Public Disclosure Authorized

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World Bank – Georgia Partnership Program Snapshot

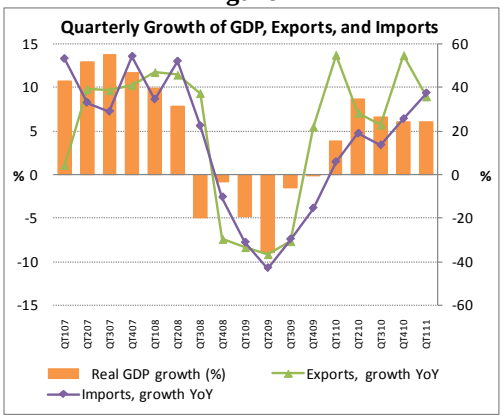
September 2011

RECENT ECONOMIC AND SECTORAL DEVELOPMENTS

Growth and External Performance

The economy rebounded by 6.4 percent in 2010 and posted growth of 5.8 percent in the first quarter of 2011. The recovery has been led by a strong rebound in 2010 in several sectors, including manufacturing (20.3 percent), construction (7.6 percent), and services including transport (13.1 percent), wholesale and retail trade (14.1 percent), and hotels and restaurants (12.9 percent). The recovery has benefited from a pickup in exports, tourism, bank lending, and continued high levels of public investment. At the same time, FDI inflows have remained weak at 4.7 percent of GDP in 2010, down from 12 percent in 2008. Private investment rates recovered only modestly in 2010, suggesting that the strong growth rebound has been facilitated in part by higher capacity utilization. The economy is projected to grow by about 5 percent per year during 2011-14, which will require higher private domestic investment and productivity in the tradable sectors. Downside risks from global economic uncertainty remain significant.

Figure 1



Exports of goods and services were up to 34.8 percent of GDP in 2010 from 29.8 percent in 2009. Merchandise exports (up 39.5 percent y-o-y in 2010) were composed primarily of metals and metal products, repaired and remanufactured vehicles, wines and beverages, and fruits and nuts. The leading export destinations include Azerbaijan, Turkey, United States, Armenia, Ukraine, Canada, and Bulgaria. Export of services was up 21.9 percent (y-o-y) in 2010, with tourism and transport receipts up 38.5 percent and 12.0 percent, respectively. The export rebound has benefited from improved conditions in external markets as well as real exchange rate (RER) depreciation in the post-crisis period.

Figure 2

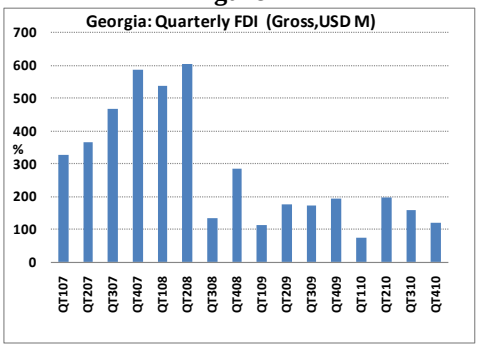
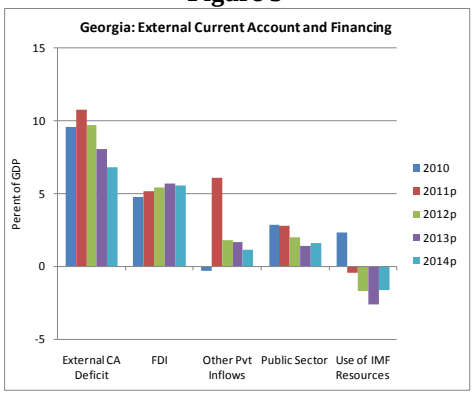


Figure 3



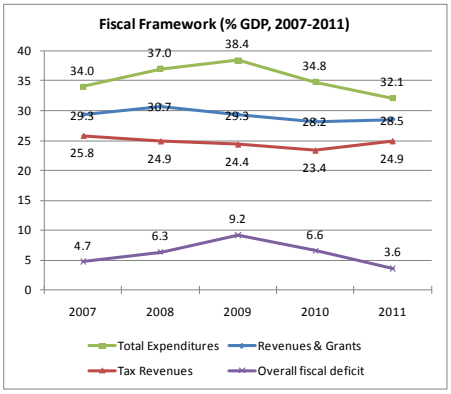
The external current account deficit has adjusted to 9.6 percent of GDP from 22.7 percent two years earlier. From 2008 to 2010, imports were down by 6.1 percentage points of GDP and exports were up by 6.1 percentage points of GDP. This external adjustment has been facilitated by the credible fiscal program and a flexible exchange rate. The RER depreciated by about 13.2 percent between October 2008 and October 2010 after appreciating by 38 percent in the pre-crisis

period (from 2004 through October 2008). More recently, as private capital inflows have picked up, the RER appreciated by 10 percent between October 2010 and March 2011, although exports continued to grow by 36 percent in the first quarter of 2011. Gross international reserves improved to 4.5 months of imports ($2.26 billion) in 2010 from 2.4 months of imports ($1.48 billion) in 2008.

Fiscal Sector Performance

Significant fiscal adjustment has been implemented in 2010-11 as recovery has taken hold. The overall fiscal deficit declined from 9.2 percent of GDP in 2009 to 6.6 percent in 2010 and is budgeted to decline to 3.6 percent in 2011. Overall expenditures declined from 38.4 percent of GDP in 2009 to 34.8 percent in 2010. While fiscal adjustment in 2010 came primarily from current expenditures, the strategy going forward involves adjusting both current and capital expenditures as higher private investment and sustained growth take hold. Total expenditures are projected to decline to 32.1 percent by 2011 and 28.1 percent by 2014, with current and capital expenditures making similar contributions to this adjustment path. Tax revenues are projected to remain at about 24.5 percent of GDP during 2011-14, although the winding down of grants means that total revenues are projected to decline from 28.2 percent of GDP in 2010 to about 26.1 percent by 2014. As external borrowing has picked up, public external debt increased from 17.5 percent of GDP in 2007 to 33.7 percent in 2010.

Figure 4



The fiscal stance has also included a commitment to enhance efficiency through marked reallocation of expenditures. As part of the stimulus in 2009, expenditures on transport infrastructure, as well as on education, health, and social protection were scaled up significantly, with the fiscal space for these increases coming from a marked reduction of defense expenditures. As fiscal adjustment is being implemented in 2010-11, important social expenditures are being protected, while capital expenditures are projected to decline from the winding down of crisis-related investments.

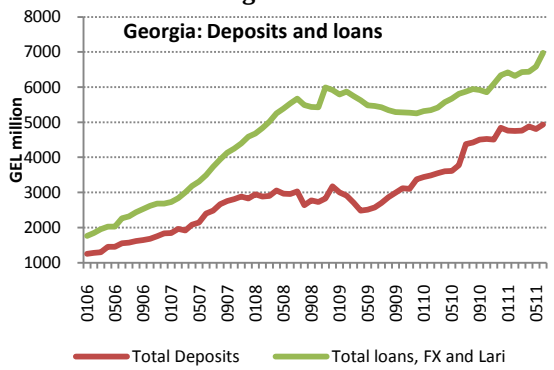
Georgia received a strong vote of confidence from international capital markets in April 2011 by successfully refinancing its Eurobond. The 10-year benchmark Eurobond was issued at very favorable terms ($500 million at a 6.875% coupon rate and 7.125% yield), with the offer more than 5 times oversubscribed. The issuance was combined with a concurrent exchange of $417 million (83%) of the previously issued 5-year Eurobond coming due in 2013, thus allowing Georgia to significantly smooth out its debt repayment profile.

