

GEORGIA—CAS COMPLETION REPORT REVIEW

The 1998 Country Assistance Strategy (CAS) for Georgia and subsequent draft CASs focused on per capita income growth, poverty reduction and improved living standards. The original CAS FY98 objectives were, and continue to be, relevant. Total commitments for FY98-05 were US\$533 million and about US\$295 million for FY98-00, slightly below the high case lending scenario of US\$320 million.

Bank assistance over the FY98 to FY05 period facilitated growth and macroeconomic stability but did not reduce poverty. Despite the Russian financial crisis of 1998, fiscal and monetary management were conducive to stability and growth, partly as a result of international support. Control of expenditures and financial system reform were complemented by steadily increasing revenues, which rose sharply in 2004 after a new (Rose Revolution) government took office. Bank Group assistance was very effective in expanding the oil transport sector, with the construction of oil and gas pipeline, the fees from which large revenues are expected to be generated.

Other objectives of Bank assistance—removing obstacles to private sector growth (privatization, infrastructure, and rural development), enhancing human development, strengthening social safety nets, environmental protection and sustainable resource management, and improved public administration and reduced corruption—were partially achieved or not achieved. While most small and medium-sized enterprises had been privatized by the end of the 1990s, the larger and most valuable ones, as well as agricultural land, remain in state hands. Most infrastructure assistance had little impact. The assistance to the energy sector did not prevent deterioration but slowed it, and quasi-fiscal losses were 5 percent of GDP in 2002-04. Social sector spending has not increased nor has its efficiency improved. WBI indicators and those from other sources show that despite improvements during the last 18 months, governance and corruption deteriorated over the CAS period and made it difficult to establish the institutions and policies to meet the CAS objectives. OED rates the outcome of the assistance moderately unsatisfactory.

The CASCR covers well the main aspects of program implementation, but focuses more on processes and inputs than on outcomes. OED's review agrees with the need to identify a few critical areas for good economic performance, assess carefully the political support for change, and concentrate resources in achieving meaningful outcomes. OED recommends quantifying indicators to track and evaluate the results of future CASs.

CAS Objectives, Overview of Implementation

1. The CASCR evaluates the effectiveness of Bank assistance between FY98-05, which was based on the last CAS discussed by the Board in October 1997 (CAS FY98), draft CASs (2001, 2002), a draft CAS (November 2003) distributed to Executive Directors, and the preparation of a PRSP—known as the Economic Development and Poverty Reduction Program (EDPRP)—discussed with the government between 2000 and 2003. The overall goals of the assistance were per capita income growth, poverty reduction and improved living standards. The medium-term strategic goals were to: (i) strengthen fiscal management and maintain macroeconomic stability; (ii) remove obstacles to market oriented, private sector growth; (iii) enhance human development

and strengthen the social safety net; (iv) manage natural resources in a sustainable way; and (v) improve public administration and governance.

2. The proposed lending program envisioned 36 credits of which 29 were approved (see annex table 2). Total commitments reached US\$533 million, of which US\$295 million were granted in 1998-2000, below the high case scenario target of US\$320 million.

3. The Region carried out a considerable amount of programmed and unprogrammed AAA, with a total of 22 reports and policy notes completed (see annex table 3). Of the 21 pieces programmed of ESW, 11 were completed during the CAS period, eight were dropped and two postponed. The work focused on poverty and income distribution, education, trade, power, financial sector, public expenditure, constraints to private sector development, and fiduciary issues (CFAA and CPAR). A proposed CEM was not carried out and formal work on the rural sector (infrastructure study) was not delivered during FY98-05. These are important omissions: the CEM would have helped highlight the constraints to economic growth and their link to poverty reduction, and the rural infrastructure study would have provided insights into the constraints to the rural sector, a major source of employment (over 50 percent) and where most of the poor live.

Implementation by Objectives

Overall goal: Per capita income growth, poverty reduction and improved living standards

4. Performance indicators do not show consistent improvement over the period. The economy and per capita income grew at about 5.4 percent between 1998 and 2004, and 6.3 percent annually (between 1998 and 2003) respectively. Poverty increased, however, from 50.2 percent to 52.3 percent and extreme poverty increased from 13.8 percent to 17.4 percent.¹ GNI per capita increased from US\$770 to US\$1030 in current terms between 1998 and 2004. Growth has been concentrated in the oil transport sector and other sectors with concentrated ownership and create little employment. Agriculture, which accounts for more than 50 percent of the labor force, reduced its share in GDP from 29.2 percent in 1997 to 20.5 percent in 2003. In summary, this objective was *partially achieved*.

Objective I. Improve fiscal management and maintain macroeconomic stability²

5. As the CASCR notes, the Bank's assistance helped the government maintain macroeconomic stability and strengthen public finance. Inflation, the fiscal deficit and public indebtedness fell. After rising to 19 percent in 1999, CPI-based inflation has since then varied between 4 and 6 percent per year. The central government's overall balance moved, on a commitment basis, from a deficit of 6.1 percent of GDP in 1998 to a surplus of 0.7 percent of GDP in 2004. Expenditure declined but tax revenues increased steadily, from 10.8 percent of GDP in 1997 to 14.5 percent of GDP in 2003, to 17.6 percent of GDP in 2004. Even before the 2004 rise in revenues, the increase in revenues above 15 percent is commendable given the administrative and

¹ Per capita income grew faster than total income because population declined. Poverty data come from the government's Progress Report, Economic Development and Poverty Reduction Program, March 2005, Annex Table 1.

² Bank assistance came through several adjustment loans (SAC II&III, SATAC and SATAC III, SRS) and one public expenditure review (2002).



governance problems in Georgia.³ The increased tax receipts in 2004 permitted slightly higher expenditure and clearance of the bulk of domestic wage and pension arrears. Important improvements have taken place in expenditure management. The new Budget Systems Law that became effective January 1, 2004 abolished the system of protected items, and stipulated that annual budget laws must be considered in the context of a medium-term expenditure framework (MTEF) now under preparation. In April 2004 the authorities introduced a single account for revenue in the Treasury, and in 2005 they expect to complete the transition for all central government revenues and expenditures. These results meet the progress indicators of the CAS FY98 program matrix, but much remains to be done to improve tax administration and enhance the efficiency of public expenditure. The OED review finds that this objective has been *partially achieved*.

Objective II. Remove obstacles to market-oriented, private sector growth⁴

6. *Mobilize resources.* On the *financial sector* Georgia has advanced significantly. Some indicators show the improvement: spreads fell from 40 percent in 1997 to 12 percent in 2004; financial depth increased (M2/GDP went from 7 to 16 percent between 1998 and 2004) as did credit to the private sector (from 6 to 10 percent of GDP). It is worth noting the two-tier banking system, and the minimum capital requirements that reduced the number of banks from 61 in 1996 to 19 in 2005. Some problems persist: weak enforcement of creditors' rights, poor credit information, weak management practices, and high risk as 75 percent of deposits are in foreign currency. The objective was *fully achieved*.

