



**Strategic “10-Point Plan”
of the Government of Georgia for
Modernization and Employment**

2011 - 2015

October, 2011

This document was developed by the Government of Georgia and covers the principal directions and the objectives of social and economic policies of the country for 2011-2015.

This document will be renewed every 6 months taking into consideration the dynamics of social and economic development, as well as global and regional contexts.

This document represents unauthorised translation of the original Georgian version.

Strategic “10-Point Plan” of the Government of Georgia for Modernization and Employment (2011–2015)

The aim of social-economic policy of the Government of Georgia is to create preconditions for successful, prosperous and united Georgia where every citizen will enjoy decent living environment and will be provided with the opportunities to become a successful and prosperous member of the global community.

The Government of Georgia plans to achieve those goals through job-creation and reduction of unemployment, while at the same time providing persons with limited abilities (people with limited abilities, pensioners) with an improved social assistance system. Accordingly, absolutely all the points of this “10-Point Plan” target exactly these two goals, namely, how to create more and higher-paid jobs and how to improve the social status of our citizens (among others through improvement of healthcare and social assistance systems).

The ten points are:

- 1. Macroeconomic Stability**
- 2. Improvement of Current Account Balance**
- 3. Creation/Maintenance of Favourable Investment and Business Environment**
- 4. Formation as a Regional and Logistic Hub**
- 5. Improvement of Infrastructure**
- 6. Development of Agriculture**
- 7. Improvement of the Education System**
- 8. Fine-Tuning Social Policy**
- 9. Establishment of an Affordable, High-Quality Healthcare System**
- 10. Urban and Regional Development**

1. Macroeconomic Stability – accelerated growth, fiscal stability, insignificant debt burden, minor and controllable budget deficit, low inflation, small size of the government, financial sector stability, sound banking sector, resistance to shocks.

Against the background of unfavourable conditions of the global economy it is of utmost importance to maintain and further improve the current sound macroeconomic environment and parameters. Problematical macro-parameters gave rise to crisis in few European countries. In some of them the reason for that was a high budget deficit or a heavy debt, or a low economic growth. As a result – investments were suspended, companies went bankrupt, governments had to cut expenditures (including salaries and pensions), which in turn resulted in job losses and rise in unemployment rates.

Against this background maintenance and improvement of positive macroeconomic parameters of Georgian economy is gaining a paramount importance. This should: attract the capital currently available on the global market (which due to existing problems is looking for the new markets) the expansion of enterprises through new investments and, most importantly, to create new jobs. However, on the other hand, it should be kept in mind that Georgia's economy is fully integrated into the world economy, meaning that the world economic crisis would affect Georgia as well – the slowdown of world economic growth would result in decreased demand (including Georgian export products). And this in turn would result in a hesitance on the part of investors and the reduction of direct investments, and the outflow of capital from developing countries. That is why Georgian economy should be ready for such a course of events and an enhanced attention should be paid to the maintenance and improvement of the current positive macroeconomic parameters.

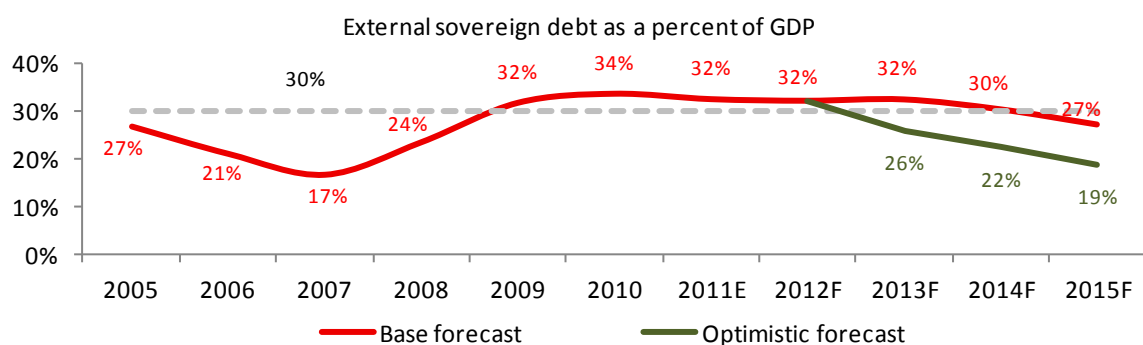
Gross Domestic Product

- The objective of the Government of Georgia in the coming years is the minimum GDP growth to be higher than the global economic growth and by optimistic scenario in 4-year period to reach a two-digit figure. It is high economic growth that will give a rise to investors' interest in Georgia, to the attraction of more investments and to the creation of new jobs.
- As a result of such a GDP growth by 2015 Georgia shall become, by classification of the World Bank, a “high-middle income country”, GDP per capita will increase by 60-90% as compared to 2011 amounting to USD 5,000-6,000, 3-4 times higher as compared with the 2005 level.

