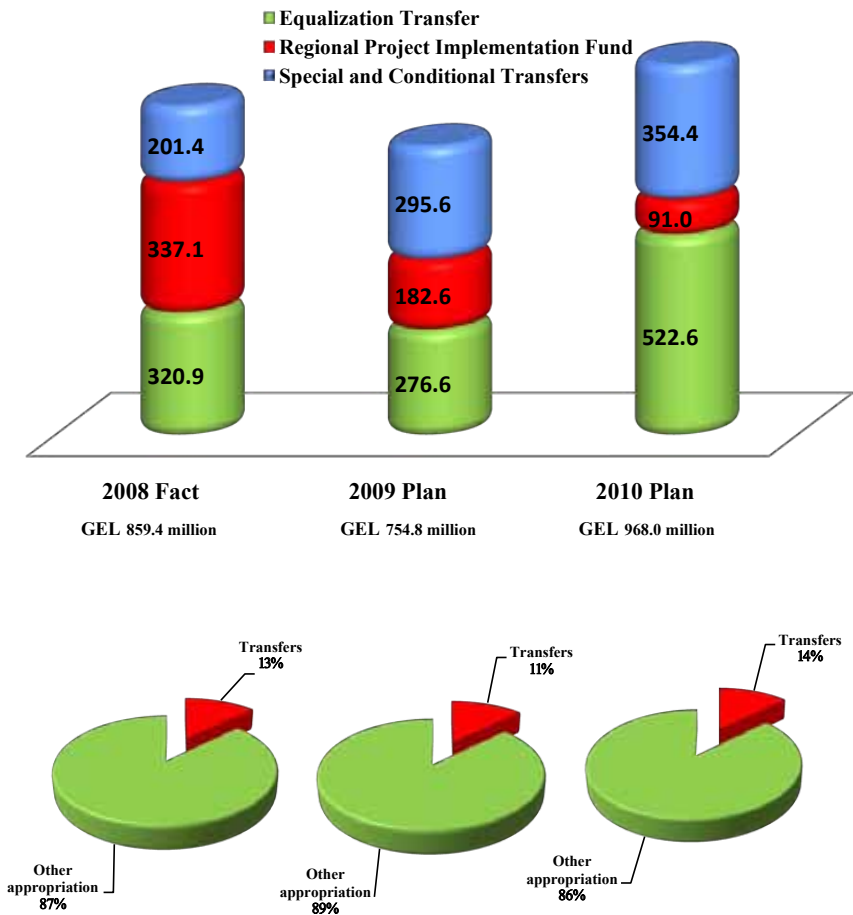
GEL in thousands

Expenditures of general state importance	2008 Fact	2009 Plan	2010 Plan	Difference between 2009-2010
<i>Foreign Loan Repayment and Interest</i>	118 703,3	235 605,7	287 791,8	52 186,1
<i>Domestic Loan Repayment and Interest</i>	84 985,8	89 250,8	112 446,0	23 195,2
<i>Commitments for Georgia being represented in International Organizations</i>	7 657,1	3 554,5	4 307,4	752,9
<i>Grants transferred to the Autonomous Republics and local Self-Governance Units</i>	859 442,5	622 496,4	836 934,0	214 437,6
<i>President's Reserve Fund</i>	0,0	50 000,0	25 000,0	-25 000,0
<i>Government's Reserve Fund</i>	0,0	50 000,0	25 000,0	-25 000,0
<i>Repayment of Arrears and Enforcement of Court decisions</i>	9 424,5	25 000,0	20 000,0	-5 000,0
<i>Regional Project Implementation Fund</i>	0,0	182 612,0	91 000,0	-91 612,0
<i>Village Support Program</i>	0,0	0,0	40 000,0	40 000,0
<i>Local Water Company support Activities</i>	0,0	6 000,0	6 000,0	0,0

Expenditures of general state importance	2008 Fact	2009 Plan	2010 Plan	Difference between 2009-2010
<i>Repayment of tax arrears of the organizations</i>	0,0	190 000,0	0,0	-190 000,0
<i>Costs related to the State of Martial Law Activities</i>	401,7	0,0	0,0	0,0
<i>Activities implemented through the Municipal Development Fund to smooth out the damage caused from the war</i>	40 661,5	0,0	0,0	0,0
<i>Replenish Stable development fund</i>	56 163,8	0,0	0,0	0,0
<i>Replenish New Generation Fund</i>	929,2	0,0	0,0	0,0
Total Sum	1 178 369,4	1 454 519,4	1 448 479,2	-6 040,2

Transfers of the Autonomous Republics and Local Self-Governance Units

Following the new Budget Code, the equalization transfer formula used to calculate 2010 equalization transfer has changed. In contrast to previous years, the special transfer is granted only to the Cities of Tbilisi and Batumi; however, other local self-governance units fund their exclusive rights through equalization transfer and own receipts.