Financial Sector

Liquidity and capitalization of the banking sector have improved since mid-2009 and non-performing loans have abated, but the banking sector remains highly dollarized. Deposits

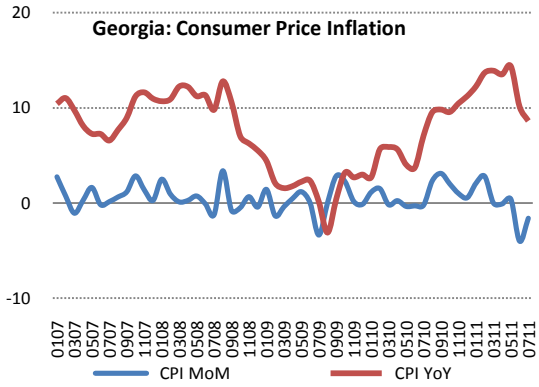
have grown strongly since mid-2009 and banks have raised precautionary balances and increased loan provisioning, with the result that liquidity and capitalization indicators improved significantly. The ratio of non-performing loans (NPLs) has eased from a peak of 8.3 percent in September 2009 to 5 percent in March 2011, although it remains elevated compared to pre-crisis levels. The banking system also remains substantially dollarized, with about 74 percent of loans and 71 percent of deposits in foreign currency. As a result, while the direct currency-induced credit risk to bank balance sheets from exchange rate depreciation is limited, the indirect risk through balance sheets of borrowers is significant. The authorities have taken a number of steps to enhance bank supervision and encourage de-dollarization.

Figure 5



Inflation has picked up markedly since the second half of 2010 after being in the low single digits for most of the post-crisis period. Inflation picked up to 11.2 percent (end-of-year) in 2010 and 14.3 percent (y-o-y) in May 2011 from 3 percent in 2009. This has been driven primarily by higher international food and fuel prices (with food prices up 30.7 percent y-o-y in May 2011 and fuel prices up 21.4 percent). In response, the NBG has progressively raised the refinancing rate from 5 percent in June 2010 to 8 percent in February 2011. So far, there is no evidence of second round effects on prices of products other than food or fuel (with core inflation at about 2 percent). The authorities have also responded by distributing GEL 57 million (US$ 34 million) in untargeted food and electricity vouchers and by announcing a plan to raise pensions by 25 percent from September 2011.

Figure 6



Poverty and Social Protection

Several indicators point toward an improvement in living standards in Georgia between 2003 and 2007. Comparisons based on the annual national Household Budget Surveys (HBS) suggest a reduction in the poverty headcount from 28.5 percent in 2003 to 22.7 percent in 2008. Real household consumption per adult equivalent increased from 122 GEL in 2003 to 141 GEL in 2008 (about a 16 percent increase, in 2007 prices). Inequality also followed a similar pattern, with the Gini coefficient declining from 38.0 in 2003 to 33.8 in 2008. In addition, important non-income dimensions of welfare improved for those in the bottom deciles of the population since 2004. These include significantly improved access to electricity, natural gas, safe water, health, and higher education.

Evidence on the impact of the economic downturn starting in 2008 points toward greater hardship resulting from higher unemployment and the credit crunch. The economic downturn has affected the welfare of Georgian households on

multiple fronts, including reduced access to credit, increased unemployment, and reduced wages and hours of work. The poverty headcount is estimated to have increased from 22.7 percent in 2008 to 24.7 percent in 2009, with real household consumption per adult equivalent declining from 141 GEL in 2008 to GEL 136 in 2009. Rural areas experienced a slower decline in poverty through 2008 and a greater impact from the 2009 downturn. Urban poverty incidence declined from 23.7 percent in 2003 to 17.5 percent in 2008, before increasing to 18.4 percent in 2009; rural poverty incidence declined from 33 percent in 2003 to 27.8 percent in 2008, before increasing to 30.7 percent in 2009. Increased unemployment is one of the main transmission channels through which the economic crisis has affected the welfare of Georgians. Unemployment increased from 13.3 percent in 2007 to 16.9 percent in 2009, before moderating to 16.3 percent in 2010.

Figure 7

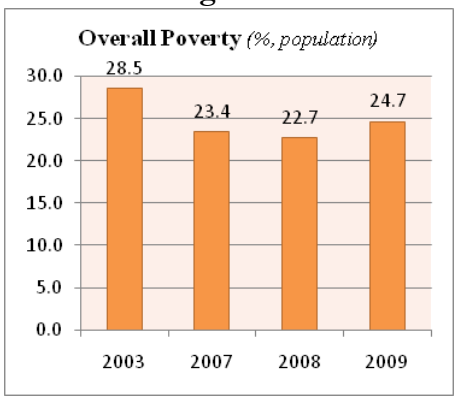
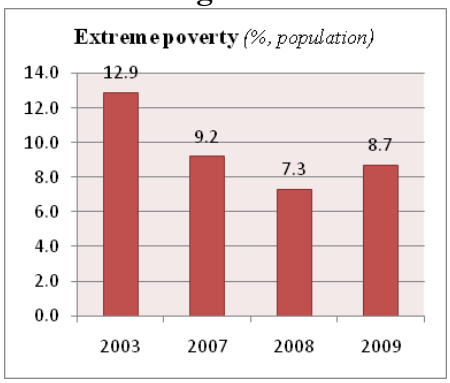


Figure 8

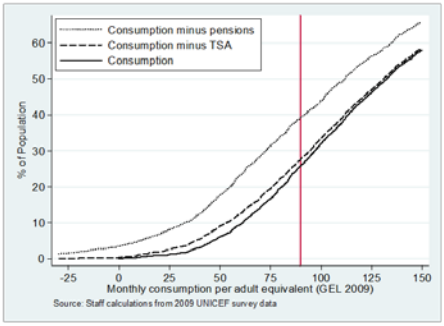


Georgia has put in place an effective social safety net and simulations indicate that social expenditures have a very significant impact in mitigating the incidence of poverty.

Targeted Social Assistance (TSA) and pensions both contribute significantly to reducing poverty in Georgia. Based on the Georgia national poverty line of 89.7 GEL per adult equivalent per month, the poverty headcount in 2009 without TSA would have been almost two percentage points higher than the headcount with TSA (27.5 percent versus 25.7 percent), while the poverty gap would have been more than two percentage points higher (9.6 versus 7.5). As pensions are larger in value and reach a much wider population, poverty levels would have been much higher without pensions, with the headcount and gap reaching 39.1 and 18.6, respectively. In addition, both TSA and pensions reach a proportionally larger share of the rural than urban population, and thus have a relatively greater poverty impact in rural areas (thereby also reducing spatial inequality).

Figure 9

Cumulative distribution of consumption with and without pensions and TSA



A key social challenge is support to internally displaced persons (IDPs).

The first phase of the Government response following the August 2008 conflict focused on essential housing for 30,000 new IDPs. This remains a challenge, particularly for some IDPs from the 1990s. The bigger challenge is in terms

of improving employment opportunities and important public services for all IDPs. Supporting IDPs is a central and priority feature of both the Joint Needs Assessment (JNA) and the recent Basic Data and Directions (BDD). The Bank is working closely with the UN to assess and monitor the needs of IDPs. The ongoing Regional and Municipal Infrastructure Project provides direct assistance on IDP housing. The Bank has also approved an IDP Community Development Grant to support the social and economic integration of recently displaced IDPs into the society. The EU has also made available grant resources to the Bank to support this effort. The Bank will continue to monitor the situation with IDPs through analytic work on the impact of the economic crisis on IDPs and its follow up JNA Progress Reports with the UN, EU and other donors.

Figure 10

IDP Housing constructed with the WB assistance.

