


2009 BUDGET ADOPTED

 GEL/US\$: 1.6680 GEL/EUR: 2.2298
 Galt & Taggart Index: 201

Parliament approved on 30 December 2008 the 2009 budget. Total revenue of the 2009 is to increase by 0.9% y-o-y to GEL 5.5 bn, while total expenditure will decrease to GEL 5.3 bn, down 5.2% y-o-y. Welfare expenditure is to increase by 20% y-o-y to GEL 1.3 bn, with healthcare, Education and Transport and Communications expenditures also increasing significantly y-o-y. The increase in these expenditures is funded primarily by the decline in Military expenditure by 39% y-o-y to GEL 944 mln (4.4% of '09 GDP) from GEL 1.5 bn in 2008 (8.1% of '08 GDP). Revenues and expenditures of the 2009 consolidated budget as percent of 2009 GDP are forecasted to decline to 25.9% and 24.6% respectively, from 28.6% and 29%, respectively in 2008.

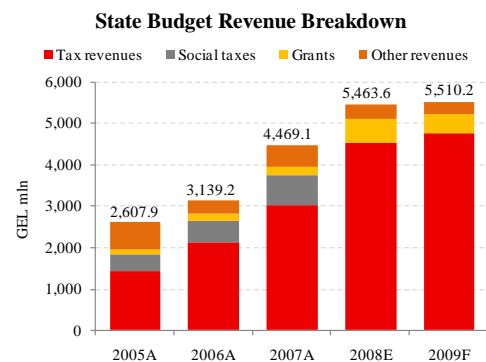
"I wish to congratulate my colleagues in the executive and legislative branch on adopting a sensible, balanced and effective budget for 2009. The budget contains a meaningful amount of fiscal stimulus in welfare, education and infrastructure-related areas, while preserving the overall fiscal balance and further shrinking the government's fiscal footprint in line with our long-term vision. I am delighted that we have been able to implement a personal income tax cut (from flat 25% to flat 20% as they key element of our stimulus package, and also wish to thank once again our donors for their generosity.)", commented **Nika Gilauri**, Minister of Finance.

State budget, GEL mln	2009F	Growth y-o-y	2008E	Growth y-o-y	2007A	Growth y-o-y	2006A	Growth y-o-y	2005A
Revenues	5,510.2	0.9%	5,463.6	22.25%	4,469.1	42.4%	3,139.2	20.4%	2,607.9
Tax revenues	4,760.0	5.3%	4,522.0	50.2%	3,010.5	41.3%	2,130.3	51.4%	1,407.3
Social taxes	0.0	nmf	0.0	-100.0%	722.0	43.6%	502.8	17.3%	428.8
Grants	445.0	-25.0%	592.9	184.1%	208.7	24.5%	167.6	60.4%	104.5
Other revenues	305.2	-12.5%	348.7	-33.9%	527.8	55.9%	338.5	-49.3%	667.3
Expenditures, GEL mln	5,252.0	-5.2%	5,537.4	43.2%	3,866.2	37.6%	2,809.4	16.2%	2,418.6
Welfare	1,330.9	20.5%	1,104.6	41.9%	778.2	25.0%	622.7	17.7%	529.1
Military	944.2	-39.0%	1,547.4	3.5%	1,495.1	119.7%	680.6	74.8%	389.3
Transport and communications	518.5	75.2%	295.9	7.0%	276.5	46.8%	188.3	49.6%	125.9
Education	502.9	18.3%	425.2	12.1%	379.3	14.0%	332.6	328.1%	77.7
Healthcare	344.4	20.7%	285.3	21.1%	235.6	18.3%	199.2	20.5%	165.3
Other	1,611.0	-14.3%	1,879.0	167.8%	701.7	-10.7%	786.1	-30.5%	1,131.3

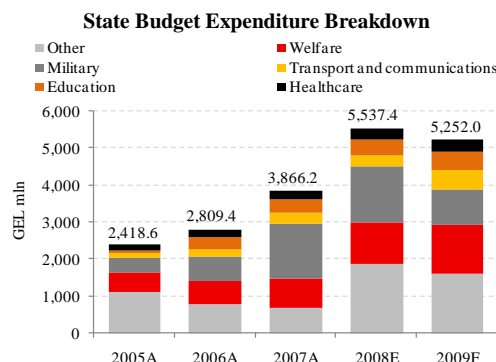
Source: Ministry of finance of Georgia

	2009F	2008E	2007A	2006A	2005A
Consolidated budget revenues as % of GDP	25.9%	28.6%	26.3%	22.8%	22.4%
Consolidated budget expenditures as % of GDP	24.6%	29.0%	22.7%	20.4%	20.8%
Tax revenues as % of GDP	22.3%	23.7%	17.7%	15.4%	12.1%
Welfare, education and healthcare expenditures as % of GDP	10.2%	9.5%	8.2%	8.4%	6.6%
Military expenditures as % of GDP	4.4%	8.1%	8.8%	4.9%	3.3%

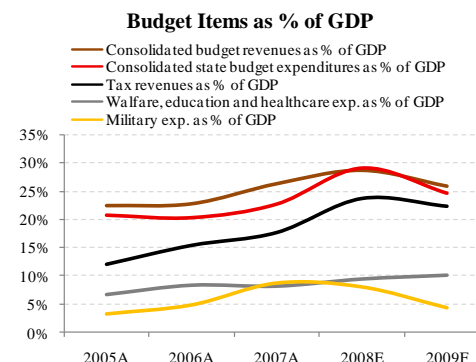
Source: Ministry of finance of Georgia



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Georgia: Key Economic Data	2004A	2005A	2006A	2007A
Nominal GDP (GEL mln)	9,824.3	11,620.9	13,789.9	16,993.8
Real GDP Growth (y-o-y; %)	5.9%	9.6%	9.4%	12.3%
GDP per Capita (US\$)	1,187.6	1,483.5	1,763.5	2,314.6
CPI (e-o-p; %)	7.5%	6.2%	8.8%	11.0%
Net FDI (US\$ mln)	483	542	1,076	2,014.8
Current Account Deficit as % of GDP	-6.6%	-10.7%	-14.9%	-18.9%
GEL/US\$ (e-o-p)	1.83	1.79	1.71	1.59
GEL/EUR (e-o-p)	2.49	2.12	2.26	2.33
Galt & Taggart Index (e-o-p)	194	320	790	1,041

Source: Department of Statistics, Ministry of Economic Development, Ministry of Finance, National Bank of Georgia

Georgia has, as of the date hereof, the following sovereign credit ratings:

Standard & Poor's	Sovereign Credit Rating	'B/ Stable/B'
FitchRatings	Long Term Issuer Default Rating/Short Term Issuer Default Rating/Country Ceiling	'B+/ Negative /B/B+'

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