Name of the Autonomous Republics and Local Self-Governance Units	Total Transfer	in particular		
		Equalization Transfer	Conditional Transfer to implement delegated functions	Special Transfer
Autonomous Republic of Abkhazia	7,500.0			7,500.0
Self-Governance City Tbilisi	521,000.0	323,037.7	1,400.0	196,562.3
Azhara Municipality	725.8	712.8	13.0	
Self-Governance City Batumi	114,177.7	14,177.7		100,000.0
Kobuleti Municipality	3,933.4	3,933.4		
Khelvachauri Municipality	4,236.4	4,236.4		
Oeda Municipality	2,240.7	2,240.7		
Shuakhevi Municipality	2,530.4	2,530.4		
Khulo Municipality	3,583.2	3,583.2		
Akhmeta Municipality	2,446.3	2,366.0	80.3	
Gurjaani Municipality	4,226.4	4,099.0	127.4	
Dedoplistskaro Municipality	1,333.4	1,200.8	132.6	
Telavi Municipality	3,185.8	3,021.8	164.0	
Lagodekhio Municipality	3,722.4	3,562.4	160.0	
Sagarejo Municipality	2,398.6	2,221.0	177.6	
Signagi Municipality	2,295.8	2,179.5	116.3	
Kvareli Municipality	2,254.9	2,161.2	93.7	
Self-Governance City Kutaisi	20,103.0	19,893.0	210.0	
Chiatura Municipality	3,061.6	2,859.6	202.0	
Tkibuli Municipality	1,922.7	1,823.7	99.0	
Tskaltubo Municipality	3,635.5	3,516.1	119.4	
Bagdadi Municipality	2,230.0	2,144.0	86.0	
Vani Municipality	2,830.8	2,735.8	95.0	
Zestaponi Municipality	1,990.2	1,782.7	207.5	
Terjola Municipality	2,042.2	1,920.2	122.0	
Samtredia Municipality	2,518.7	2,375.4	143.3	
Sachkhere Municipality	3,031.2	2,878.2	153.0	
Kharagauli Municipality	2,255.2	2,148.2	107.0	
Khoni Municipality	2,739.1	2,615.1	124.0	
Self-Governance City Poti	4,632.7	4,378.7	254.0	
Zugdidi Municipality	8,846.2	8,621.2	225.0	
Abash Municipality	2,560.1	2,454.6	105.5	
Martvili Municipality	3,098.0	2,968.0	130.0	
Mestia Municipality	1,497.6	1,420.6	77.0	
Senaki Municipality	2,980.5	2,825.5	155.0	
Chqorotsku Municipality	2,757.3	2,632.3	125.0	
Tsalenjikha Municipality	1,198.1	1,084.6	113.5	
Khobi Municipality	166.0	0.0	166.0	
Gori Municipality	7,589.7	7,349.7	240.0	
Eredva Municipality	843.4	818.9	24.5	
Kurta Municipality	1,182.5	1,101.5	81.0	