Health Development

Recent trends in Georgia's health indicators point to steady improvement. Some progress has been observed in terms of achieving the Health Millennium Development Goals (MDGs): Infant mortality per 1000 live births has dropped from 31 in 2000 to 26 in 2008. However, there is still some way to go to achieve the MDG target of 7 per 1000 live births by 2015. The maternal mortality ratio at 20 per 100,000 live births in 2007 as reported by the national sources is still high when comparing with the MDG target of 12.3. Life expectancy increased from 70.3 years in 1995 to 75.1 years in 2007. The Government is in the midst of a major health reform, with greater private provision of services, combined with the introduction of a Medical Insurance Program (MIP), subsidized for the poorest. The ultimate goal is to improve key health indicators of the population, where important strides have been made but further progress is needed.

Figure 11

Pre-immunization check-up at the Khunevi Ambulatory constructed and equipped with WB assistance

High level of private expenditures on health remains a challenge in the sector. 70 percent of expenditures are carried as out-of-pocket payments and represent the highest share in Europe and Central Asia (ECA) compared with 27 percent in the EU-12 and 16 percent in the EU-15 (WHO Health for All). This is partly caused by low public expenditures on health which accounted for only 1.85 percent of GDP despite recent budget increases for the sector.

The Bank supports the health sector in Georgia through (i) the Heath Sector Development Project with the main objective to improve coverage, utilization and quality of health care services in the territory of Georgia, and to strengthen Government's stewardship function in the health sector and (ii) Avian Influenza and Human Pandemic Preparedness and Response Project with the main goal to minimize the threat posed to humans and

the poultry industry in Georgia by HPAI and other zoonoses in domestic poultry, and to prepare for, control, and respond to influenza pandemics and other infectious disease emergencies in humans. Additional support is being provided by IDA/IBRD through the First Development Policy Operations, which provide support to many sectors, including health, for the development of policy and institutional reforms.

Education

Georgia's education system has achieved internationally acceptable levels of net enrollment and school completion rates despite relatively modest levels of public expenditure at approximately 2.9 percent of GDP in 2009. Notwithstanding the fact that Georgia spends on education half of what is spent on average within the region, indicators such as gross primary and secondary enrollment rates do not differ from those regionally. There is indeed a very strong (92 percent) primary enrollment rate and close to full gender parity in classrooms. Learning outcomes have been benchmarked through Trends in International Mathematics and Science Study (TIMSS) and Progress in International Reading Literacy Study (PIRLS), though the ranking indicates room for improvement (for example the 8th grade ranking shows Georgia as 33 out of 49 countries in math achievements).

Quality of education remains a work in progress, though the Government of Georgia has put in place a number of new initiatives to address this issue. A new *Strategy for the Development of Education in 2010-2015* has been adopted, which puts a strong emphasis on improving the quality of general education. Among many, some of the new initiatives introduced by the Government throughout 2010 include emphasis on English language proficiency, ICT literacy, increased safety at schools, improving teacher qualifications and introducing new school leaving examinations. In the framework of the state program "Teach and learn with Georgia", roughly 1,000 English speaking individuals were invited to live in Georgia and teach in schools along with their Georgian counterparts.

1st round of School leaving examinations, also referred to as Computer Adaptive Test (CAT), were carried out in July, 2011, in which 30% of the school graduates demonstrated a high level of knowledge. The teacher certification process was launched across the country, which mandates each teacher to obtain accreditation by 2014. Up to 60, 000 first graders will receive net-books free of charge in September 2011 to build strong ICT skills. School branding was also introduced involving a mandatory assessment of general education institutions with a ten star system, to keep public informed about the quality of education offered. In order to ensure safety at schools, the Ministry has introduced the Institute of "Mandatories" (Resource Officers). At the higher education level, ambitious accreditation of higher education programs is currently being carried out by the National Center for Quality Enhancement.

Figure 12
Unified university entrance examination

The Bank supports the Education Sector of Georgia through the Education System Realignment and Strengthening Program – a three phase Adaptable

Program Loan (APL) which seeks to effectively realign the objectives of the education system and enhance the policy and the management capacity to improve efficiency, quality and relevance of learning outcomes. APL1 (US$ 25.9 IDA credit) closed in 2007. APL2 (US$ 15 million IDA credit, and US$ 4.95 PHRD grant) closed in August, 2011. Achievements include construction of seven new schools previously in dire physical condition, implementation of the new national curriculum in all general education institutions across the country and development of new policies for teacher professional development, including adoption of teacher professional standards and design and launch of teacher certification examinations.

In addition, in 2009-2010 the Bank has mobilized US$ 260,000 from the Education Program Development Fund (EPDF) for the financing of international assessment of students' learning achievements.

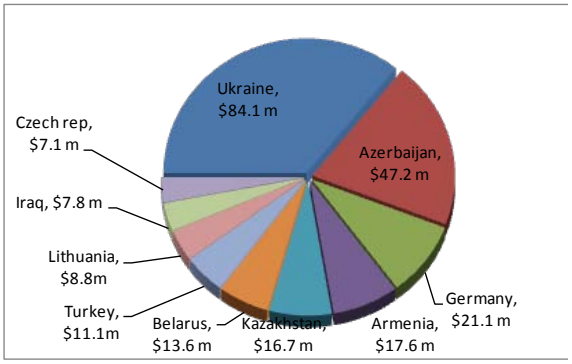
Agriculture Development

The Government is working towards increasing rural productivity and incomes based on a strategy of providing a more conducive environment for private agricultural investment, both foreign and domestic. Its business environment reforms, along with land reforms introduced in 2005 to provide secure titles to agriculture land, are intended to help foster growth of a more commercially oriented sector. Although the share of agriculture in total GDP has declined significantly (from 25 percent in 1999 to about 8.4 percent in 2010), it remains an important sector in Georgia given that over 50 percent of the population lives and works there. Agriculture contributes to about 25 percent of exports (compared to 39 percent in 2005).

The agricultural sector continues to be a major development challenge for the Government. Agriculture has not contributed significantly to Georgia's economic growth since 2004 and declining area under cultivation, yields, and livestock numbers point to the difficulties facing the sector. Issues depressing agricultural productivity and investments relate to fragmentation of land, high transport costs and poor roads connectivity to markets and generally degraded rural infrastructure.

Figure 13

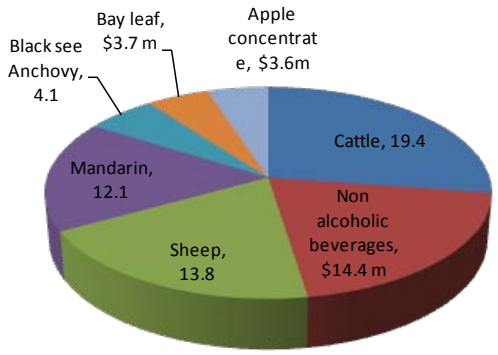
Top 10 trade partners by export of agricultural products (2010, million USD)



The lack of standards, phytosanitary and plant protection measures, and livestock disease control are also a challenge going forward and in particular limit export potential for agricultural products. Inadequate seed quality, poor rural infrastructure, and limited financial services in rural area also continue to constrain the sector. Government support for traditional agricultural services such as research and extension and veterinarian services is limited.

Figure 14

Top 10 Agricultural Export Commodities (2010, million USD



The Bank supports the agriculture sector of Georgia through the Rural Development Project and the Avian Influenza Project. The Bank is also carrying out a Rural Investment Climate Assessment study, primary results of which will be available in Autumn, 2011.