7. *Privatization.* By mid-1997 almost all the small companies (about 10,000) and 522 of the 1,043 medium-to-large sized companies had been privatized. Of the 521 medium-to-large size companies left (about 90 percent of the book value) 286 were sold in 1997-99, but the value of those that remained state-owned represented about 75 percent of the estimated original book value of the 1,043 enterprises.⁵ Little privatization has occurred since 2000. The new government is now preparing for sale companies in the telecommunications, transport, industry and mining sectors. It also plans to privatize the land and forest resources it owns, about 75 percent of all agricultural land and 2.5 million hectares of forest.⁶ The CASCR considers that some of the benefits of the privatization came through expansion and increased efficiency of the companies sold, but does not quantify the gains. Until recently, however, the poor investment climate seems to have nullified the impact of divestitures on private sector development (ICR for SAC III).⁷ The objective was *not achieved*.

8. *Legal and regulatory framework.* For a significant portion of the period, the tendency to disregard laws and regulations in Georgia rendered Bank assistance ineffective. Since the Rose Revolution, the new government has tried to simplify the regulatory framework for business and,

³ A recent IMF paper notes that raising tax revenues to 15 percent of GDP in low income countries should be seen as a minimum objective, and that increases beyond that point are not an easy task on administrative or technical grounds. Peter S. Heller, "Understanding Fiscal Space", IMF Policy Discussion Paper, March 2005, p.6.

⁴ Bank assistance for mobilizing resources and privatization came through SAC II, III, SATAC and SATAC II, PSD, a private sector assessment and a FSAP, as well as through several adjustment loans ESAC, SRS, EMS, and ERP, and a study on power privatization. Bank assistance for legal and regulatory framework was covered in the above credits and SRS, Judicial Reform, a private sector assessment, business surveys and a FIAS review.

⁵ Derived from information in SAC II President's Report P-7165-GE, August 11, 1997, Table 1, ICR for SAC II&3, June 1, 1999, par. 23, p. 7, SAC III, President Report P-7316-GE, June 4, 1999, par. 44, p. 11, and OED's ICR Review for SAC 3.

⁶ Government of Georgia, Progress Report, Economic Development and Poverty Reduction Program, January 2005, p. 11.

⁷ Between May 2004 and May 2005, Georgia made efforts to improve its investment climate. Doing Business 2006, ranked Georgia second among all reformers.

as a result, some of the costs of doing business have come down since January 2004 (see annex table 10). The available information shows that while some improvement occurred in the last 18 months, the legal and regulatory framework did not improve over the period (see annex tables 11 and 12).⁸ Therefore, the review considers that Bank assistance *did not achieve* its objectives (see also Objective V below).

9. *Oil.* Bank Group assistance helped to expand the oil transport sector. First, an IDA credit helped improve Georgia's capacity to negotiate contracts with oil/pipeline companies. Second, IFC loans and investments for US\$450 million financed the construction of terminals, a pipeline from Baku to Supsa, and the Baku-Tbilisi-Ceyhan pipeline. The pipelines are expected to generate transit revenues of 1.1 percent of GDP in 2012.⁹ The objective was *fully achieved*.

10. *Remove infrastructure bottlenecks (energy, transport, water).*¹⁰ The Bank gave significant support to help improve the financial and physical conditions in the *energy* sector (US\$110 million, about 22 percent of lending to Georgia since 1997), but did not secure its financial and technical viability. The assistance may have slowed the sector's deterioration but did not prevent its downward slide. The sector's problems and its mismanagement generated a large external debt (about US\$700 million by end-2002) and large quasi-fiscal losses of 6 percent of GDP in 2002 and 4.5 percent of GDP in 2004. Fewer power outages and improved tariff collections have contributed to reduce the sector's quasi-fiscal losses, projected at 3.5 percent of GDP in 2005. Despite the recent improvements, the review agrees with the CASCR that "an adequate degree of service and reliability has not been reached, with continuing power outages". The CASCR notes that Bank assistance was useful in *transport* (roads and railways) as it helped to bring improvements in the sector's infrastructure, its organization and its administration, but does not provide evidence (e.g., cost reduction, time saved, lower procurement costs) about the potential benefits. Bank assistance for the *water* sector did not achieve the objectives sought, mainly because the Water and Sanitation Project—aimed at dealing with institutional problems and the investment needs of the system of Tbilisi—was not carried out. The objective was *not achieved*.

11. *Rural development.*¹¹ The CASCR inventories the assistance and actions taken, but provides no evidence of the benefits. The assistance did not support the security of land tenure and ownership of agricultural land, an important objective of the CAS FY98 rural strategy. The CASCR does not discuss why the assistance neglected the land tenure issue. This omission seems to be a key one, since farmers do not have land rights over 75 percent of agricultural land and the government owns more than 2.5 million has of forest land. Lack of such rights constrains rural growth, but the new government plans to privatize agricultural and forest land to stimulate the sector's growth. The CASCR notes that the assistance "made some contributions" but does not provide evidence of its benefits, and concludes that despite the contributions "the high potential for value-addition in

⁸ The index of economic freedom from the Heritage Foundation/Wall Street Journal shows that *regulation* has not improved since 1998, and the index for *regulation* has a value of 4.0 (5.0 stands for most restrictive).

⁹ Andreas Billmeier, Jonathan Dunn, and Bert van Selm, "In the Pipeline: Georgia's Oil and Gas Transit Revenues", IMF Working Paper WP/04/209, Table 2.

¹⁰ Bank assistance for the: (i) power sector was covered in several credits (SAC II, III; SATAC II, Power Rehab; EMS, ESAC, RSC), and AAA on Power Privatization, Reform in the Energy Sector; (ii) transport sector was covered in credits (Transport Rehab, Roads, RE&T, Secondary and Local Roads, Ministry of Transport Restructuring); and (iii) water was covered in credits (GSIF I&II, MDDP I&II), and a PPIAF Water Study.

¹¹ Bank assistance for rural development was contained in credits (ADP, ARET, IDCD, GSIF, Secondary and Local Roads, RSC) and a Trade Study.

agriculture remains unrealized and the welfare of rural dwellers has declined.” The objective of fostering private sector rural development *was not achieved*.

12. The review finds that the assistance helped to promote progress in the financial and oil sectors, but not in privatization, infrastructure, rural development, and regulatory framework for private sector. The objective of removing obstacles to private sector growth was *partially achieved*.

Objective III. Enhance human development and strengthen social safety net¹²

13. *Health, education and public expenditure on the social sectors.* Bank assistance for *health* helped to reorient the Ministry of Health functions towards regulating providers, separating the purchase and provider functions, and strengthening the technical capacity of some agencies (e.g., Medical Insurance Company, Center for Medical Statistics and Information). Bank assistance, however, did not achieve its objective of improving the health of the Georgian population: infant mortality rate remained unchanged, incidence and mortality rates from heart disease and stroke, and prevalence of sexually transmitted diseases increased (albeit from unreliable baseline data). Bank assistance for *education* helped identify the main problems in education, contributed to shape the government’s education strategy, and supported some actions taken by the government (e.g., decentralizing management of schools, changing curriculum, establishing an assessment system) but the goals sought under the education credit and the Bank’s education strategy were not achieved. Bank assistance did not achieve its objective of *raising expenditure* on health and education and *increasing its efficiency*.¹³ Central government spending on health and education remained unchanged, at about 0.5 percent of GDP each in 1998-2002. Total public spending on education remained unchanged, at about 2.1 percent of GDP, but public spending on health increased to 1.3 percent of GDP in 2001.¹⁴

14. *Targeting of social assistance programs.* The assistance sought to reform the public pension system, adjust the targeting of social assistance programs, and reduce the risk of poverty by introducing social insurance mechanisms. During the period the authorities carried out household expenditure surveys and measured poverty levels, but did not act on improving the targeting of the social assistance programs. The government took steps to improve the management of the pension system, but there is no information corroborating that such improvement happened; government expenditure on the social security fund remained stable at 2.7 percent of GDP.¹⁵

15. The review considers that the assistance *did not achieve* its objective.

¹² Bank assistance supported this objective with 14 credits (SAC II&III, SATAC III, SRS, Education -ESRSR-, IBC, Power, MDDP I&II, GSIF I&II, Secondary and Local Roads, Health, Health II) and four pieces of AAA (Water Study, HIV/AIDS in Georgia, an Education Sector Note, and a Higher Education Note).