Name of the Autonomous Republics and Local Self-Governance Units	Total Transfer	in particular		
		Equalization Transfer	Conditional Transfer to implement delegated functions	Special Transfer
Qareli Municipality	3,038.6	2,861.6	177.0	
Kaspi Municipality	1,596.2	1,452.2	144.0	
Tigva Municipality	972.3	962.3	10.0	
Khashuri Municipality	2,418.3	2,225.3	193.0	
Self-Governance City Rustavi	11,610.2	11,148.2	462.0	
Bolnisi Municipality	322.0	0.0	322.0	
Gardabani Municipality	2,556.2	2,314.5	241.7	
Dmanisi Municipality	2,809.5	2,729.5	80.0	
Tetritskaro Municipality	2,060.0	1,878.0	182.0	
Marneuli Municipality	5,487.3	5,291.3	196.0	
Tsalka Municipality	1,561.7	1,490.7	71.0	
Lanchkhuti Municipality	2,833.6	2,631.6	202.0	
Ozurgeti Municipality	3,645.8	3,360.2	285.6	
Chokhatauri Municipality	1,713.7	1,566.7	147.0	
Borjomi Municipality	155.7	0.0	155.7	
Adigeni Municipality	1,509.7	1,401.7	108.0	
Aspindza Municipality	1,248.2	1,169.2	79.0	
Akhalqalaqi Municipality	3,971.1	3,779.1	192.0	
Akhaltsikhe Municipality	2,591.3	2,416.3	175.0	
Ninotsminda Municipality	2,365.3	2,227.3	138.0	
Akhalgori Municipality	1,734.7	1,647.0	87.7	
Dusheti Municipality	1,889.7	1,815.7	74.0	
Tianeti Municipality	1,453.2	1,369.7	83.5	
Mtskheta Municipality	1,769.7	1,500.7	269.0	
Kazbegi Municipality	802.0	754.5	47.5	
Ambrolauri Municipality	2,125.6	2,030.6	95.0	
Lentekhi Municipality	1,513.9	1,437.2	76.7	
Oni Municipality	1,492.4	1,422.7	69.7	
Tsageri Municipality	2,182.6	2,057.6	125.0	
Total	836,934.0	522,553.0	10,318.7	304,062.3

Note: 2010 special transfer in the diagrams above includes GEL 40.0 million allocated for the “village support program”, as the local self-governance units received that funding through special transfer.

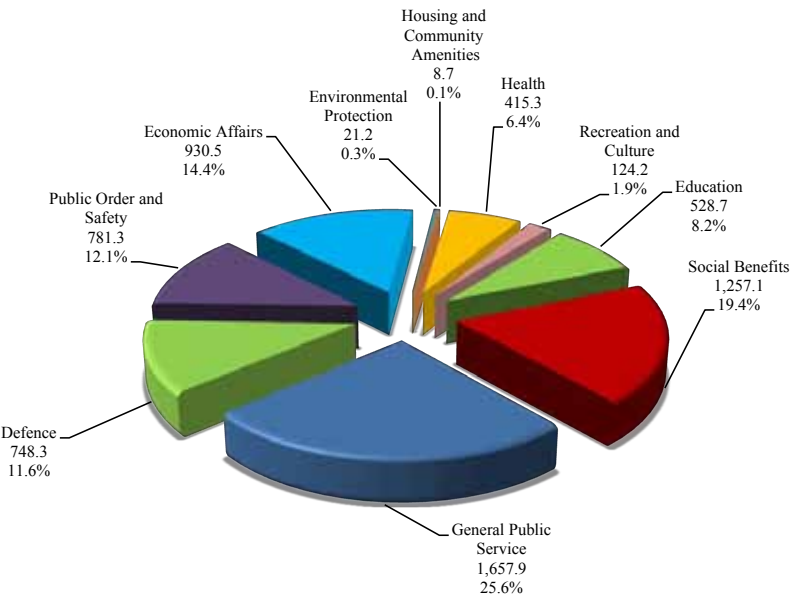
The functional breakdown of the state budget expenses and increase in non-financial assets

The following is the functional breakdown of the state budget expenses and increase in non-financial assets:

GEL in millions

Function- al code	N A M E	2008 Fact	2009 Plan	2010 Plan	Difference between 2010 and 2009
701	General Pub- lic Service	1 363,6	1 564,0	1 657,9	93,9
702	Defense	1 548,4	870,5	748,3	-122,2
703	Public Order and Safety	983,5	838,1	781,3	-56,9
704	Economic Affairs	572,7	780,5	930,5	150,1
705	Environmental Protection	21,7	30,0	21,2	-8,8
706	Housing and Community Amenities	4,8	12,5	8,7	-3,8
707	Healthcare	286,0	372,8	415,3	42,5
708	Recreation, Culture and Religion	102,1	133,5	124,2	-9,2
709	Education	419,2	484,6	528,7	44,1
710	Social Ben- efits	1 146,1	1 326,5	1 257,1	-69,4
	TOTAL	6 448,1	6 413,0	6 473,4	60,4