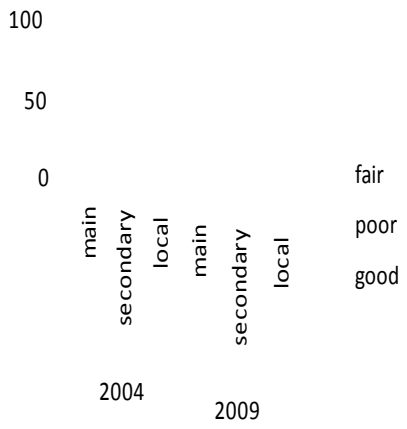
Transport

Georgia's transport system is a key link in the historic "Silk Road", which the Transport Corridor Europe to Central Asia (TRACECA) initiative seeks to emulate. Both in terms of geographical location and existing infrastructure, Georgia is well placed to absorb growing transport demands. It is located on the shortest route between Europe and Azerbaijan, Armenia and the Central Asian countries through its Black Sea ports.

Road Rehabilitation has been a key Government priority since 2004. Rehabilitation and maintenance budgets have increased substantially. The Government's commitment to rehabilitation of main, secondary and local roads networks has intensified in response to the global economic down-turn, as road rehabilitation will improve access to markets and services, and create short-term employment through civil works.

Figure 15

Roads Condition in Georgia



The Government has asked international development agencies to rehabilitate different segments according to its medium term program. The World Bank is already financing the most congested section through its series of East-West Highway Operations, as well as rehabilitating Kakheti Roads and various secondary and local roads of Georgia. The Bank also finances technical assistance components to strengthen capacity of the Roads Department as well as local government units in management and maintenance of the road network. Other donors including JICA, ADB and the MCC are financing different sections, and the Government is seeking additional donor support for other segments.

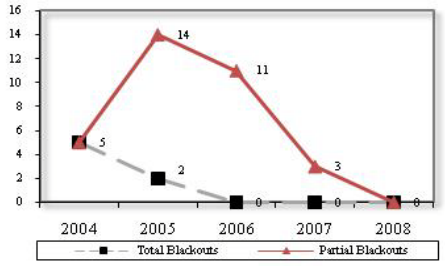
Energy

The Government has made remarkable strides in recent years turning around a collapsing energy sector. Power supply has significantly improved and Georgia has secured a diversified and stable gas supply. Power system outages steadily improved going from 15-20 hours per day to virtually continuous power supply. The turnaround in the sector was related in part to the privatization of power generation and distribution with the Government supporting private operator efforts to improve payment discipline through financing the installation of meters and stopping political interference in tariff collection. Georgia has also stabilized its

basic energy security by increasing gas supplies from Azerbaijan through the new South Caucasus Pipeline (SCP) and other pipelines.

Figure 16

Number of Major Power Blackouts 2004-2008



Now that Georgia has developed a more stable and reliable energy sector, the next challenge is to continue increasing power generation to meet future domestic demand and to generate additional income from power exports. At the same time efforts are required to improve the efficiency in domestic energy use. The most promising source of additional energy generation is hydropower where only 12 percent of Georgia's hydropower potential is being utilized. In order for the Government to implement its strategy for energy security and export oriented production, in the near term it is focused on securing private investments for construction of new hydropower stations. For the medium to long term, the Government will explore other forms of financing for promising projects. Further hydropower utilization also requires increased power transmission capacity for domestic and export purposes, an issue that is being addressed in parallel. Strong regulatory involvement is also needed, within the context of private provision of power.

The Bank has supported the Energy sector of Georgia through an Infrastructure Pre-investment Facility aimed at facilitating infrastructure investments that have strategic importance, and the recently closed Electricity Market Supply Project aimed at improving reliability and efficiency of electricity supply, and improving financial and corporate management in the wholesale electricity market.

Municipal Services

The Government recognizes the importance of building local infrastructure not only to increase the well being of the population but also as a key element in promoting growth. Roads, water and sanitation infrastructure has remained in need of substantial rehabilitation in much of the country.

The Bank has been providing significant support through the Georgia Municipal Development Fund (MDF) to assist in improving intergovernmental fiscal relationship, raising the capacity of local governments, restoring infrastructure, improving efficiency and reliability of selected municipal infrastructure and service, and improving housing and infrastructure conditions of IDPs. Investments results in improved access to, and quality of water, improved energy efficiency and reduced transport time and cost on local roads.

Figure 17

Kutaisi fire fighters are taking good care of the new vehicles purchased under the WB assistance

The Bank extended a new Regional & Municipal Infrastructure Project in the amount of US$ 40 million IDA in 2009, and US$ 45 million IDA/IBRD in 2010, which is providing both regular and emergency support in light of the August

conflict. The Bank is also administering a Cities Alliances Grant for Tbilisi to develop a City Development Strategy.

Public Financial Management

The Government has taken significant steps to improve the public financial management system. The budget has been reformed through establishment of medium-term expenditure framework, gradual introduction of program budgeting and implementation of the Treasury Single Account. The tax and customs codes also have been simplified and revenue administration has been reorganized and strengthened. In addition, the Chamber of Control was transformed into the Supreme Audit Institution (SAI), including amendment of the external audit legislation to address shortcomings in the area of public accountability and oversight, and endorsement of a new financial audit methodology consistent with INTOSI standards.

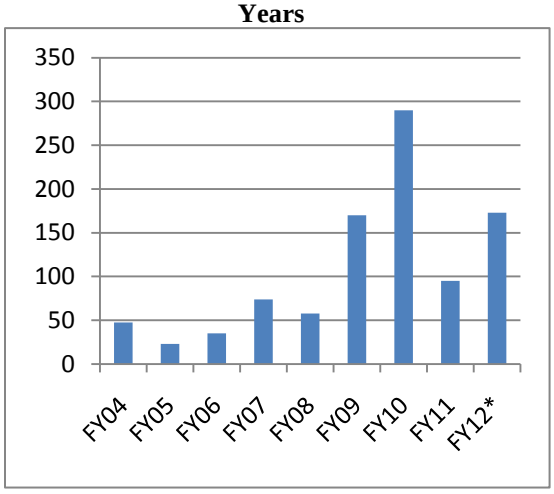
The Bank supports the Public sector in Georgia through (i) the series of Development Policy Operations (DPOs); (ii) ongoing Public Sector Financial Management Reform Support Project, and (iii) IDF grant for Tbilisi City Capital Investment Planning and Budgeting.

THE WORLD BANK PROGRAM IN GEORGIA

Georgia joined the World Bank in 1992 and the International Development Association (IDA) in 1993. The Bank has provided financing for 51 projects in different sectors totaling over US$ 1.55 billion of IDA Credits and Grants, and IBRD Loans, of which about 92 percent has already been disbursed. Approximately 64 percent of the Bank financing for Georgia comes on Investment Projects while 36 percent is directed on budget assistance through development policy operations.

The Country Partnership Strategy (CPS) approved by the Board in September 2009 with new planned IDA/IBRD lending of about US$ 396 million for the fiscal years 2010-2013. The strategic objectives of the CPS are to (i) meet post conflict and vulnerability needs, and (ii) strengthen competitiveness for post-crisis growth. Given the short-term financing needs, the Government requested maximum frontloading of financial flows from both IDA and IBRD sources. To that end, the lending program in fiscal year 2010 amounted to US$ 290 million and represented the highest volume since joining the Bank. In view of increased IDA-16 envelope for Georgia, and increased IBRD exposure limit, the CPS program lending will increase by about US$ 320 million.