- Georgia’s Gross Domestic Product per capita according to purchasing power parity (PPP) will approximately double in 2015 as against 2005 level.
- However, in the event of exacerbation of the world economic crisis an alternate scenario has been considered according to which the economy in 2012-2014 would increase by 0-3% per annum. That is in the case of economic contraction of the economies in the region.

National debt

- Georgian Government aims at maintaining favourable financial parameters of the external public debt portfolio which shall demonstrate its sustainability both short-term, as well as mid and a long-term.
- Conservative and pragmatic management of external public debt guarantees the country’s security and fiscal sustainability under the conditions of existing global/exogenous risks and challenges. The level of external debt should not create threats to economic and social stability and accordingly to employment opportunities and perspective of the job-creation.
- According to Economic Freedom Act initiated by Georgian Government the sovereign debt is limited and its level shall not exceed 60% of GDP. Meanwhile, one of the guiding principles and mid-term objectives of fiscal and macroeconomic policy will be the gradual reduction of the external public debt down to 25% of GDP. With regard to the aforesaid it is important to maintain the optimum level of annual service of the debt in relation to budget receipts and export.
- The main task for 2015 is to retain the external national debt service rate in relation to the state budget not to exceed 9%, and in relation to GDP not to exceed – 3%.



- Accordingly, in the event of exacerbation of the world crisis the country should have a reserve, the so-called “financial cushion”, which many developed and developing

countries lack today, to increase the debt level by 20-30% of GDP up to the 60% limit of GDP and thereby to maintain economic dynamics and employment level.

Budget deficit

- For honouring by the Government of its obligation and for keeping up investor confidence it is necessary to maintain the budget deficit at the lowest level possible. Georgian Government aims at providing possibly balanced budget, which, on the one hand, in case of need stimulates economy and, on the other hand, considering global economic challenges, is an essential precondition for the fiscal and macroeconomic stability of the country, and the driving force for creating the employment opportunities.
- According to Economic Freedom Act as from 2014 the budget deficit shall not exceed 3% of GDP.

Budget and GDP correlation

- Georgian Government aims at maintaining budget expenses and the nonfinancial assets size in relation to GDP within “the small government” level not to allow the tax pressure and the government activity to limit the space for entrepreneurial activity, private initiatives and investments.
- According to Economic Freedom Act the ratio of the total budget expenses and the nonfinancial assets growth shall not exceed 30% of GDP as from 2014.
- The growth of budget expenses should be derived from the economic growth.

Inflation

- The task of Georgian Government and the National Bank of Georgia is to maintain inflation at a single-digit in the long-term.
- According to the National Bank of Georgia inflation already returned to a single-digit index in the third and fourth quarters of 2011.
- At the end of 2010 and at the beginning of 2011 the high inflation was caused by rise in prices of foodstuff on international markets. The National Bank of Georgia and the Georgian Government took anti-inflationary measures to reduce the core inflation to the maximum, which was achieved by:
 - conservative fiscal policy;
 - conservative monetary policy

- The Government of Georgia took among others some interim measures to temper price increase burden for the population before reduction of inflationary pressure. For this purpose the electricity and food vouchers were distributed. Also the Georgian Government facilitated availability of new supplying countries for the diversification of import of different products, and started to implement additional projects in agriculture.

Exchange rate

- Out of two aims (exchange rate stability and inflation) the National Bank of Georgia should draw special attention to inflation.
- The major task is to monitor the real exchange rate in order of preventing the negative influence of it on economic competitiveness of Georgia.

Financial stability

- The objective of Georgian authorities is to achieve the financial sector stability and the reduction of dependence on external shocks.
- Facilitation of the formation of a liquid stock market of Government papers, while in parallel reasonable managing and successively decreasing the total financial liabilities of the Government.
- In 2011 the transition to a more developed stage of the stock market is manifested by a trend showing the decrease in securities maturities, stemming from the securities higher liquidity and growth of demand for them.