¹³ The evidence on outcomes is fragmentary. UNICEF estimates that infant and child mortality rates remained unchanged. UNESCO estimates that net enrollment in primary school fell from 95 percent in 1998/99 to 90.7 percent in 2001/02 but gross enrollment in secondary education increased from 73 percent in 1998/99 to 80 percent in 2002/03.

¹⁴ The numbers on health and education expenditures vary according to the source (see annex table 9), indicating that there is a need to improve the quality of such information. The available information shows that spending is low and changed little during the period.

¹⁵ See IMF Country Report 211, Nov. 2001, Country Report 03/347 November 2003, Country Report 05/1, January 2005.

Objective IV. Environmental protection and sustainable natural resource management¹⁶

16. Bank assistance sought to protect the environment and support sustainable natural resource management with interventions on forests, water resources, air pollution and solid waste. The CASCR does not discuss the progress indicators of the CAS FY98 (e.g., establishing national parks, identifying commercial forests, using competitive bidding tenders to sell wood, lowering water bacterial counts, adjusting fuel prices to reflect costs, recycling pilot programs implemented, completing Tbilisi solid waste master plan), but its reviews indicates that little changed during the period, and an important element of the assistance, the water supply and sanitation project for Tbilisi, was dropped. The OED review considers that the assistance *did not achieve* its objectives.

Objective V. Improve public administration and reduce corruption

17. This objective contains six sub-objectives embedded in the operations that the Bank funded.¹⁷ The CASCR reviews the assistance in terms of processes and inputs rather than outcomes, and associates approval of regulations and legislations with good outcomes. The evidence for Georgia indicates a wide gap between the nominal adoption of laws and regulations and their effective implementation and application. Business surveys show that while direct regulatory burden may have been reduced, corruption increased. The governance indicators prepared by the World Bank Institute (see annex table 11) show that *corruption*, the *rule of law*, and *government effectiveness* deteriorated, and that Georgia falls in the bottom fourth of the countries surveyed. *Regulatory quality* improved, but Georgia still is in the lowest quartile. With the government that took office in 2004 there is some sense that governance has improved and optimism that it will get better. The 2003 Client Survey reported corruption as the number one concern of survey respondents. However, the 2005 survey no longer did so, instead reporting infrastructure related concerns. While the WBI indicators show that between 2002 and 2004 government effectiveness, regulatory quality, rule of law and control of corruption improved, only regulatory quality shows an improvement over the baseline values of 1998. Political and economic indicators of Freedom House (see annex table 12) show the same trends as the WBI indicators: improvements in governance and anti-corruption in 2003-2004, but the levels are still below those of 1998-99; moreover, the indicator for judicial framework shows that the situation deteriorated since 1998.¹⁸ In summary, the assistance *did not achieve* its objective.

Overall OED Assessment

18. Progress was good on fiscal management, macroeconomic stability, financial sector development and oil transport. Little progress was achieved in reducing corruption, privatization, infrastructure, rural development, public administration, human development and social safety net, environmental protection and sustainable resource management. External factors and some natural disasters contributed to the slow progress, but domestic factors, especially political,

¹⁶ Bank assistance supported this objective with a GEF grant, credits for Integrated Coastal Zone Management, ARET, Energy Transit Institution Building, Forestry, and studies on Water, Water Supply Management, Integrated Black Sea Environment, and Forestry.

¹⁷ The objectives are: judicial reform, local government capacity, financial accountability, reliability and dissemination of information, anti-corruption, and civil service rationalization.

¹⁸ While there is ground for optimism, the experience of 1996-97 illustrates that there is a risk that the improvement might be short-lived, and the situation might worsen. A public opinion survey in March 2005 by Gorbi, a member of Gallup International, shows that people's expectations improved between August and December 2003, with those thinking the country going in the right direction increasing from 5 percent to 68 percent; in March 2005, those thinking likewise had dropped to 31 percent.

contributed substantially to the unsatisfactory outcomes. The OED review agrees with the CASCR that poor governance and high corruption made it difficult to establish the institutions and policies necessary for better government, higher growth and improved living standards. OED rates the outcome of the assistance *moderately unsatisfactory* (see annex table 13).

Assessment of Completion Report

19. The CASCR reviews the main aspects of program implementation reasonably well, but the main text focuses more on processes and inputs than on outcomes. The matrix of the CASCR has some good aspects: it rates outcomes by sub-objectives, distinguishes outcomes from Bank's contribution, and is more direct than the text in assessing what happened, but it still falls short of evaluating outcomes. The report could have refined some of the progress indicators in the CAS FY98 to measure outcomes. Because it does not measure outcomes, or compare initial with end-of-period values, or present indicators of potential (but measurable) benefits, the report does not make clear what changed and by how much. Measuring outcome indicators would have contributed to a better substantiated assessment.

Findings

20. IDA carried out a program whose objectives were not achieved because, to a large extent, the political conditions for their success did not exist. The initial program, based on an optimistic assessment of the conditions in the country, envisaged a high case scenario that materialized in lending but not in achievements. Given the conditions in the country, IDA executed an ambitious program that covered more areas and institutions than could be handled effectively. This experience shows the need to proceed with caution, for the benefit of Georgia. Because the change in government has brought renewed optimism about Georgia's future, IDA needs to design its program around the possibility that key reform will be carried out, identify the risks and consequences of inadequate progress, and propose contingency plans for dealing with implementation and/or policy slippages.

21. The review agrees with the CASCR on the need to identify a *few* areas critical for good economic performance, assess carefully the political support for change, and concentrate IDA's resources in achieving meaningful outcomes. A more focused strategy may be more productive than trying to reform many institutions and organizations across a broad range of areas.