Figure 18
WB Commitments in USD million by Fiscal Years

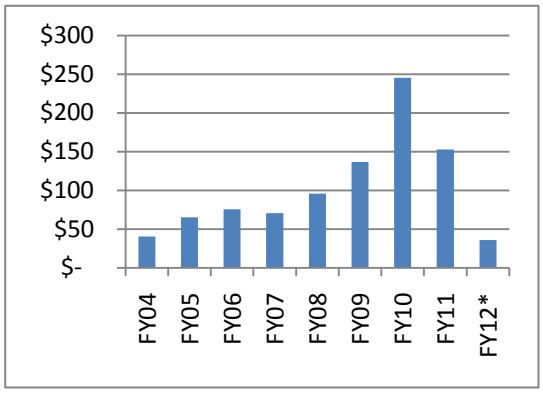


* Includes actual plus projected lending.
Fiscal Year starts July 1.

Key accomplishments of the CPS cut across both pillars and various sectoral interventions. Over 600 km of roads were rehabilitated, creating about 20,000 person-months of employment and providing improved public access to

markets and social services. Seven new schools were constructed, serving 4150 students (about half of whom are girls) and employing more than 300 teachers. Over 1800 health specialists were trained in family medicine, of which 95 percent are women. A 25-bed hospital was constructed in a mountainous area and a primary health care center was opened in Gori serving about 69,000 beneficiaries (of which 10,000 are IDPs). The targeted social assistance (TSA) scheme was scaled up to cover 408,367 beneficiaries, of which about 56 percent are women. Improvements in the business environment have continued. The e-filing system was expanded for all tax payments; as a result, 75 percent of all declarations in 2010 were done electronically (compared with only 10 percent in 2009).

Figure 19
Disbursements in USD million by Fiscal Years



* As of August 25, 2011. Fiscal Year starts July 1.

Analytical and Advisory Activities (AAA) further contribute to program implementation. For the current Fiscal Year the Bank will focus on the following activities: (i) Georgia Programmatic PER - poverty work that provides useful analysis of poverty impacts of changing patterns of growth as well as of key social programs; (ii) Georgia Rural Investment Climate Assessment (RICA) that contributes to understanding the constraints faced by the rural sector at the household, farm and non-farm levels; (iii) Capacity Building for the GeoStat; (iv) Analysis on Sources of Growth – South Caucasus regional work with focus on regional competitiveness, agriculture, trade, power and environment; (v) Skills Study, also part of a South Caucasus regional work, to look at the role of labor markets, education and training, in enhancing market skills; and (vi) South Caucasus Poverty and Inequality Analyses that will focus on informing policy choices to maximize poverty reducing impacts of growth and social policies,

In addition, the Bank has, jointly with the Government, embarked on communication initiative around key policy issues. Several round-tables with the representatives from the Government, private sector and think-tanks were organized over issues such as investment climate, health system performance, social protection, tertiary education, agriculture, and other.

Current Portfolio consists of 8 active investment projects, financed by 8 IDA Credits/Grants and 5 IBRD loans for a total of US$ 477 million, of which about US$ 92 million is undisbursed. In addition, The Board approved a US$ 40 million DPO3 in July, 2011 which will be disbursed in the coming weeks.

Additional lending of about $335 million is envisaged for over FY12-13**.** This is expected to come from both IDA and IBRD sources and includes US $ 40 million for DPO3 already approved in July, 2011. Other projects in the pipeline for the current fiscal year are: (i) US$ 50 million Regional Development project, (ii) US$ 40 million second Secondary and Local Roads project, and possible US$ 43 million Additional Financing for the ongoing Third East-West Highway Development project to finance additional section of the road subject to technical feasibility and social/environmental safeguards.

In addition to IDA/IBRD operations there is an active program of 6 Trust Fund operations for about $8 million which is financing or co-financing ongoing

projects as well as providing sector diagnosis and strategies that underpin the Bank's dialogue and possible interventions.

ONGOING PROJECTS

Health Sector Development Project

Key Dates:
Approved : August 1, 2002
Effective: May 6, 2003
Closing: December 31, 2011
Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	23.50	22.90	3.02
Government of Georgia	4.46		
Total	**27.96**	**22.90**	**3.02**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

The Government has been implementing a major reform program in the health sector, whereby the private sector role in health financing and service provision was increased by privatizing public health facilities, public funds were prioritized to finance health care for the poor and other vulnerable groups, public health financing have been channeled through private health insurance companies, and the regulatory role of Ministry of Labor, Health and Social Affairs (MoLHSA) has been strengthened. In light of these reforms, the Government requested that the Bank support under the Primary Health Care (PHC) Development Project be revised by increasing funds for additional training on family medicine, to revise financial management guidelines, to strengthen the stewardship functions of the MoLHSA, and to develop a modernized public health information management system covering the entire health system rather than just PHC as was originally envisaged. To meet the new requirements of the reform, the Government and the Bank agreed to restructure the project (restructured in 2009).

The Project Development Objective (after restructuring) is to improve coverage, utilization and quality of health care services on the territory of Georgia, and to strengthen Government's stewardship function in the health sector. Under the Project, existing health facilities and regional family medical training centers are being upgraded. The Project also strengthens the capacity of primary healthcare. In addition, the Project supports overall health sector reform by building capacity of MoLHSA and other relevant agencies for health policy formulation, regulation, financing, monitoring and evaluation. Health Management Information System will also be strengthened and information and communications campaign for the sector will be designed and implemented.

Results achieved to date:

- The first cohort of 103 PHC facilities in Imereti, Adjara and Shida Kartli are fully operational - rehabilitated, equipped, and staffed with trained personnel. A 25-bed hospital was built in high mountainous Ambrolauri and represents a good example of PPP as it has been handed over to a private insurance company for management.
- The world class clinical practice guidelines were introduced and related capacity building was supported. The new guideline on Acute Stroke has been developed and approved by the Ministry.
- The Family Medicine Faculty, established at the State Medical University, along with the network of 5 national training centers, is actively involved in the training of PHC personnel. 43 percent of population covered with re-trained family medicine providers, compared to 0.6 percent at the beginning of the Project. 78 percent of rural population has access to a PHC clinic within 30 minutes of transportation/walking – way above the targeted 50%.
- Immunization rate of Diphteria, Pertussis, and Tetanus (DPT3) increased and reached about 92 percent in 2010.
- 80 percent of population is satisfied with PHC services in target areas, as measured by the utilization survey.
- Number of tuberculosis patients managed at the PHC level has increased from 3 to 57 percent.
- Public health expenditure earmarked to program for poor has increased from 3.6 to 38 percent.

Key Partners:
The Bank team works closely with (i) the Ministry of Labor, Health and Social Affairs of Georgia which is responsible for overall implementation of the Project and policy development; (ii) National Center of Disease Control and Public

Health responsible for daily oversight and management of Project activities; and other sub-ordinate structures of the MoLHSA. The GoG's health care reform agenda is also supported by the USAID, the EU, the Global Fund and the UN agencies with which the World Bank team coordinates on a regular basis.

East-West Highway Improvement Project

Key Dates:
Approved : December 5, 2006
Effective: March 5, 2007
Closing: June 30, 2013 (additional financing)
Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	19.00	19.75	-
IBRD Loan	28.00	16.31	11.69
Government of Georgia	9.34		
Total	**56.34**	**36.06**	**11.69**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Georgia enjoys a strategic location - on the shortest route between Europe and Azerbaijan, Armenia and the Central Asian countries through its Black Sea ports. It also links Russia and Turkey. Trade with neighboring countries, both transit and bilateral, is thus an important feature of the economy. The transport sector is one of the fastest growing in the Georgian economy. Nevertheless, in terms of ton-kilometers, total land transport movement only amounts to about one third of the levels in 1990. The transport infrastructure remains deficient, and hinders growth in other sectors, including agriculture. The transport infrastructure has to improve if Georgia wants to benefit from its strategic transit location, to support its recovering economy, and to integrate its whole population to the national economy. The Government of Georgia and the World Bank have, therefore, designed a series of projects to upgrade the condition of the main East West Highway Corridor between Azerbaijan and Turkey, while also supporting the institutional development of the roads administration.