Financial sector

- The development of financial sector against the background of macroeconomic stability and, respectively, investors' confidence provides for the decrease in banking interest rates, in an increase in loans maturities, and in a decrease of sectoral/regional concentration by banks. That, in turn, will give a rise in the increase of the small-and-medium business financing, in an additional economic dynamism and, accordingly, in an increase in employment opportunities.
- Decrease of the interest rates is possible by way of long-term maintenance of positive macro-parameters and positive characteristics of the banking sector. The first of them will result in the growth of confidence towards the country on the part of investors and, correspondingly, will enable the Georgian banking sector to attract favourable

credit resources. Whereas the latter will give the rise to the increase in deposits volumes, which finally will be reflected in lower interest rates as well.

- Prime objective is – as compared to 2005 - to increase by 2015 both the bank assets and the deposits and loans portfolio volume by approximately 9 times. That would increase the investment resources and, respectively, would have positive effect on dynamics of the job-creation.

International reserves

- Objective of the Georgian Government and the National Bank of Georgia is to ensure sufficient international reserves for the purpose of the tempering the possible external shocks and the foreign liabilities service.
- Main principles of reserves management are:
 - a) liquidity;
 - b) safety;
 - g) profitability.
- In the 2012-2015 period, taking into consideration the debts service, Georgia will have an adequate international reserve. In 2015 in comparison with 2012 the international net reserve volume shall increase by 107%.

2. Improvement of Current Account Balance – development of production potential and open economy by way of growth in exports and tourism

Current account balance

- The Georgian Government aims at obtaining in the long-term perspective the structure of the economic development whereby in 2015 as compared to 2011 the trade balance deficit in relation to GDP in percentage terms will halve.
- The decrease in trade balance deficit will be achieved through the growth in goods exports, based on the increase of production and, accordingly, the growth in the efficiency of employment.
- The growth in services export is also essential, which first of all should stem from the development of tourism sector and, respectively, from the increased employment there.
- To achieve this aims, alongside with macroeconomic stability, it is necessary to maintain and improve the attractiveness of business and tax-environment; to enhance the role of Georgia as a “Business-Platform”, and to increase total investments and to develop an open trade regimes (see corresponding chapters).
- The export of goods, service and tourism should increase twice by 2015 against 2010 level, on average – by 15-20% per annum.
- Improvement of the utilisation of the free and preferential trade regimes will be essential, primarily with the main trade partners. In this regard, it is significant to conclude a free trade agreement with the European Union and to increase the effectiveness of the free trade agreement with Turkey.

Tourism

- Tourism development is to be carried out combining two approaches: a “horizontal policy” aimed at creation of indirect encouraging conditions for tourism, and by the application of a “vertical approach”, which implies investment in tourism infrastructure.
- The Georgian Government’s objective is to achieve the number of visitors to exceed 5 million by 2015 and to turn Georgia into one of the centres of winter tourism.
- The annual tourist promotion campaigns should increase in the countries from which the potential of visitors attraction is high, specifically - Belarus, Ukraine, Poland, Israel, Baltic countries.

- The priority is to attract low-budget airline operators, and diversification of direct flights in three priority directions (Western Europe, Middle East and Asia).

Partnership fund

- The Government of Georgia founded the Partnership Fund. The Fund assets will be used for the implementation of large scale investment projects which will primarily target the increase in exports potential and the employment in Georgia, by aiming at projects that would not be challenged by the private sector without participation of the state, given the starting circumstances and the risks related.
- The mechanism of projects implementation considers for equity participation on the part of the Fund or the provision of purchase agreements to the investors on products in the energy sector. The credit resources should be attracted from international finance institutions. The main projects will be implemented in the employment-intensive spheres such as energy, agriculture and tourism.
- The source of financing of the Partnership Fund may become also the liquidity attracted through placement of financial paper of the state enterprises on the international stock exchanges.

3. Creation/Maintenance of Favourable Investment and Business Environment – non-corrupt environment, better conditions for entrepreneurial activities, comfortable tax-environment with low taxes

- The Government's task is to maintain non-corrupt environment, increasing the competitive advantage of Georgia and enabling the entrepreneurs to produce more and to create more jobs, and as for the population as a whole – to enjoy better services and better conditions for development.
- The Government's objective is to maintain the status of Georgia as one of non-corrupt countries.

Business environment

- Certain competitive weaknesses of Georgia (i.e. market size, geo-political challenges) should be balanced by an exemplary business climate, contributing to the growth of investment and to the job-creation.
- For the promotion of employment the labour market and regulations should be flexible to the extent possible, aiming at mobility and at the high rate of employment e.g. by way of special regulations in case of employment of the worker at the age of 45-60.
- The key to the business environment is simplification of taxation system and its administration – the “New Approach”, principles reflected in the new tax code.