The functional breakdown of the state budget expenses and increase in non-financial assets:



Provisions secured by the “2010 State Budget Law”

- The number of out-of-staff employees hired by the budget organizations and the Legal Entities of Public Law (LEPL) should not exceed 2 percent of the overall number of staff in the organization;
- The salary of out-of-staff employee should not be higher than the half of the average salary of the staff person working in the same organization;
- The compensation of the head of the Legal Entity of Public Law should not be more than the compensation of the first deputy Minister (GEL 2 950);
- The average salary of the staff person working at the Legal Entity of the Public Law should exceed GEL 1 500;
- The annual bonus fund of the Legal Entity of the Public Law should not be more than 20 percent of the annual salary level of its employees.
- The savings achieved through execution of those provisions should be transferred to the state budget of Georgia;
- Those provisions will not impact those Legal Entities of the Public Law that based on the Georgian legislation are considered to be religious organizations, also the ones that receive less than 25 percent of their overall revenues from the budget and LEPL - Georgia Broadcasting;
- In special cases, exceptions may happen only with the primary agreement of the Government of Georgia;
- In 2010, the Ministries in Georgia should get the primary agreement of the Prime Minister through the Ministry of Finance on spending the savings made through the tenders executed with the budget funds following the “law of Georgia on state procurement”. In cases when the PM rejects that proposal, the Government of Georgia should make a decision to transfer these funds to expenditures of general state importance.

Program and Capital Budgets

As mentioned earlier in the book, the new budget code considers many news and changes in the budget process; however, one of the most important among them is establishment of program and capital budgeting, which will be implemented in 2012; to achieve the goal, the Government of Georgia has already started working on those issues and plans to introduce program and capital budgets step by step.

Together with the “draft 2010 state budget law” the Government of Georgia submitted to the Parliament draft program and capital budgets of pilot ministries;

The Ministry of Justice, the Ministry of Education and Science and the Ministry of Labor, Health and Social Protection developed the program budgets and the Ministry of Regional Development and Infrastructure as well as the Ministry of Finance prepared the capital budget.

The program budgets prepared by the Ministries cover 2010-2013 priorities, the programs and activities targeted at the achievement of those priorities and the funding expanded by years necessary to implement those programs and activities. The program budget also includes the expected outputs and outcomes of the programs and activities and the performance indicators to measure achievements of the program against.

The capital budgets prepared by the Ministries cover large capital projects planned to be implemented in 2010-2013 and necessary funding for them. The Ministry of Regional Development and Infrastructure mostly plans to develop road infrastructure; however, the Ministry of Finance plans to implement capital projects targeted at construction and rehabilitation of tax centers and custom houses.

The following is the reference to the Program budget of the Ministry of Justice and the capital budget of the Ministry of Regional Development and Infrastructure.

The Program Budget of the Ministry of Justice of Georgia

Key priorities of the Ministry of Justice of Georgia for 2010-2013 are :

1. Reform of the criminal justice system and legislation;
2. Ensure state representation at the European Court of Human Rights and international arbitration;
3. Provide state registration of normative acts and their electronic promulgation automatically;
4. Create a functional civil registry;
5. Ensure effective functioning of the enforcement system and arrange it in accordance with contemporary standards;

Programs and Activities Planned within the Frameworks of the Priorities, their Funding, Anticipated Results and Evaluation Criteria

1. Reform of the Criminal Justice System and the Legislation

Program/Activity Title	2010	2011	2012	2013
1.1 Creation of an integrated system of criminal case proceedings	1 468.7	730,0	600,0	0,0
1.2 Support to the implementation of a new Criminal Procedures Code	257.4	65,0	60,0	0,0
1.3 Community Prosecution Program	190.4	159,0	159,0	159,0
1.4 Establishment of Victim Support Centers	222.4	96,0	96,0	96,0
TOTAL funding for the priority	2 138.9	1 050,0	915,0	255,0

1.1 Creation of an integrated system of criminal case proceedings;

Anticipated Result:

- A software for criminal case proceedings will be created, installed and tested that will support to more quick, effective and efficient consideration of criminal cases also facilitate perfection of the procedural control and statistical analysis;
- The staff within the system of criminal case proceedings will attended a relevant training and raise their skills and qualification;
- Software database will be broadened uninterruptedly in upcoming years;
- Evaluation Criteria:
- A software for criminal case proceedings that is positively evaluated by the experts of respective qualification;
- As the result of training, about 10 thousand highly-qualified people are working within the system;
- A protected information database is created

1.2. Support to the implementation of a New Criminal Procedures Code

Anticipated Result:

- Respective legal documents are produced;
- Measures for victim protection are improved;
- 600 prosecutors are trained on the skills necessary for the trial, new standards of evidences, investigation timeframes, role of a prosecutor, mandatory preliminary hearing and the jury/

Evaluation Criteria:

- Internal guidelines are developed;
- Investigation forms are drawn up (among the forms of investigation protocols and motions);
- A report is produced on the victim and witness protection system based on foreign experience;
- Reports are produced by the special monitoring groups on the conducted trainings.

1.3. Community Prosecution Program;

Anticipated Result:

- Support activities are held at the educational facilities on the problems of juvenile crime and the issues related to legal proceedings;
- Local consultation councils are established that will hear the issues related to crime and safety;
- Various social activities are held.
- The awareness and confidence towards the prosecution services and criminal justice system is raised.

Evaluation Criteria:

- Reduced number of juvenile crime cases;
- Reports produced by the prosecutors on the performed activities;
- Annual public opinion surveys;
- Opinions expressed at the sessions of local councils (minutes of the meetings).

1.4. Establishment of Victim Support Centers

Anticipated Result:

- Project implementation will support the increased accountability of the prosecutor's office towards the public, and it will also raise the public awareness towards the system of the Prosecutor's Office and increase confidence in it, which should be proved by the regular sociology surveys;
- Higher quality of providing legal and informational support to the victims.

Evaluation Criteria:

- Information on victims are announced in the assistance centers;

2. Ensure State Representation at the European Court of Human Rights and International Arbitration

Program/Activity Title	2010	2011	2012	2013
Ensuring state representation at international arbitrations	0.0	5 000.0	5000.0	5 000.0
Total funding for the priority	0.0	5 000.0	5 000.0	5 000.0

Anticipated Result:

- In proportion with the submitted application, decreased number of cases where political and material responsibility is imposed on Georgia, establishment of efficient internal state system of legal defense;
- Prevention of arbitration disputes against the state of Georgia and provision of maximally favorable outcome for Georgia from already existing disputes.

Evaluation Criteria:

- In proportion to the claims filed to the European Court of Human Rights, the number of violations of the obligations taken under the European Convention on Human Rights, as identified by the European Convention of Human Rights is decreased.
- Number of arbitration disputes resolved for the favor of Georgia.

3. Automated System of State Registration of Normative Acts and Their Electronic Promulgation (web portal of the ‘Sakartvelos Sakanonmdeblo Matsne’ (Legislation Messenger of Georgia)).

Program/Activity Title	2010	2011	2012	2013
3.1 Systematization of legislation / electronic publishing	290.0	40.0		
Total funding for the priority	290.0	40.0		

Anticipated Result:

- Official status is assigned to the electronic version of the ‘Sakartvelos Sakanonmdeblo Matsne’;
- Electronic versions of the ‘Sakartvelos Sakanonmdeblo Matsne’ of current period, also the archive are posted on the web-page;
- Search engine for the normative acts is provided in the web-page, which makes it possible to look for the normative acts based on various parameters;
- The user is able to see the normative act in control (codified) state, also the text of certain amendment and/or addenda, also the normative acts as of the current control state in the every amendment point;
- Other information envisaged by the legislation is also posted on the web-site, such as permits, licenses, applications, enterprise registry, etc.
- CD-ROMs are issued according to the common field-based classifier of the legislation of Georgia.

Evaluation Criteria:

- 100% indicator of the documents posted as electronic versions;
- The archive is digitalized and the problem of document archiving is solved;
- The decreased level of necessary budget.

4. Create a functional civil registry*;

Program/Activity Title	2010	2011	2012	2013
Creation of an operational Civil Registry	24 946.2	24 946.2	24 946.2	24 946.2
Total Funding for the Priority	24 946.2	24 946.2	24 946.2	24 946.2

Anticipated Result

- The user-friendly service that is staffed with qualified human resources;
- Perfection of a database and access for other organizations;
- Issuance of biometric passports and electronic identification cards;
- Perfected legislative basis on the Civil Registry;
- Services repaired according to the ‘over the counter’ principle; existence of functional central and duplicated server center; equipment of territorial services with computers and creation of a virtual integrated network throughout Georgia.