The Project Development Objectives are to (i) contribute to the gradual reduction of road transport costs and improve access, ease of transit, and safety along the central part of Georgia's East-West corridor, through upgrading a segment of the East-West Highway from Tbilisi to Rikoti, including the rehabilitation of the Rikoti Tunnel; and (ii) to strengthen the capacity of the Government, Roads Department and the local road construction industry to plan and better manage the road network. The Project builds upon the Bank's past involvement and addresses some of the remaining policy and investment gaps in the road sector. Specifically, the Project upgrades the 13 km Agaiani to Igoeti section of the E60 Highway from two lanes to four lanes. An Additional Financing, in the amount of US$ 28 million, designed to scale up the original Project to rehabilitate the Rikoti Tunnel, repair its by-pass road, and support additional institutional strengthening, was approved by the Board in November 2009.

Results achieved to date:

- The second carriageway has been rehabilitated, and the 4 lanes of upgraded 13 kilometer section of E60 Highway between Agaiani to Igoeti are now open to traffic. Transit time has been reduced from 10 minutes to about 7 minutes (which was one of the targets of the project).
- Vehicle operating costs have been reduced as a result of improved roads – from $0.20 to $0.16 for cars and from $0.76 to $0.68 for trucks.
- Works to rehabilitate Rikoti Tunnel (as part of the Additional Financing) are also underway, while Rikoti by-pass has already been rehabilitated and was open to traffic in June 2010.

Key Partners:
The Bank team works closely with (i) the Ministry of Regional Development and Infrastructure of Georgia (MoRDI), responsible for policy setting, (ii) Roads Department under the MoRDI, which is responsible for implementing the Project; and (iii) Transport Reform and Rehabilitation Center (TRRC) responsible for Financial Management and Disbursement functions within the Project.

Key Development Partners include JICA, ADB, MCC, EC, IBRD, EIB, Kuwait Fund which have been financing (or plan to finance) different sections of Georgia's road network, and which the World Bank team maintains regular interaction through the donor coordination meetings.

Second East-West Highway Improvement Project

Key Dates:
Approved : December 18, 2007
Effective: March 10, 2008
Closing: February 29, 2012
Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	55.00	55.05	1.64
Government of Georgia	55.00		
Total	**110.00**	**55.05**	**1.64**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

This is a second in the series of East-West Highway Improvement projects in Georgia Portfolio.

The Project Development Objectives are to (i) contribute to the gradual reduction of road transport costs and improve ease of transit, and safety along the central part of Georgia's East-West corridor, through upgrading a segment of the East-West Highway from Tbilisi to Rikoti; and (ii) to strengthen the capacity of the Government agencies (and particularly Roads Department) to develop and implement a traffic safety program. Specifically, the Project envisages upgrade of the Igoeti to Sveneti section of the E60 Highway from two lanes to four lanes (24 km section), rehabilitation of existing 2 lanes, and construction of 4 bridges.

Results achieved to date:

- Construction of the East-West highway is still underway – 21 kilometers of the 24 kilometer section of the E60 Highway have been fully constructed and/or rehabilitated. Defect fixing is underway on the remaining 3 km.
- Transit time in the direction from Igoeti to Sveneti has reached target values (reduced from 19 minutes to 12 minutes) but the opposite direction is still partly under construction.
- Vehicle operating costs have also been slightly reduced – from $0.20 to $0.19 for cars and from $0.76 to $0.71 for trucks.
- The Government has adopted the National Road Safety Strategy and the Action Plan.

Key Partners:
The Bank team works closely with (i) the Ministry of Regional Development and Infrastructure of Georgia (MoRDI), responsible for policy setting, (ii) Roads Department under the MoRDI which is responsible for implementing the Project; and (iii) Transport Reform and Rehabilitation Center (TRRC) responsible for Financial Management and Disbursement functions within the Project.

Key Development Partners include JICA, ADB, MCC, EC, IBRD, EIB, Kuwait Fund which have been financing (or plan

to finance) different sections of Georgia's road network, and with whom the World Bank team maintains regular interaction through the donor coordination meetings.

Third East-West Highway Improvement Project

Key Dates:
Approved : September 10, 2009
Effective: November 3, 2009
Closing: June 30, 2013

Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IBRD Loan	147.00	104.24	42.76
Government of Georgia	37.12		
Total	**184.12**	**104.24**	**42.76**

***World Bank Disbursements as of August 22, 2011.** *Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.*

This is a second in the series of East-West Highway Improvement projects in Georgia Portfolio.

The Project Development Objectives are to (i) contribute to the gradual reduction of road transport costs and improve access, ease of transit, and road safety along the central part of Georgia's East-West corridor, and (ii) to strengthen the capacity of the Government, Roads Department and relevant Government entities to plan and manage the road network and to improve traffic safety. The Project builds upon the Bank's past projects and addresses some of the remaining policy and investment gaps in the road sector. Specifically, the Project envisages the upgrade of the 15 km segment of the E60 East-West Highway from Sveneti to Ruisi to a dual carriageway. The East-West Highway will be selected to implement a holistic approach to traffic safety along part of E60 corridor which will integrate ambulance services, police, first aid training and other safety measures under the corridor safety management plan. As a result of the Project, the road users will get better road quality and level of service, avoid costly congestion, have better road safety, and save on travel time.

Results achieved to date:

- Civil works are underway on the 15 km segment of the E60 Highway – 6 kms have already been completed, and 12 km section is open to traffic in the East-West direction.
- Institutional strengthening and road safety components have started implementation; procurement is completed for the development of road safety audit guidelines. Monitoring and Evaluation outputs have recently improved.

Key Partners:
The Bank team works closely with (i) the Ministry of Regional Development and Infrastructure of Georgia (MoRDI), responsible for policy setting, (ii) Roads Department under the MoRDI which is responsible for implementing the Project; and (iii) Transport Reform and Rehabilitation Center (TRRC) responsible for Financial Management and Disbursement functions within the Project.

Key Development Partners include JICA, ADB, MCC, EC, IBRD, EIB, Kuwait Fund which have been financing (or plan to finance) different sections of Georgia's road network, and with whom the World Bank team maintains regular interaction through the donor coordination meetings.

Secondary and Local Roads Project

Key Dates:
Approved : June 24, 2004
Effective: October 21, 2004
Closing: October 31, 2011

Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	20.00	22.23	-
IBRD Loan	70.00	62.54	7.46
Government of Georgia	37.14		
Total	**127.44**	**84.76**	**7.46**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

At the time of the Project preparation about 60 percent of secondary roads were in poor condition and required rehabilitation while large network of local roads was on average, in a very poor condition. Previous Bank operations in the transport sector had focused on the main highway networks, which are important for trade and transit, and on institutional strengthening. Addressing rural poverty, however, required improvement of the extremely poor condition of secondary and rural roads networks. This is important both to stimulate agricultural output, and to make various social services more accessible to the rural poor.