Direct foreign investments

- Direct foreign investments essentially represent an import of employment opportunities to Georgia. That is why the Government aims at direct foreign investments to amount at least to the 6% level of the Gross Domestic Product, two times higher than correlation of the average global cross-borders investments and the world GDP (approx. 3%).

4. Formation as a Regional and Logistic Hub – open economy, efficient logistic infrastructure

In order to create more jobs, the Government of Georgia facilitates the creation of enterprises and services in the country, not only by those companies who are directly interested in Georgian economy, but also by those, who are interested in the region and the economies beyond Georgia.

- The aim of the Government is for Georgia to be not only a “corridor” for transit but be a “Business-Platform” – from Georgia to neighbouring countries and in a wider region.
- Open economy, functioning and developed infrastructure, exemplary administrative service and such instruments as a free industrial zone and the liberal regulations of warehouses is to become one of the bases of Georgia becoming a “Business-Platform.”
- In order to fulfil this task, the transportation corridors via Georgia should maintain and increase their attractiveness, for which cooperation with other countries in the region is decisive.
- Georgia, as a regional “Business-Platform,” should utilize several existing trends and propose a better environment to the companies and industries, searching for better and more convenient place to locate their enterprises, due to increased entrepreneurial expenses in Eastern Europe and Turkey, and also is addressing the interests of growing economies of China and India in the European markets.
- Pre-negotiation stage with the European Union with respect to conclusion of Free Trade Agreement is underway.
- Georgia has concluded Free Trade Agreements with Turkey and the Former Soviet Countries, GSP - with the US, GSP+ - with the European Union and preferential trade regimes - with other countries.

Within the framework of the “Business-Platform” project, in order to attract global brands and/or for the prospect of creation of significant number of jobs, the Government of Georgia will propose several attracting conditions to the investors for the selected projects aiming at developing production capacities:

- Favourable environment for making business;
- A plot of land to construct an enterprise in ownership at a symbolic price;
- Privatization of buildings in the state ownership that may be transferred at concessional price;
- The Government will provide connection to the utilities (gas, water, electricity) and construction/reparation of roads to enterprise;

- The Government, together with other donor organizations, shall assist foreign companies to attract labour force and to fund trainings.

Free Industrial Zones

- For the purpose of “Business-Platform” development, attracting investors and creation of additional jobs, free industrial zones have been established in Georgia.
- The Government of Georgia has exempted profit gained in the territory of zones from profit tax, additional value created in the territory of zone – from VAT and property located in the territory of zone – from property tax, and all these for the development of infrastructure (hotel, medical, advertisement, expeditor, expertise and many other services) and subsequently, creating jobs in the territory of zone and around it.

Regional wholesale and retail trade centres

- One of the important elements of “Business Platform” has to become the creation of retail and whole-sales centres of regional significance in Georgia. Such centres will be created through the restructuring of existing centres, as well as establishing of new ones.
- In those zones to address the issue of ease of administering and trading, special and transparent conditions for taxation will be created.

5. Upgrade of Infrastructure – multimodal transport and energy hub for the wider region

Road Infrastructure

- Developed, high quality and safe road infrastructure is being created in Georgia to support the inner turnover of goods, import-export and transit, as well as for the better accessibility to the resorts and the regions, that will ultimately result in the creation of more jobs, and better industrial and living environment.
- During the last years, more than GEL 2.5 billion was invested for the development of road infrastructure. This trend will be maintained in the years to come.

Name of the project	Start	Finish	Orientation sums (\$ million)
Natakhtari-Agaiani	2006	2008	46
Agaiani-Igoeti	2007	2009	27.3
Igoeti-Sveneti	2008	2011	101.2
Sveneti –Ruisi	2009	2011	151.5
Rikoti Tunnel rehabilitation	2009	2011	30.3
Tbilisi bypass road	2010	2011	9
Zestaponi-Kutaisi-Samtredia	2011	2013	239.4
Kobuleti bypass road	2011	2013	190.9
Tbilisi-Rustavi	2012	2013	64
Ruisi-Rikoti	2011	2013	155.1
Samtredia-Grigoleti-Choloki	2012	2014	248

- In the course of the implementation of these projects, up to 30 000 persons will be directly or indirectly employed in the construction works. Apart from this, implementation of these projects will increase transit and investment potential of the country, making the country more attractive for tourism and trade, as well as creating new enterprises, and respectively, creating new jobs.