Annex Table 1: Economic and Social Indicators, 1997-2005

Series Name	Georgia										Average 1997-2003		
	1997	1998	1999	2000	2001	2002	2003	2004 ^v	2005 ^v	Georgia	Armenia	Azerbaijan	Moldova
Growth and Inflation													
GDP growth (annual %)	10.5	3.1	2.9	1.8	4.8	5.5	11.1	8.5 ^z	6.0 ^z	5.7	8.1	9.4	2.0
GNI per capita, Atlas method (current US\$) ^z	760.0	770.0	740.0	670.0	660.0	720.0	840.0	1030.0	..	669	687	620	404
GNI per capita, PPP (current international \$)	1,710	1,780	1,870	1,950	2,110	2,280	2,610	..	..	2,044	2,673	2,503	1,457
GDP per capita growth (annual %)	10.8	3.4	3.2	2.4	5.6	6.4	12.2	..	..	6.3	9.2	8.5	2.3
Inflation, consumer prices (annual %) ^z	7.1	3.6	19.2	4.0	4.6	5.6	4.8	5.8	4.8	7.0	4.5	0.1	16.9
Composition of GDP (%)													
Agriculture, value added	29.2	27.6	26.2	21.6	22.1	20.6	20.5	..	..	24.0	28.4	17.5	27.2
Industry, value added	23.6	22.9	22.5	22.5	22.1	24.3	25.5	..	..	23.3	34.2	44.9	24.1
Services, etc., value added	47.1	49.5	51.2	56	55.8	55	54.1	..	..	52.7	37.4	37.6	48.7
External Accounts													
Exports of goods and services (% of GDP)	15.6	16.5	19.1	23.1	24.6	28.7	31.8	..	..	22.8	24.3	35.0	51.4
Imports of goods and services (% of GDP)	42.1	37.1	38.1	39.8	39	41.1	46.4	..	..	40.5	50.6	48.8	75.8
Current account balance (% of GDP)	-14.6	-7.6	-7.1	-8.8	-6.6	-5.8	-9.3	..	..	-8.5	-13.5	-15.9	-9.1
Total debt service (% of exports of goods and services)	5.4	20.3	12	12.5	7.8	10.4	11.9	..	..	11.5	9.1	6.0	18.4
External debt (% of GNI)	40.3	43.4	56	51.8	53.4	53.5	48.2	..	..	49.5	42.4	21.6	87.4
Total reserves in months of imports	1.6	1.1	1.4	1.1	1.4	1.5	1.1	..	..	1.3	3.9	3.0	2.2
Fiscal Accounts (% of GDP)^z													
1. Total revenue and grants (excl. privatization)	14.8	15.6	15.4	15.2	16.3	15.8	16.2	20.8	20.4				
a. Total Revenue	14.5	14.7	14.6	14.9	15.6	15.5	15.7	19.8	19.3				
Tax revenue	10.8	12.8	13.8	14.2	14.3	14.4	14.5	17.6	18.0				
Nontax revenue	1.5	1.9	0.8	0.8	1.3	1.1	1.1	2.2	1.3				
Extrabudgetary revenue	2.3	2.3	2.3	2.4	2.3	2.3	3.0	3.5	-				
b. Grants	0.3	0.9	0.9	0.3	0.7	0.3	0.6	1.0	1.1				
2. Total Expenditure and Net Lending	21.8	21.8	22.1	19.2	18.3	17.8	18.7	20.0	20.7				
Current expenditure	19.8	19.8	20.0	18.2	16.5	15.7	17.0	17.6	17.9				
Capital expenditure	1.6	1.3	0.9	0.5	1.1	1.1	0.8	2.0	2.3				
Net Lending	0.4	0.7	1.3	0.5	0.7	1.0	0.9	0.4	0.6				
3. = (1)-(2) Overall balance (commitments)	-7.0	-6.1	-6.7	-4.0	-2.0	-2.0	-2.5	0.7	-0.3				
4. Overall balance (cash)	-6.3	-4.9	-5.0	-2.6	-1.6	-1.9	-1.3	-1.8	-1.9				
Social Indicators													
Health													
Life expectancy at birth, total (years)	72.5	..	..	..	..	73.3	73.5	..	..	73.1	74.2	65.2	67.0
Immunization, DPT (% of children ages 12-23 months)	80	80	80	80	87	84	76	..	..	81.0	90.9	97.6	95.3
Improved sanitation facilities (% of population with access)	..	..	..	..	..	83	..	..	..	83.0	84.0	55.0	68.0
Improved water source (% of population with access)	..	..	..	..	..	76	..	..	..	76.0	92.0	77.0	92.0
Mortality rate, infant (per 1,000 live births)	..	..	..	41	..	..	41	..	..	41.0	31.5	76.0	26.5
Population													
Population, total (million)	5.32	5.31	5.29	5.26	5.22	5.18	5.13	..	..	5.24	3.1	8.04	4.28
Population growth (annual %)	-0.3	-0.2	-0.3	-0.5	-0.7	-0.9	-1.0	..	..	-0.6	-1.0	0.8	-0.3
Urban population (% of total)	55.9	56.0	56.2	56.3	56.5	56.8	57.0	..	..	56.4	67.3	52.1	42.2
Education													
School enrollment, preprimary (% gross)	..	35.4	37.4	38.8	41.0	42.7	..	..	..	39.1	29.1	22.4	39.7
School enrollment, primary (% gross)	..	95.3	98.4	95.5	92.0	90.5	..	..	..	94.3	96.8	92.1	85.1
School enrollment, secondary (% gross)	..	72.8	73.3	74.9	77.1	80.2	..	..	..	75.7	86.2	79.0	72.2
^v Projections.													
^z Data from IMF reports.													
^y ECA Regional Database.													

Source: WB SIMA as of August 3, 2005 for all indicators excluding fiscal; IMF Georgia: Selected Issues and Statistical Appendix (Nov 2003), Tables A.1 and A.8; IMF Georgia: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criterion, (Jan 05), Tables 1 and 2; and IMF Georgia: Recent Economic Developments and Selected Issues (May 2000), table 16.

Annex Table 2: Proposed and Actual Commitments for Georgia, FY98-05 (US\$ million)

<i>List of Projects</i>	<i>CAS</i>	<i>Proposed FY</i>	<i>Approval FY</i>	<i>Proposed amount (medium case)</i>	<i>Approved Amount</i>	<i>Medium Strategic Goals *</i>
<u>Programmed Projects</u>						
SAC II	1997	1998	1998	60	60	a, b, c
SATAC II	1997	1998	1998	5	5	a, b, c
Social Investment Fund	1997	1998	1998	20	20	b, c
Integrated Coastal Management	1997	1998	1999	3	4.4	d
SAC III & SATAC III	1997	1999	1999	45	60 ^{1/}	a, b, c, e
Judicial Reform	1997	1999	1999	10	13.4	b, e
Enterprise Rehabilitation Project	1997	1999	1999	10	15	b
Roads Project (<i>Transport</i>) ^{3/}	1997	1999	2000	27	40	b
Education System Realignment. & Strength Program	1997	1999	2001	15	25.9	c
Irrigation & Drainage Community Dev ^{3/}	1997	2000	2001	20	27	b
Electricity Market Support Project (<i>Power Dist. and Transmission</i>) ^{3/}	1997	2000	2001	20	27.4	b
Health II Primary Health Care	1997	2000	2003	15	20.3	c
Forests Development ^{3/}	1997	2000	2003	15	15.7	d
Reform Support Credit (formerly SAC IV)	1997	2000	2004	30	24	a, b, e
Tbilisi Water & Sanitation Project (<i>Water Supply Management</i>)	1997	1998	2005	25	Dropped ^{2/}	b, c, d
Irrigation & Drainage Community Development – Additional Financing	1997	2000	2005		13	b
Secondary & Local Roads	2003	2004	2004	20	20	b, c
Social Investment Fund for Earthquake - Supplement			2003		5	
Electricity Market Support Project - Supplemental Credit			2004		3.6	b
Social Protection	2003	2004	2005	10	Dropped	a, c
Rural Development	2003	2005	2005	15	10	b
Trade and Transport Facilitation	2003	2005		7	Dropped	a, b
Community Based Tourism	2003	2005		3	Dropped	b
<u>Non Programmed Projects</u>						
Cultural Heritage Project			1998		4.5	b
Municipal Dev & Decentralization			1998		20.9	b, c, e
Structural Reform Support			1999		16.5	a, b, c, e
Restructuring of Ministry of Transport			1999		2.3	b, e
Energy Sector Adjustment			1999		25.0	b
Agric. Research, Extension, and Training			2000		7.6	b, d
Energy Transit Institution Building			2001		9.6	b, d
Gas Sector Private Support			2001		Dropped	
Georgia Health Supplemental Credit			2002		2.7	c
Municipal Dev. & Decentralization 2			2003		19.41	b, c, e
Social Investment Fund 2			2003		15	b, c
GEF Geothermal			2003		Dropped	
Public Sector Management TA			2004		Dropped	
TOTAL				375	533.2	