The Project Development Objective is to (i) upgrade and rehabilitate the secondary and local roads networks; and (ii) increase RDMRDI's and local Governments' capacity to manage the road network in a cost effective and sustainable manner. The original US$ 20 million (IDA credit) Project envisaged rehabilitating about **250 kilometers** of secondary and local roads, carrying out drainage improvements and providing signage and access to adjacent properties. Additional financing of US$ 70 million (IBRD loan) approved in March 2009 envisaged to rehabilitate **additional 450 kilometers** of secondary and local roads, and also to strengthen capacity of local government units in management and maintenance of local roads network. Due to accumulated cost savings the Project was further restructured in February 2010 and the new target is to rehabilitate a total of **840-880 kilometers** of secondary and local roads instead of 700 kilometers. As a result of the Project, travel time will be reduced by 20 percent on the targeted road sections.

Results achieved to date:

- Rehabilitation of 250 km of secondary and local roads envisaged at the project preparation has been completed
- The works on the 38 road sections – 450 kilometers envisaged under the Additional Finance (AF) program - are either completed (about 182 km) or are successfully under implementation.
- Travel time has improved by 16.8% on targeted road sections.
- Percentage of roads in good and fair condition as a share of total classified roads has increased from 40% to 48% (target – 61%)
- As a result of civil works, 10,122 person-month of jobs have been created.
- 6 regional offices of the Roads Department are fully operational, 148 Traffic Police staff were trained.
- The Roads Department (RD) has developed a 5 year rolling plan and is using it as a planning tool for planning of investments.
- RD has initiated the adoption process of the Design and Maintenance standards.

Key Partners:
The Bank team works closely with (i) the Ministry of Regional Development and Infrastructure of Georgia (MoRDI), responsible for policy setting, (ii) Roads Department under the MoRDI which is responsible for implementing the Project; and (iii) Transport Reform and Rehabilitation Center (TRRC) responsible for Financial Management and Disbursement functions within the Project.
Key Development Partners include JICA, ADB, MCC, EC, IBRD, EIB, Kuwait Fund which have been financing (or

plan to finance) different sections of Georgia's road network, and with which the World Bank team maintains regular interaction through the donor coordination meetings.

Kakheti Regional Roads Improvement Project

Key Dates:
Approved : November 10, 2009
Effective: December 8, 2009
Closing: November 3, 2013

Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IBRD Loan	30.00	22.13	7.65
Government of Georgia	7.50		
Total	**37.50**	**22.13**	**7.65**

World Bank Disbursements as of August 22, 2011.** ***Note: ***Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.***

Roads are the lifeline of the economic activities of most Georgians, and even in the main foreign trade road corridors, local movements represent up to 90 percent of the traffic. In the Kakheti region, the main activities are wine industry and tourism. A reliable transport network is essential to stimulate both of these activities as well as to reduce poverty in rural areas.

The Project Development Objective is to reduce transport costs and improve access and traffic safety for Kakheti regional roads. The Project entails (a) rehabilitation of 65 km Vaziani-Gombori-Telavi (VGT) road, mainly along its existing alignment; (b) implement traffic safety improvement measures on the VGT road and along the existing alignment of Vaziani-Sagarejo-Bakurtsikhe-Gurjaani-Telavi road; and (c) strengthen the operational effectiveness of the Sagarejo Regional Office of the Roads Department. As a result of this Project, travel time on the above section will be reduced from 120 to 55 minutes, vehicle operating costs will be reduced by about 30 percent, and road safety hazards are also supposed to decrease.

Results achieved to date:

- The rehabilitation works are almost finished on the Vaziani-Gombori-Telavi road (50 km) which has been open to traffic since October 2010.
- Travel time Vaziani and Telavi via Gombori has decreased from 120 to 60 minutes.
- Vehicle operating costs have reduced significantly – from $0.36 to $0.17 for cars and from $1.05 to $0.65 for trucks.
- The Government has proposed to rebuild Sasadilo-Sioni road with the savings under the project.

Key Partners:

The Bank team works closely with (i) the Ministry of Regional Development and Infrastructure of Georgia (MoRDI), responsible for policy setting, (ii) Roads Department under the MoRDI which is responsible for implementing the Project; and (iii) Transport Reform and Rehabilitation Center (TRRC) responsible for Financial Management and Disbursement functions within the Project.

Key Development Partners include JICA, ADB, MCC, EC, IBRD, EIB, Kuwait Fund which have been financing (or plan to finance) different sections of Georgia's road network, and with which the World Bank team maintains regular interaction through the donor coordination meetings.

Regional & Municipal Infrastructure Development Project

Key Dates:
Approved : October 2, 2008
Effective: December 12, 2008
Closing: June 30, 2013
Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	51.50	47.55	5.92
IBRD Loan	33.50	24.75	8.74
Trust Fund/EU	3.70	1.20	1.62
Government of Georgia	10.80		
Local Governments	7.90		
Local Sources, other	6.70		
Total	**114.10**	**73.50**	**16.28**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.

Since Georgia's independence in 1991, many years of decline in the quality, coverage and maintenance of basic urban services had reduced dramatically the quality of life and constrained private sector growth. The situation has improved over the last decade, but roads, water and sanitation infrastructure has remained in need of substantial rehabilitation in much of the country. The August 2008 conflict has resulted in shocks to the key pillars of economic development, and increased numbers of IDPs with no homes by 30,000 people.

The Project Development Objective is to improve efficiency and reliability of selected municipal infrastructure and service, and to assist in restoring infrastructure, services and improving housing conditions of conflict-affected people in Georgia. The Project makes financing available to creditworthy municipalities on a combined loan and grant basis, and grants to small LSGs, to implement their high priority municipal services and infrastructure subprojects such as water & wastewater, local roads, solid-waste disposal and street lighting. The Project also finances construction of durable housing and infrastructure for IDPs.

Results achieved to date:
The project has implemented 113 water, wastewater and road subprojects throughout Georgia in 53 urban and rural municipalities benefitting about one million inhabitants, half of which are women. Also, following the armed conflict of 2008, the project has constructed housing for IDPs in a record time. More specifically:

- About 3600 IDPs have benefited from the construction of 783 houses under the Project. With the EU co-financing of EUR 3.00 million major improvements have been carried out to the IDP settlements, namely: house improvement and infrastructure expansion activities such as rehabilitation of drainage channels and pedestrian crossings, construction of a bridge over the Mtkvari River leading to Akhalsopeli IDP settlement, Provision of 133 solid-waste containers and eleven trucks, Improvement of the physical conditions of 1263 houses in nine IDP settlements.
- Electricity consumed reduced (from average 0.7 kilowatt hour consumed/ m3 to 0.4) due to installation of more energy efficient water systems.
- Hours of piped water service increased from average 7 hours/day to 12. Piped household water connections that are benefiting from rehabilitation works undertaken by the project have increased by 30,000.
- Vehicle operating costs have been reduced average of 25% due to improved urban roads condition.

Key Partners:
The World Bank and the U.S. Millennium Challenge Corporation (MCC) have entered into an innovative partnership around the MDF, under which MCC provides US$ 85 million for municipal infrastructure development over the period 2006-2011, and the World Bank provides technical, safeguards and procurement quality assurance and supervises implementation under a fee-based service arrangement. Similarly, the World Bank and the European Union (EU) have concluded a partnership agreement (2010-2011) by which the EU provides EUR 3.00 million trust fund to co-finance the improvement of the IDPs' housing and infrastructure conditions. The Bank is also collaborating with ADB, EBRD,

USAID, German Cooperation (GTZ and KfW), European Investment Bank (EIB), UNHCR and the Cities Alliance Program, all of which provide financing or technical assistance to the municipal sector in Georgia.