Railway

- Georgian Railway should maintain the status of a profitable enterprise and, at the same time, increase its capacity, comfort and speeds.
- The construction works on the Tbilisi-Batumi fast railway is in progress within the framework of the modernization project. The travelling time by modern train from Batumi to Tbilisi will be reduced to three hours. Budget of the abovementioned project amounts to more than 400 million USD.
- Construction works on the Baku-Tbilisi-Kars new railway is underway, which is to connect greatest markets of China and Western Europe through Georgia.

- Construction of Tbilisi bypass railroad is under way, the budget of which amounts to more than 250 million USD.

Name of the project	Start	Finish	Orientation sums (\$ million)
Baku-Tbilisi-Kars railway	2009	2012	775
Tbilisi-Batumi fast railway	2010	2013	415
Tbilisi bypass railroad	2010	2013	275

8,000-10,000 persons on average will be employed on the abovementioned projects annually.

Air Transport

- The aim is to create a well developed airport infrastructure with diversified and growing destinations and operators. At this stage, the challenge is to make the low-budget airlines interested in Georgian market.
- Establishment of an appropriate environment for the development of a small aerodrome infrastructure and a small aviation is underway.
- Construction of the Poti Airport is in progress to be finished in 2012.
- New airlines are entering Georgia air market.
- Existing number of air-passengers is to increase by 50% by 2015.
- By 2015, frequencies for the existing directions will grow (at least – 5 frequencies per week) in order to provide travel of passengers without delay.
- Number of the direct flights in the following directions should increase by 2015: China, India, countries of the Middle East, Central Asia, Western Europe; 10 new directions will be added by 2015.

Year	Operators	Countries	Destination	Flights per week
2011	19	19	28	197
2015	24	24	38	270

- By 2015, at least one low-budget airline of a global scale will enter the air market of Georgia.
- By 2015, number of people employed in air industry is to be increased at least by 1.5 times.

Maritime Transport

- The aim is to develop the port infrastructure, in order to make it fit for the fast and affordable services of freight, passenger and the freight-passenger traffic.
- To develop the port infrastructure focused on passenger traffics, in order for Georgia to become more actively involved in the cruise-liners network. By 2015 it should be possible to double the number of passenger traffic by sea as compared to 2011.
- To support the increase in ferry traffic across Black Sea, which in turn supports multimodal transportation.

Energy infrastructure

- A reliable, diversified and financially sustainable power infrastructure is one of the preconditions to maximize the industrial and export potential of Georgia, which in turn implies and provides thousands of additional jobs.
- Georgia is one of the most energy self-sufficient countries in the Region with significant portion of renewable energy; the energy exporter, having the greatest hydropower potential for development.
- The task of Georgian Government is to satisfy 100% of the country's demand for electricity by hydropower produced in Georgia. Georgia is to become an important exporter of electricity to Turkey, Europe and Middle East. For today, portion of export in local generation of electricity amounts to 15%.
- The diversification of commercial and technical sources of gas supply is at maximum possible. For the next ten years, gas supply in Georgia will be provided from three independent sources.
- A tender has been announced to explore the deposits of a shale oil through non-traditional technologies for the purpose of reducing dependence on imported oil products. Besides, it is planned to announce a tender for construction of an oil refinery plant in 2012.
- To study the possibility of construction of a large energy-intensive enterprises and, respectively, development of the employment centres, under the conditions of development of local energy supply capabilities.
- Five manufacturing-industrial hubs will be created outside Tbilisi, areas where transport-logistical and energy infrastructure will be provided at a level for industrial consumption. Respectively, these will be best sites to locate large industrial facilities and for the establishment of important employment centres. Such manufacturing-

industrial hubs will be located in Poti, Senaki, Kutaisi, Gardabani and Akhaltsikhe. Each of such hubs will have capacity to receive industrial gas and electricity, will be located at the crossroads of the railway and the motor roads, and additionally, in a direct vicinity to the airports (Poti, Senaki, Kutaisi, Gardabani) and/or the ports (Poti, Senaki).

- In 2011, ten hydropower plants with total investment amounting to 819 million USD are under construction. By 2015, 13 more hydropower plants with total investment amounting to 3,210 million US dollars will be under construction. Construction of 27 hydropower plants with total investment amounting to 4,113 million US dollars is planned. Up to 13,000 people will be employed on these projects.
- By 2014, the installation of individual meters will be entirely complete, while 70% of the population of Georgia will be supplied with gas by 2015.