* **Medium-Term Strategic Goals:** a) Strengthened fiscal management and maintenance of macroeconomic stability. b) Removal of obstacles to market oriented, private sector growth. c) Enhancement of human development and strengthened social safety net. d) Sustainable Natural Resource Management. e) Improved public administration and governance.

^{1/} SATAC III was dropped.

^{2/} The project was partially substituted by the Municipal Development and Decentralization project (1998). The latter had an investment component for the construction and maintenance of water supply, sanitation, and solid waste management

^{3/} The CAS suggested for these projects possible IBRD lending and that the projects would be undertaken only under a high case scenario.

Source: Georgia CAS 1997 (Sept 1997), CAS 2003 (Nov 2003), WB Business Warehouse, WB Controller's and WB Client Connection as of July 29, 2005.

Annex Table 3: Analytical & Advisory Work on Georgia, 1998-2005

<u>I- Programmed and Delivered</u>	<u>Proposed FY</u>	<u>Delivered to Client FY</u>	<u>Output type</u>	<u>Report No.</u>
CAS				
Georgia - Country Assistance Strategy (English)		2004	CAS	26931
Georgia - Country Assistance Strategy (English)		1998	CAS	17000
Reports				
Georgia - Poverty and income distribution (English) (<i>Poverty Assessment</i>)	1998	1999	Economic Report	19348
Georgia - Public expenditure review (English)	2000	2002	Economic Report	22913
Georgia - Judicial assessment (English)	1998	1998	Sector Report	17356
Georgia - Power Privatization (English) (<i>Energy Update</i>)	1999	1998	Sector Report	17152
Georgia - An Integrated Trade Development Strategy (English) (<i>Trade Expansion Study</i>)	1999	2003	Sector Report	27264
Education Sector Study	1998	1998	Report ^{1/}	
PSD Constraints (<i>Private Sector Assessment</i>)	1999	1999	Report ^{1/}	
Business Environment Study	2006	2003	Report ^{2/}	
Policy Notes				
Health Note	2004	2004	Policy note ^{2/}	
Policy recommendation Note (<i>Policy Options for incoming Govmt</i>)	2005	2004	Policy note ^{1/}	
CFAA/CPAR				
Georgia - Country Procurement Assessment Report (English) (<i>CPAR Follow-up</i>)	na	2002	CPAR	26660
Georgia - Country financial accountability assessment (English) (<i>CFAA Follow-up</i>)	na	2003	CFAA	28941
Poverty Reduction Strategy Paper (PRSP)				
Georgia - Econ. Develop. and Poverty Reduction Program and joint assessment (English) (<i>PRSP Support</i>)	na	2004	PRSP	26964
Georgia - Interim Poverty Reduction Strategy paper and joint assessment (English)		2001	PRSP	21448
Consultations				
Child Welfare Note	2004	2004	Consultations ^{2/}	
Knowledge Sharing Forum				
GEF Nat. Operational Focal Point Grant (<i>Tech. Assist. for prep. of Biodiversity Strategy</i>)	1998	2003	KSF ^{1/}	
How-to Guidance				
FSAP FLWP TA (<i>FSAP Follow-up advisory</i>)	na	2003	HTG ^{2/}	
Post-FSAP TA (FSE)		2004	HTG ^{2/}	
Water Resource / Risk Management	2005	2006	HTG ^{4/}	
Progr. PER TA	2006	2006	HTG ^{3/}	
Financial Sector TA (<i>Financial Sector Advisory</i>)	2005, 06	2004	HTG ^{2/}	
Institutional Development				
Post Conflict Grant Prep TA	2004	2004	IDP ^{2/}	
Donor and Aid Coordination				
CG Meetings/Donor Coordination	1998	1998	DA ^{1/}	
CG Meetings/Donor Coordination	2005	2004	DA ^{1/}	
Institutional Development Fund				
IDF Development of Public Procurement Procedures (<i>Procurement Strategy Note</i>)	1998	2001	IDF	
IDF for Restruct/Privatization of R&D Organizations	1998	1998	IDF	
IDF for Decentralization & Municipal Management	1999	2000	IDF	
IDF for Cultural Heritage	1999	1999	IDF	
II- Programmed and not delivered				
Private Participation in Infrastructure	1998	Dropped		
Financial Accounting & Auditing Review	1998	Dropped		
Economic Policy Note: formerly tax admon. Institutions (<i>Economic Policy Notes</i>)	2000	Dropped		
Labor Market Study	2000	Dropped		
Housing Note	2004	Dropped		
Macro-monitoring	na	Dropped		
Poverty Profile II (Poverty Profile)	2005	Dropped		
Progr. PER TA	2005	Dropped		
Country Economic Memorandum	1999	2006	Report ^{3/}	
Rural Infrastructure Study	2004	2006	Report ^{3/}	
Social Capital & Rural Development (<i>Rural Growth</i>)	2004	2005	Policy note ^{2/}	

ACS Status: ^{1/} Completed, ^{2/} Not completed, ^{3/} Forecast FY06; ^{4/} Forecast for FY07.