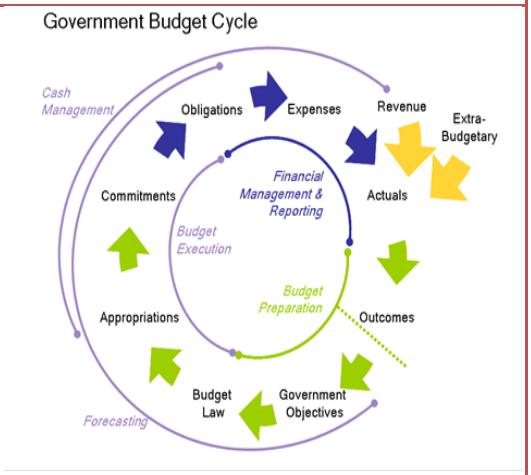
Public Sector Financial Management Reform Support Project

Key Dates:
Approved : February 16, 2006
Effective: August 3, 2006
Closing: March 1, 2012

Financing in million US Dollars:

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Grant	3.00	0.40	3.01
Govt of Georgia	0.90	0.74	0.16
Other Donors:			
SIDA	4.50	2.85	1.65
DFID	4.50	4.50	-
Netherlands	2.10	1.64	0.46
Total Project Cost	**15.00**	**10.13**	**5.28**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



Since independence, Georgia's efforts to construct a democratic state and rebuild the economy have been challenged by a number of factors including two separatist conflicts, civil war, domestic political controversy, and a series of natural calamities. Significant structural reforms were undertaken in the late 1990s but achievements were diluted by weak fiscal management and poor public sector capacity. Successful implementation of second-generation reforms required sustained commitment and capacity across the Government.

The Project Development Objective is to enhance governance, particularly in the public financial management domain, through: i) strengthening the institutional capacity of key agencies to more effectively and efficiently use public resources; and ii) improving accountability in the use of public resources. The Project is part of a larger reform program spelled out in the Public Financial Management Reform Policy Vision of the Government. It helps to: (i) strengthen planning and budgeting capabilities through support to the Medium-Term Expenditure Framework; (ii) introduce more effective systems for tracking the use of public resources through an expanded Treasury management system; (iii) improve HR management function of the Ministry of Finance (MoF) with potential roll-out to other line ministries; (iv) further increase accountability through strengthened external oversight capacities, by the Chamber of Control, and the provision of timely, transparent information to the Parliament and civil society groups.

Results achieved to date:

1. Costed expenditure strategies included in 2010-2013 Basic Data and Directions (BDD) document cover about 88 percent of executive branch expenditures as approved by 2010 Budget Law; results-based sectoral strategies were prepared by three pilot ministries (Justice, Education, and Health) and presented to the Parliament as information annex only.
2. Ministry ceilings as per the Government's Decree of June 11, 2009 are about 25 percent less than respective BDD estimates approved. This differences partially explained by the fact that ceilings do not include funds received from international financing sources (credits/grants) which account for about 66 percent of the variation.
3. Budget execution bi-annual and annual reports are prepared and issued on time.
4. Central personnel database for all staff (4,200 records) of the Ministry of Finance supported through locally developed software by the Financial Analytical Service (FAS) of MoF.
5. Fiscal year 2008 on-site annual audits covered 28 percent of central government expenditure; 2009 audit report is due by June 2010.
6. Budget information by years, BDDs, Government financial statistics and information about Central Government debt is published on the MoF website and updated; Citizens Guides to State Budget and BDD published regularly since 2006 and disseminated to the Parliament and other stakeholders; Citizens Guide on Tbilisi 2009 Budget as well as a brief review of its 6 months execution was published in 2009.

Key Partners:
The Bank team works closely with (i) the Ministry of Finance of Georgia; (ii) Treasury Service of the MoF; (iii) Chamber of Control of Georgia which are key implementers and well as beneficiaries of the Project.

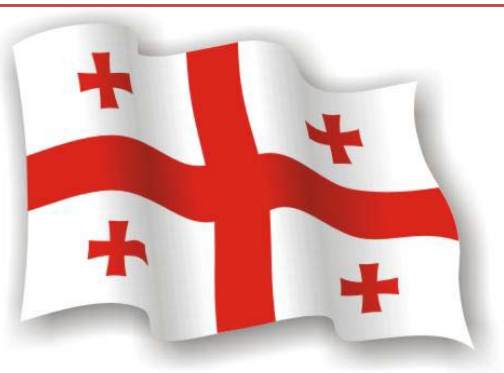
Key Development Partners include SIDA, DfID, and the Embassy of Netherlands who financially contributed to the Project and the European Commission with whom the Bank Team coordinates closely on policy issues.

Programmatic Development Policy Operation (DPO)

Key Dates:
Approved : July 2, 2009 and July 29, 2010
Effective: July 16, 2009 and September 24, 2010
Closing: March 31, 2011

Financier	*Financing*	*Disbursed**	*Undisbursed*
IDA Credit	165.00	129.00	40.27
IBRD Loan	10.00	10.00	-
Trust Fund/Dutch	3.60	3.60	-
Total	**138.60**	**142.60**	**40.27**

***World Bank Disbursements as of August 22, 2011.**
Note: Disbursements may differ from financing due to exchange rate fluctuations at the time of disbursement.



The double shocks to the economy from the August 2008 conflict and the subsequent global economic crisis resulted in a sharp downturn in economic growth to 2.3 percent in 2008 and 3.8 percent contraction in 2009, from growth in excess of 9 percent during 2004 to mid-2008. Georgia has been addressing the dual challenge of mitigating the impact of the economic downturn in the short term, and facilitating recovery and creating the conditions for post-crisis growth with an effective social safety net in the medium term. Although economic growth rebounded to 6.4 percent in 2010, significant challenges remain in sustaining economic recovery and in creating the conditions for sustained post-crisis growth with an effective social safety net.

The Program Development Objective is to support key elements of the Government of Georgia's policy reform program to (i) mitigate the impact of the economic downturn in the short-term; and (ii) facilitate recovery and prepare Georgia for post-crisis growth in the medium-term. In addition to a satisfactory macroeconomic and fiscal framework, the main policy areas supported are: (i) improving the efficiency and effectiveness of public finances; (ii) improving the effectiveness of the social safety net; and (iii) improving external competitiveness.

Results achieved to date:

1. The economic downturn was contained in 2009 and growth has rebounded strongly in 2010 and 2011.
2. An effective countercyclical fiscal stimulus was implemented in 2009 to mitigate the impact of the downturn; as economic recovery takes hold in 2010 and 2011, quality fiscal adjustment to safeguard sustainability is being implemented in a manner that protects important social and infrastructure investment expenditures.
3. Efficiency and effectiveness of public finances are being improved through an increase in coverage, quality, and monitoring of results-oriented budgets and through improved programming of public investment. A greater share of public expenditures is being covered by improved performance indicators; and transparency and accountability of public investment is being strengthened.
4. Effectiveness of the social safety net has been improved by scaling up coverage and benefits while enhancing targeting effectiveness. The shares of the poor and extreme poor receiving publicly subsidized health care and targeted social assistance have increased markedly. Steps have been taken to increase accountability and efficiency of state-funded health programs.
5. External competitiveness is being improved by reducing the time required for tax compliance and for trading across borders (with e filings up markedly and the share of customs declarations through the red corridor down significantly); furthermore, brisk progress was made in identifying trade-related reforms for improved access of Georgian products to international markets. Independence of the statistics agency with streamlined institutional structures has been established.

Key Partners:
The Ministry of Finance is the main coordinator for managing overall implementation of the DPO program. The Bank team works closely with the primary implementing line agencies, including the Ministry of Finance, the Ministry of Labor, Health, and Social Affairs, the Chief Trade Negotiator, and the Statistics Agency, GeoStat.

Key Development Partners include the International Monetary Fund, the Netherlands Embassy (which provides co-financing for the DPO program), the European Commission, and the Asian Development Bank.