6. Development of Agriculture – development of agriculture focused on entrepreneurship

- The main aim of the Government of Georgia is to facilitate in parallel to the traditional self-sufficient agriculture, the modern primary production and the processing enterprises based on the principles of entrepreneurship to be created in agriculture and logistics centres, with an important potential to create jobs, and consequently for the improvement of the quality of life in rural areas.

Inclusion of land into agricultural activities

- All possible reserves are to be identified in order to increase the volume of economically active agricultural land. In this respect, there are several opportunities: underutilised pastures and areas within the forest fund, active continuation of land privatisation of land in the state ownership, the rehabilitation of degraded lands.
- By 2015, areas cultivated for agricultural purposes should be increased by 50%.

Grain-growing, wine-making, cattle-breeding, fruit-growing

- One of the priorities of agricultural policy is to support grain-production and increase the rate of self-sufficiency of the country, which will be achieved based on the growth in quantity (more area) as well as in effectiveness. The main aim for 2015 is to satisfy 50% of local demand for wheat by local production as well as to become a maize exporting country and to export up to 200,000 tons.
- In this regard, it will be very important to establish nurseries and demonstration/education centres in all regions where high-yield and high-efficiency species will be presented and modern technologies will be used.
- The objective of agricultural strategy of Georgia in the field of wine-making is to increase the export and to diversify markets, to create and promote the “Kvevri” wine brand, to develop wine tourism for the purpose of increasing internal consumption of wine.
- By 2015, value of wine export will double, while production will increase by 50%.
- In the field of cattle-breeding, the aim of the agriculture policy is to support growth in productivity and to increase the export potential by means of developing breeding farms, feed production and fertilization centres.

- The objective of the Government of Georgia is to develop the agricultural machinery service-centres and the increase of their geographic representation for equal accessibility.

Logistics centre

- The strategic task of agriculture policy of Georgia is to support the development of a logistics centres network in order to increase the level of export diversification, to decrease the dependence on seasonality and on railway transportation, and to create added value by giving marketable presentation to the products.
- In those centres, producers, exporters, importers and distributors will have an opportunity to use the services such as storage facilities, primary processing, sorting, packaging, retail and whole-sales outlets, container warehouses, laboratories. Consequently, farmers will be able either to store and sell their products during the winter time, or to deliver certain quantity to the logistics centre.
- As a result, much more marketable products will be available and the income of farmers will increase, imports will decrease, and less fluctuation of prices on food-stuffs will exist.

Irrigation systems

- The rehabilitation and development of irrigation systems should support the growth in productive areas and the efficiency of those parcels. Arrangement of new irrigation systems with modern technology will be funded by Agricultural Corporation of Georgia. Their operations should be based on the private-public partnerships.

7. Improvement of the Education System and Introduction of New Technologies - to increase competitiveness of the new generations and the population of Georgia

It is impossible to create decent and high-paid jobs without better education. The aim of the Government of Georgia is to provide the population of Georgia, for their global competitiveness, with the opportunities and the infrastructure up to the best standards in the world, at the secondary as well as the higher education levels.

Improvement of the teaching quality at schools

The aim of the Government of Georgia is to create a school system where every part of it (resource centre, principal, and teacher) will have a right motivation to be focused on improvement of the teaching quality and for the process of tutoring to be oriented on the results.

- In 2011, examinations for the twelfth graders were introduced. This practice will continue in the future. The aim of these exams is to demonstrate the efficiency of teaching at schools measured by the results demonstrated. The most successful 10% of school principals will be financially awarded, while the worst 20% of school principals would be given the opportunity to improve their performance.
- In 2011, the certification of teachers was reintroduced and this process will continue in 2012-2014. All the certified teachers will receive a monthly bonus of GEL 75. All teachers who will pass English language and computer exams will receive a monthly bonus of GEL 125, while the best 25% of certified teachers will be awarded a salary amounting to GEL 1,000.
- In 2011, the formula of schools funding voucher was amended to address the existing shortcomings, to minimize the number of deficit schools and, respectively, to provide with a right motivation the school principals, to optimize expenses, and to attract the best teachers.
- In order to increase the quality of education at schools, a new national education plan will be worked out, while teaching of technical and natural sciences will be enhanced, and a graduate program for twelfth graders, teaching of English language from the first grade, provision of socially vulnerable students with books, e-strategy will be introduced.
- At present, at schools, one computer is allocated to 20 students, the proportion which will amount to one-to-ten by 2015. 75% of the schools are connected to internet. All

the tenth graders who will graduate with the score 10 in all subjects will be awarded a computer, while all the first graders will be granted a child computer upon entering the school.