Annex Table 3 (continued)

III- Non-Programmed and Delivered	Proposed FY	Delivered to Client FY	Output type	Report No.
Report				
Civil Service Assessment		1999	Report ^{1/}	
Financial Sector Survey		1999	Report ^{1/}	
Pension Note		2000	Report ^{1/}	
Agr Sector Update		2000	Report ^{2/}	
Caspian Oil & Gas (GE Comp)		2000	Report ^{2/}	
Health Finance		2001	Report ^{2/}	
FSAP		2002	Report ^{2/}	
Georgia - Poverty update (English)		2002	Economic Report	22350
PSACG - Georgia -CG Assessment (locked)		2003	Report ^{1/}	
Revisiting Reform: Lessons from Georgia		2003	Report ^{2/}	
Policy note				
High Education Note		2003	Policy note	
Pension and Social Assistance		2005	Policy note ^{3/}	
Working Paper/Publication				
Qualitative study on informal payments for health services in Georgia (English)		2003	Departmental WP	
Corruption in Georgia : survey evidence (English)		2000	Working Paper	
Evaluating the impact of infrastructure rehabilitation projects on household welfare in rural Georgia (English)		2004	Policy Research Working Paper	
Revisiting reform in the energy sector : lessons from Georgia (English)		2004	Publication	
HIV/AIDS in Georgia : addressing the crisis (English)		2004	Publication	
Consultations				
Caspian Oil & Gas Follow up (GE Comp)		2001	Consultations ^{1/}	
Social Protection Dialogue		2002	Consultations ^{2/}	
Caspian Oil & Gas Follow up 2 (GE Comp)		2002	Consultations ^{2/}	
Trade Facil. Dialogue		2003	Consultations ^{2/}	
Caspian Oil & Gas Follow up 3 (GE Comp)		2003	Consultations ^{2/}	
How-to Guidance				
Bank Sector Advisory (TA)		2003	HTG ^{2/}	
Private Sector TA		2003	HTG ^{2/}	
Institutional Development Fund				
IDF Support to the Georgia Investment Center		1999	IDF	
IDF Institutional Strengthening of the State Chancellery & Civil Service Bureau		1999	IDF	
TA/Output type not assigned				
Anti-corruption TA		1999	TA/NA ^{2/}	
Protected Areas Prep TA (GEF)		2001	TA/NA ^{2/}	
Other Bank/IFC Analytical Work				
Cost of Doing Business		2002, 03	IFC	
FIAS Admin. Barriers		2002, 04	IFC	
A Study in Strategy, Regulations, and PSP in the Water Sector in Georgia		2004	PPIAF	

ACS Status: 1/ Completed, 2/ Not completed, 3/ Forecast FY06.

Source: WB Imagebank, WB Business Warehouse as of July 29, 2005.

Annex Table 4: OED Project Ratings for Georgia, FY98-05

<i>Project ID</i>	<i>Approval FY</i>	<i>Exit FY</i>	<i>OED Outcome</i>	<i>OED Sustainability</i>	<i>OED ID Impact</i>
INSTITUTION BUILDING	1995	1998	SATISFACTORY	LIKELY	SUBSTANTIAL
TRANSPORT	1996	1999	HIGHLY SATISFACTORY	LIKELY	SUBSTANTIAL
SATAC	1996	1999	SATISFACTORY	LIKELY	SUBSTANTIAL
SAC 2	1998	1999	UNSATISFACTORY	LIKELY	MODEST
MUN INFRA REH	1995	2000	SATISFACTORY	LIKELY	MODEST
OIL INST BLDG	1997	2000	SATISFACTORY	LIKELY	SUBSTANTIAL
SATAC II	1998	2000	MODERATELY SATISFACTORY	LIKELY	MODEST
POWER REHAB	1997	2001	MODERATELY SATISFACTORY	NON-EVALUABLE	SUBSTANTIAL
ENERGY SECAC	1999	2002	SATISFACTORY	LIKELY	SUBSTANTIAL
HEALTH	1996	2003	MODERATELY SATISFACTORY	LIKELY	SUBSTANTIAL
MUN DEVT	1998	2003	SATISFACTORY	LIKELY	MODEST
SAC 3	1999	2003	MODERATELY UNSATISFACTORY	UNLIKELY	MODEST
TRANS MIN RESTRUCT	1999	2003	SATISFACTORY	LIKELY	SUBSTANTIAL
CULTURAL HERITAGE	1998	2004	SATISFACTORY	LIKELY	MODEST

	<i>Total Evaluated (No)</i>	<i>Outcome % Sat (No)</i>	<i>Inst Dev Impact % Subst (No)</i>	<i>Sustainability % Likely (No)</i>
Georgia	14	85.7	57.1	92.3
ECA	414	82.6	55.6	82.1
Overall Result	2,044	75.2	47.1	68.2

Source: WB Business Warehouse Table 4.a.5 and Table 4.a.6 as of July 26, 2005.

Annex Table 5: Portfolios Status Indicators by Year, 1997-2005, (US \$ million)

Country	1997	1998	1999	2000	2001	2002	2003	2004	2005
Georgia									
# Proj	8	12	16	15	18	17	17	18	17
# Proj At Risk	0	0	2	1	0	4	1	4	0
% At Risk	0.0	0.0	12.5	6.7	0.0	23.5	5.9	22.2	0
Net Comm Amt	127.6	227.9	287.7	310.9	348.5	326.2	301.7	344.8	328.8
Comm At Risk	0.0	0.0	34.9	20.0	0.0	106.8	15.0	82.1	0.0
% Commit at Risk	0.0	0.0	12.1	6.4	0.0	32.7	5.0	23.8	0.0
Armenia									
# Proj	7	11	14	15	13	17	14	18	16
# Proj At Risk	0	1	0	1	1	1	0	2	0
% At Risk	0.0	9.1	0.0	6.7	7.7	5.9	0.0	11.1	0.0
Net Comm Amt	132.3	194.8	301.7	357.9	268.3	307.5	260.7	295.5	251.3
Comm At Risk	0.0	15.0	0.0	5.0	30.0	21.0	0.0	16.4	0.0
% Commit at Risk	0.0	7.7	0.0	1.4	11.2	6.8	0.0	5.5	0.0
Azerbaijan									
# Proj	5	7	10	11	13	15	14	14	18
# Proj At Risk	0	2	2	2	1	7	0	2	1
% At Risk	0.0	28.6	20.0	18.2	7.7	46.7	0.0	14.3	5.6
Net Comm Amt	134.7	224.7	227.2	259.2	288.3	367.8	336.0	341.3	421.0
Comm At Risk	0.0	90.8	38.8	38.2	5.0	186.3	0.0	103.9	15.0
% Commit at Risk	0.0	40.4	17.1	14.7	1.7	50.7	0.0	30.5	3.6
Moldova									
# Proj	6	8	11	10	9	8	11	12	10
# Proj At Risk	2	6	2	2	2	2	1	1	1
% At Risk	33.3	75.0	18.2	20.0	22.2	25.0	9.1	8.3	10.0
Net Comm Amt	110.8	201.7	267.8	167.8	132.8	117.8	142.5	160.5	143.8
Comm At Risk	40.0	66.7	25.8	50.0	25.9	24.9	30.0	11.1	35.0
% Commit at Risk	36.1	33.1	9.6	29.8	19.5	21.1	21.1	6.9	24.3

Source: Business Warehouse Table 3a.4 Projects at Risk by Year as of August 3, 2005.

Annex Table 6: IBRD/IDA Net Disbursements and Charges Summary Report for Georgia, (US \$ million)

Fiscal Year	Disb. Amt.	Repay Amt.	Net Amt.	Charges	Fees	Net Transfer
1997	45.9	0	45.9	0.9	0	45.1
1998	75.3	0	75.3	1.3	0	74
1999	69.5	0	69.5	1.9	0	67.5
2000	51.3	0	51.3	2.2	0	49.1
2001	25.8	0	25.8	2.7	0	23.1
2002	68.8	0	68.8	2.8	0	66.1
2003	57.9	0	57.9	3.5	0	54.4
2004	40.7	0	40.7	4.2	0.5	35.9
2005	65.4	0.7	64.7	4.8	0.8	59.1
TOTAL (1997-2005)	504.8	0.7	504.1	24.8	1.3	478

Source: WB Client Connection Net Disbursements and Charges Report as of August 4, 2005.