Evaluation Criteria:

- Staff performance evaluation system is put into practice;
- Level of satisfaction of corporate users with the new service of data exchange.

* Note: The program will be funded through the private revenues of the Legal Entity of Public Law

5. Ensure effective functioning of the enforcement system and arrange it in accordance with contemporary standards;

Program/Activity Title	2010	2011	2012	2013
5.1 Introduction of up-to-date information and communication systems	100.0	50.0	50.0	50.0
5.2 Upgrade personnel qualification	30.0	30.0	30.0	30.0
5.3 Update the infrastructure of territorial bodies	250.0	1350.0	700.0	200.0
Total Funding for the Priority	380.0	1430.0	780.0	280.0

**5.1 Introduction of up-to-date information and communication systems;
Anticipated Result**

- Database of debtors registry is created;
- Enforcers are connected to the unified governmental network and the database of debtors registry that will result in timely and efficient enforcement of court resolutions

Evaluation Criteria:

- Increased number of enforcement cases;
- Connection of regional and district bureaus to the unified network.

5.2 Upgrading the personnel qualification;

Anticipated Result

- Selection of highly-qualified human resources through competitions and qualifying exams for enforcers;

Evaluation Criteria:

- Number of interns and enforcers with upgraded qualification.
-

5.3 Upgrade the infrastructure of territorial bodies;

Anticipated Result

- National Enforcement Bureau has an improved logistics.

Evaluation Criteria:

- Service quality is significantly enhances, which is directly reflected on the number of enforced cases

Capital Budget of the Ministry of Regional Development and Infrastructure

GEL in thousands

Project Title	2010	2011	2012	2013
Repair of the Administrative building of the Road Department and equip it with computers and other appliances	20,0	980,0	250,0	300,0
Periodical repair and rehabilitation of roads	98 277,9	175 000,0	200 000,0	230 000,0
Construction of a Bridge on the 9th kilometer of Kodatritskaro highway		11 000,0		
Construction and Reconstruction of km-15km21 part of Tbilisi entrance	2 000,0	18 000,0		
Construction of a new Bridge over the River Kubistskali on the 100 th kilometer of Senaki-Poti-Sarphi highway	350,0			
Modernization-construction of Ponichala-Rustavi part of km12-km21 of Tbilisi-Red Bridge		30 000,0	20 000,0	20 000,0
Construction of East-West transit highway (WB)	157 500,0	47 500,0	0,0	0,0
Intrastate and local road project	80 000,0	10 000,0		

Project Title	2010	2011	2012	2013
Vaziani-Gombori-Telavi high-way project	38 750,0	18 250,0		
Construction of a new direc-tion on the Choloqi-Sarphi road (through round roads to Batumi and Kobuleti) (ADB)	43 000,0	257 000,0	160 000,0	20 000,0
Construction and reconstruc-tion of Zestaphoni-Kutaisi-Samtredia part of East-West highway	35 000,0	165 000,0	80 000,0	80 000,0
Construction-reconstruction of km96-km143of Ruisi-Rikoti part of Tbilisi-Senaki-Leselidze highway		115 000,0	75 000,0	40 000,0
Construction-reconstruction of km141- km191 of Rikoti-Ze-staponi part of Tbilisi-Senaki-Leselidze highway		6 000,0	30 000,0	50 000,0
Construction of km21-km52 of Tbilisi-Sagarejo part of Tbilisi-Bakurtskikhe-Lagodekhi highway		450,0	10 000,0	30 000,0
Modernization-construction of km4-km31 of Tbilisi-Marneuli part of Tbilisi-Marneuli-Guguti Highway		20 450,0	20 000,0	20 000,0
Modernization-construction of km0-km50 of Samtredia-Grigoleti highway		1 500,0	40 000,0	100 000,0
Total capital project funding*	454 897,9	876 130,0	635 250,0	590 300,0

Note: These projects do not envisage the Samtskhe-Javakheti road rehabilitation project that is implemented by the Millennium Challenge Georgia.