- As a result of introduction of the Safe School Program, the students' late-arrival has reduced by 80%, the students' absence has reduced by 75%, extortion of money has reduced by 95%, and conflict between students has reduced by 85%.
- English language teachers have been invited from different English-speaking countries, 1,000 – in 2010, and 1,500 – in 2011. This process will continue in 2012-2015.

Professional and higher education

- The aim of professional education is to create opportunity for better employment, based on the response to the demands of the labour market, the freedom of choice and the cooperation with entrepreneurs.
- The system of higher education should provide the education of international level for global competitiveness of the youth of Georgia, at Bachelor's as well as Master's level, among others through Bologna Process, integrating Georgian education system into European and global academic systems.
- The establishment of technological university in Batumi will become one of the main components to implement this program. The aim of this university will be to establish an education and scientific centre in Georgia, the main directions of which will be engineering disciplines, information technologies, and agriculture. On the basis of this university a technological park will be created, with the aim of the transformation of scientific knowledge into commercial projects.
- The higher education and scientific research infrastructure should be integrated and should provide synergy by combining of the pedagogic and scientific processes.
- The affordability of higher education should be enhanced through a higher involvement of ethnic minorities and of the different social strata.

8 Fine-Tuning Social Policy – ensuring targeting and proportionality, poverty reduction

Pensions and social assistances

- The aim of the Government of Georgia is to create efficient and targeting pension and social assistance system that will provide for decent life.
- Pension and social assistance system should be financially sustainable, considering that the financial burden on the budget must be proportional to the economic growth, the tax burden, and the demographic changes.
- From September 1, 2011, minimal amount of pension increased up to GEL 100 with all other benefits for pensioners by age and for the pensioners having substantial disabilities.
- Further stages of the pension increase includes growing of pension package up to 100 USD, that would combine the existing benefits and pensions and would additionally include a health insurance voucher. The aim that is for all citizens over 60 years to have the opportunity to be insured, with a package that includes not only an outpatient services, but also cofounding of the medicines.
- The needs based targeted social assistance policy will continue; methodology of evaluation of households will be improved in order to increase the accuracy of targeting as well as the efficiency of assistance. The targeted social assistance will be focused on overcoming poverty and avoidance of the incentives to discourage economic activities for those having ability to do so.

Internally Displaced Persons

- The aim of the Government of Georgia is to create opportunities for full integration of Internally Displaced Persons, first of all, by improvement of their living conditions, through private ownership and employment. This task is being implemented provided that as the citizens of Georgia, they have irrevocable right of returning to the occupied territories, as well as of the ownership rights there.
- This process will be implemented by means of legalisation of rights on rehabilitated dwellings, by granting farmland and housing in villages, by granting residential compensations, by construction of apartment buildings.
- At present, full rehabilitation of additional 54 multi-unit buildings and 64 Collective Centres for 3,130 families of IDPs is in progress. In total, constructions of the following number of apartment buildings are underway or planned: in Poti – 32

multi-unit apartment buildings for 1,168 families, in Tskaltubo – 10 multi-unit apartment buildings for 352 families, in Batumi – 22 multi-unit apartment buildings for 608 families, in Zugdidi – 10 multi-unit apartment buildings for 320 families.

Penitentiary system

- The penitentiary system should be based on developed infrastructure and, by creating penitentiary facilities of modern standards, also by increasing the portion of alternative forms of serving the sentences and the developing efficient forms of social integration.
- Individual plans for serving the sentences is developed for each inmate in the custody and the risk assessment is carried out by means of electronic monitoring system. The probation social officers are intensively involved in the process of prevention and the mediation of juveniles. The Probation Bureaus provide for the video-appointments to different types of institutions of incarceration.
- Intensive reforms are being carried out in the healthcare of penitentiary system in order to ensure high quality medical service accessible for all patients, for the penitentiary health care to become fully compliant with services in civil sector from 2013.
- For the purpose of tuberculosis prevention, a representative of National Centre of Tuberculosis is designated for each penitentiary establishments and the construction of a new medical facility of international standards for inmates with tuberculoses is in progress, to be put into operation from 2012.

Childcare Facilities

- Transformation of the homeless Children's Houses program in under way; specifically, the existing Children's Houses will be replaced by the family type (European model) houses, where the nurses will be carrying the function of parents in each house. Not more than 8-9 children will live in each house. This will make it easier for children to feel themselves in a family atmosphere. In the future, these children will be socialized in the ordinary schools that will facilitate the process of becoming a full-fledged member of the society.