Annex Table 7: Georgia - Millennium Development Goals

	1990	1994	1997	2000	2003
Goal 1: Eradicate extreme poverty and hunger					
Percentage share of income or consumption held by poorest 20%	..	..	..	6.4	..
Population below \$1 a day (%)	..	..	2	2.8	..
Population below minimum level of dietary energy consumption (%)	..	39	..	..	27
Poverty gap ratio at \$1 a day (incidence x depth of poverty)	..	..	0.5	0.9	..
Poverty headcount, national (% of population)	..	..	11.1	..	..
Prevalence of underweight in children (under five years of age)	..	..	..	3.1	..
Goal 2: Achieve universal primary education					
Net primary enrollment ratio (% of relevant age group)	97.1	..	..	95.2	88.7
Primary completion rate, total (% of relevant age group)	..	81	83	93	82
Proportion of pupils starting grade 1 who reach grade 5	..	..	..	..	..
Youth literacy rate (% ages 15-24)	..	..	..	..	..
Goal 3: Promote gender equality and empower women					
Proportion of seats held by women in national parliament (%)	..	..	7	7	7
Ratio of girls to boys in primary and secondary education (%)	98.2	..	99.3	100.9	99.7
Ratio of young literate females to males (% ages 15-24)	..	..	..	..	..
Share of women employed in the nonagricultural sector (%)	44.5	45	45.4	41.2	46.5
Goal 4: Reduce child mortality					
Immunization, measles (% of children ages 12-23 months)	..	63	69	73	73
Infant mortality rate (per 1,000 live births)	43	41	..	41	41
Under 5 mortality rate (per 1,000)	47	45	..	45	45
Goal 5: Improve maternal health					
Births attended by skilled health staff (% of total)	..	..	..	96.4	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	32	..
Goal 6: Combat HIV/AIDS, malaria, and other diseases					
Contraceptive prevalence rate (% of women ages 15-49)	..	..	..	40.5	..
Incidence of tuberculosis (per 100,000 people)	38.2	47.2	67.3	82.2	82.8
Number of children orphaned by HIV/AIDS	..	..	..	..	..
Prevalence of HIV, total (% of population aged 15-49)	..	..	..	0.1	0.1
Tuberculosis cases detected under DOTS (%)	..	17	31.4	31	51.9
Goal 7: Ensure environmental sustainability					
Access to an improved water source (% of population)	..	..	..	..	76
Access to improved sanitation (% of population)	..	..	..	..	83
Access to secure tenure (% of population)	..	..	..	..	..
CO2 emissions (metric tons per capita)	..	1.1	0.8	1.2	..
Forest area (% of total land area)	..	..	..	43	..
GDP per unit of energy use (2000 PPP \$ per kg oil equivalent)	..	1.6	3.4	3.4	4.4
Nationally protected areas (% of total land area)	..	..	..	..	2.3
Goal 8: Develop a global partnership for development					
Aid per capita (current US\$)	0	32.9	45.5	32.2	42.9
Debt service (% of exports)	..	..	6	13	10
Fixed line and mobile phone subscribers (per 1,000 people)	98.9	96.8	118.9	140.2	239.7
Internet users (per 1,000 people)	..	0.1	0.6	4.6	30.8
Personal computers (per 1,000 people)	..	..	..	22.3	31.6
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	20.5	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	21.6	..
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	21.1	..
Other					
Fertility rate, total (births per woman)	2.2	1.4	1.3	1.1	1.1
GNI per capita, Atlas method (current US\$)	..	460	670	630	770
GNI, Atlas method (current US\$) (billions)	..	2.5	3.6	3.3	3.9
Gross capital formation (% of GDP)	30.7	2.6	18	21.7	24.4
Life expectancy at birth, total (years)	72.3	..	72.5	..	73.5
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..
Population, total (millions)	5.5	5.4	5.3	5.3	5.1
Trade (% of GDP)	85.6	166.9	57.8	62.9	78.2

Note: Figures in *italics* refer to periods other than those specified.

Goal 1 targets: Halve, between 1990 and 2015, the proportion of people whose income is less than \$1 a day. Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

Goal 2 targets: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling.

Goal 3 targets: Eliminate gender disparity in primary and secondary education preferably by 2005 and in all levels of education no later than 2015.

Goal 4 targets: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.

Goal 5 targets: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.

Goal 6 targets: Have halted by 2015 and begun to reverse the spread of HIV/AIDS. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.

Goal 7 targets: Integrate the principles of sustainable development into country policies and program and reverse the loss of environmental resources. Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation. Have achieved, by 2020, a significant improvement in the lives of at least 100 million slum dwellers.

Goal 8 targets: Develop further an open, rule-based, predictable, nondiscriminatory trading and financial system. Address the special needs of the least developed countries. Address the special needs of landlocked countries and small island developing states. Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth. In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

Source: World Development Indicators database, April 2005.

Annex Table 8: CAS 1997 Selected High Case Scenario Assumptions and Outcomes

		1998	2000	2003	2005
Annual Inflation (average)	Expected	10.0%	6.0%	6.0%	6.0%
	Actual	3.6%	4.0%	4.8%	4.8% ^{1/}
Government revenue (% of GDP)	Expected	12.1%	15.5%	17.6%	18.3%
Total revenue (excluding grants)	Actual	14.7%	14.9%	15.7%	19.3% ^{1/}
Of which: tax revenue	Actual	12.8%	14.2%	14.5%	18.0% ^{1/}
Fiscal deficit, excl. grants. (% of GDP)	Expected	-2.8%	-2.1%	-1.5%	-1.3%
Overall balance (commitment)	Actual	-6.1%	-4.0%	-2.5%	-0.3% ^{1/}
Overall balance (cash)	Actual	-4.9%	-2.6%	-1.3%	-1.9% ^{1/}
Grants	Actual	0.9%	0.3%	0.6%	1.1% ^{1/}
GDP growth rate (average)		1997 - 2000		2001 - 2005 ^{2/}	
	Expected	8.0%		5 - 6%	
	Actual	4.6%		7.2%	

^{1/} Projected^{2/} Average includes 2004 and 2005 projections

Source: Georgia CAS 1997 (Sept 1997), IMF Georgia: Selected Issues and Statistical Appendix (Nov 2003), Tables A.1 and A.8 and IMF Georgia: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Request for Waiver of Performance Criterion, (Jan 05), Tables 1 and 2. IMF-Georgia: Poverty Reduction Strategy Paper (March 2005); Annex 1.

Annex Table 9: Georgia – Central Government Expenditure by Functional Classification, 1998-2002

Year	1998	1999	2000	2001	2002
	% GDP				
Education	0.6	0.5	0.4	0.5	0.5
Health Care	0.5	0.3	0.3	0.5	0.5
Social Insurance and social security	2.2	2.4	1.8	1.6	1.5
Total Expenditure	13.0%	13.4%	11.3%	11.3%	11.5%

Source: IMF; Georgia: Selected Issues and Statistical Appendix (Nov. 2003), Table A.13.