9. Establishment of an Affordable, High-Quality Healthcare System - developed insurance market, a wide choice of pharmaceuticals, and a modernised and customer-oriented healthcare system

- The Government aims at developing a patient-oriented health care system in Georgia in which the state is funding a consumer rather than the health care infrastructure. Geographic accessibility should be ensured on the entire territory of Georgia. Improvement of the health standards of the population should be achieved by decreasing the sickness burden and the mortality rate.
- In order to achieve the aforementioned aim, the Government of Georgia sets five strategic objectives in the field of health care:
 1. Geographic and financial accessibility to medical services;
 2. Improvement of the quality of medical services;
 3. Providing patients with right of choice and the protection of those rights;
 4. Prevention of diseases, readiness for the threats to public health and for the corresponding response;
 5. Improvement of the management in the health care system, increasing the efficiency of the sector.
- In accordance with the Master Plan of Hospital Sector, by the end of 2012, 150 completely new or renovated medical centres will be functioning in the country.
- The role of the Mediation Service will increase in order to protect the interests of the ensured. A system of redress for the patients will be introduced in which the Mediation Service and the Agency for the State Regulation of Medical Activity will play an important role. A compensation mechanism for patients and their families for the caused damage will be introduced.
- For the disease-prevention and to ensure readiness for the threats to public health, the Government of Georgia will continue a permanent oversight of the health status of the population in 2012, for which the mechanisms of collecting routine statistics and analysis will be advanced by developing an electronic information system.
- For the primary health care facilities in the cities and the regional centres (polyclinics) – under the circumstances when these establishments are under private ownership, the state will shift its resources from day-to-day management of each establishment to the system management and to the quality of services.

- Each new hospital in the regions will have an emergency unit, providing adequate service, management, and, in case of need, referral services to the next level. The ambulance service will be free of charge both for the insured and uninsured population. The service will be much more effective and of a higher-quality under the unified management of primary health care and emergency services.
- Particular attention will be paid to the prevention of specific infectious and non-infectious diseases in different groups of the population: in 2012-2013, the Georgian Government plans to increase the effectiveness of the immunization program (targeting >93% coverage); by 2016 to stabilize the spread of HIV infection and decrease the spread of tuberculosis by 25%; from 2012, particular attention will be devoted to the promotion of the healthy way of life and to effective prevention of chronic conditions such as diabetes and chronic deficiency of kidneys (dialyses).
- In the framework of the unified information system strategy of the health care system – “A Healthy Georgia for You”, it is planned to develop an electronic national health care system by 2012.
- In the nearest future, an insurance package will be created including both out-patient service and an increased list of co-funded medicines. The state will purchase this insurance package for the socially vulnerable, the newborn babies and persons over the age of 60 (as a supplement to pension). The Government aims at making such a package available for other citizens at the same conditions.

10. Urban and Regional Development – for making equal opportunities of development

- The aim of the Government of Georgia is to reduce the disparities in urban and regional development, to support the creation of development and employment hubs, to improve accessibility to the regions and inside the regions, and improve rural infrastructure in order to create more jobs beyond the primary agricultural production and to make the development and economic structure of Georgia more decentralized.
- In the nearest future, the Kakheti Region Development Project will be carried out with the support of the World Bank, which includes implementation of respective infrastructure and technical assistance projects aiming at the development of the Region based on the feasibility study.
- Primary healthcare in villages – within the framework of the state program of a “Village Doctor” respective training has been delivered to app. 2,000 doctors and 1,900 nurses. By means of cash and noncash grants by the state as well as with the support of international organizations, the out-patient infrastructure and the equipment for the villages was renewed. As a matter of fact, rural population of Georgia is fully covered by the free healthcare services. From 2012, particular attention will be paid to the quality of service.
- Within the framework of local government and village support program, rehabilitation and maintenance of infrastructure of local and rural roads is carried out annually. Currently, rehabilitation of 3,000 km of road is implemented every year. This trend will be continued in the years to come.
- The monitoring system for the detection of the emergency situations and the risky sections detection of the sea and the river coastlines is carried out. At present, construction works are underway on up to 40 sites. Respective design and construction works in order to provide the coastline protection will be implemented during the coming years.
- During the last years, rehabilitation works were carried out on more than 1,000 km of water supply pipelines, the treatment facilities were built, reservoirs, chlorination sites and filters were installed. In 2012-2015, up to 20 thousand persons will annually be employed on works for water supply and wastewater sector.