	1998	1999	2000	2001	2002
	Total Public Expenditure (% of GDP)				
Education	2.1	2.1	2.2	2.2	--
Health Care	0.8	0.8	1.0	1.3	--
Social Insurance and social security	3.0	3.0	2.9	--	--

Source: World Bank, Georgia – Public Expenditure Review, November 25, 2002, Table 5.2, 6.3 and 7.1.

	1998	1999	2000	2001	2002	2003
	Overall Public Expenditure (% of GDP)					
Education	2.1	2.1	2.1	2.0	1.8	1.6
Health Care	0.7	0.6	0.9	0.8	0.8	0.7
Social Insurance and social security	4.4	4.7	4.3	3.8	4.0	4.0

Source: UNDP Georgia, Millennium Development Goals in Georgia (Tbilisi 2004). Table 1, quoting State Department of Statistics of Georgia.

Annex Table 10: Georgia - Cost of Doing Business 2003-2005 (Selected indicators)

	Jan. 2003	Jan. 2004	Jan. 2005
<u>Starting a Business</u>			
Number of procedures	9	9	8
Time (days)	30	25	21
Cost (% of income per capita)	26.3	13.7	13.7
Minimum capital (% of income per capita)	140.1	54.5	46.8
<u>Enforcing a Contract</u>			
Number of procedures	17	18	18
Time (days)	180	375	375
Cost (% of debt)		31.7	31.7
<u>Closing a Business</u>			
Time of insolvency (years)	3.2	3.2	3.3
Recovery rate (cents on the dollar)		20.3	20.8
<u>Hiring and Firing Workers</u>			
Rigidity of hours index ^{1/}		60	60
Difficulty of firing index ^{1/}		70	70
Rigidity of employment index ^{1/}		49	43
Firing costs (weeks)		21	4
<u>Registering Property</u>			
Number of procedures		8	6
Time (days)		39	9
<u>Getting Credit & Protecting Investors</u>			
Legal rights index ^{2/}		7	7
Disclosure Index ^{3/}		5	3

^{1/}The index ranges from 0 to 100. Higher values indicate more rigid regulation.

^{2/}The index ranges from 0 to 10. Higher values indicate that collateral and bankruptcy laws are better designed to expand access to credit.

^{3/}The index ranges from 0 to 7. Higher values indicate better investment protection.

Source: IFC-WB Doing Business in 2004, 2005 AND 2006 reports.

Annex Table 11: Governance Indicators for Georgia Percentile Rank (0-100) ^{1/}

		1996	1998	2000	2002	2004
Voice and Accountability						
	Georgia	33.5	36.6	44.5	41.4	39.3
	Region ^{2/}	24.9	28.2	27.6	22.8	20.5
Political Stability						
	Georgia	19.5	20.6	20.6	5.9	11.2
	Region	40.1	38.7	33	30.9	23.9
Government Effectiveness						
	Georgia	43.6	38.3	23.7	21.4	23.6
	Region	22.4	21.8	19.1	21	24.1
Regulatory Quality						
	Georgia	16.6	19	24.6	21.4	23.6
	Region	21	17.4	16	25.1	24.1
Rule of Law						
	Georgia	19.9	24.3	34.8	10.2	21.7
	Region	22	22.2	20.1	19.1	18.8
Control of Corruption						
	Georgia	8	26.8	27.4	12.2	16.3
	Region	20.2	17.9	19.4	16.7	16.1

^{1/} Percentile rank indicates the percentage of countries worldwide that rate below the selected country (subject to margin of error).

^{2/} Former Soviet Union: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan.

Source: World Bank Governance Indicators 1996-2004.

Annex Table 12: Georgia – Political and Economic Freedoms

Nations in Transit 2005								
Edition	1997	1998	99-00	2001	2002	2003	2004	2005
Year Covered	1996	1997	1998-99	2000	2001	2002	2003	2004
Electoral Process	5.00	4.50	4.00	4.50	5.00	5.25	5.25	4.75
Civil Society	4.50	4.25	3.75	4.00	4.00	4.00	3.50	3.50
Independent Media	4.50	4.25	3.75	3.50	3.75	4.00	4.00	4.25
Judicial Framework	5.00	4.75	4.00	4.00	4.25	4.50	4.50	5.00
Corruption			5.00	5.25	5.50	5.75	6.00	5.75
Governance	4.50	5.00	4.50	4.75	5.00	5.50	5.75	Nat (5.5) / Local (6.00)
Democracy Score ^{1/}			4.17	4.33	4.58	4.83	4.83	4.96

The ratings are based on a scale of 1 to 7, with 1 representing the highest level and 7 the lowest level of democratic development.

^{1/} The 2005 Democracy Score is an average of ratings for Electoral Process, Civil Society, Independent Media, National Democratic Governance, Local Democratic Governance, and Corruption. Previous scores include a single, combined Governance rating.

1 Represents the highest level of development and 7 the lowest level.

Source: Nations in Transit 2005. Democratization from Eastern Europe to Euroasia. (June 2005). Freedom House.

<http://www.freedomhouse.org/research/nattransit.htm>

Index of Economic Freedom								
	1998	1999	2000	2001	2002	2003	2004	2005
IEF Index	3.78	3.85	3.80	3.68	3.48	3.40	3.19	3.34
Trade	3.00	3.00	3.00	3.00	2.00	4.00	4.00	4.00
Fiscal Burden	1.75	2.50	2.00	2.25	2.75	2.00	2.40	2.40
Gov't Intervention	4.00	4.00	4.00	3.50	3.00	2.00	1.50	1.50
Monetary Policy	5.00	5.00	5.00	5.00	3.00	4.00	3.00	3.00
Foreign Investment	3.00	3.00	3.00	3.00	3.00	3.00	3.00	4.00
Banking	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Wages & Prices	4.00	4.00	4.00	4.00	4.00	3.00	3.00	3.00
Property Rights	4.00	4.00	4.00	3.00	4.00	4.00	4.00	4.00
Regulation	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Informal Market	5.00	5.00	5.00	5.00	5.00	5.00	4.00	4.50

Scales run from 1 to 5: A score of 1 signifies an economic environment or set of policies that are most conducive to economic freedom, while a score of 5 signifies a set of policies that are least conducive to economic freedom.

Source: 2005 Index of Economic Freedom (2005). The Heritage Foundation/The Wall Street Journal.

Annex Table 13: CAS Objectives and Implementation Results

OBJECTIVES	OUTCOME RATINGS
Overall goal: Per capita income growth, poverty reduction and improved living standards	Partially Achieved
Objective I. Improve fiscal management and maintain macroeconomic stability	Partially Achieved
Objective II. Remove obstacles to market-oriented, private sector growth <ul style="list-style-type: none"> • Mobilize resources • Privatization • Legal and regulatory framework • Oil • Remove infrastructure bottlenecks (energy, transport, water) • Rural development 	Partially Achieved <ul style="list-style-type: none"> • Fully Achieved • Not Achieved • Not Achieved • Fully Achieved • Not Achieved • Not Achieved
Objective III. Enhance human development and strengthen social safety net <ul style="list-style-type: none"> • Health, education and public expenditure on the social sectors • Targeting of social assistance programs 	Not Achieved
Objective IV. Environmental protection and sustainable natural resource management	Not Achieved
Objective V. Improve public administration and reduce corruption	Not Achieved
Overall OED Assessment	Moderately Unsatisfactory