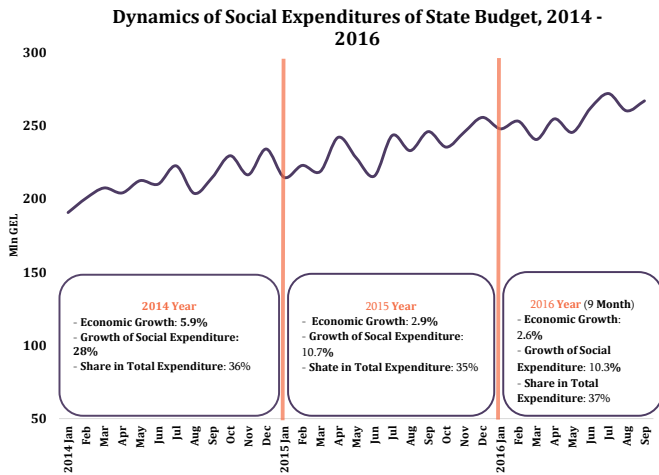


In the first three quarters of 2016, compared to the corresponding period of 2015, in the State Budget:

- Total expenditure on social security increased by 10.7% (238.6 mln GEL) and amounts into 2,270 mln GEL, which is 37% of total budget expenditure;
- Expenditure on public pension increased by 11.7% (121.2 mln GEL);
- Expenditure on general social healthcare program increased by 16.1% (68 mln GEL);

In the State Budget of 2017 expenditures on social security will increase by 8.4%.

Municipalities spent a significant part of their budget for social security, for example, 27.8% (177 mln GEL) of Tbilisi budget costs is spent on social security.



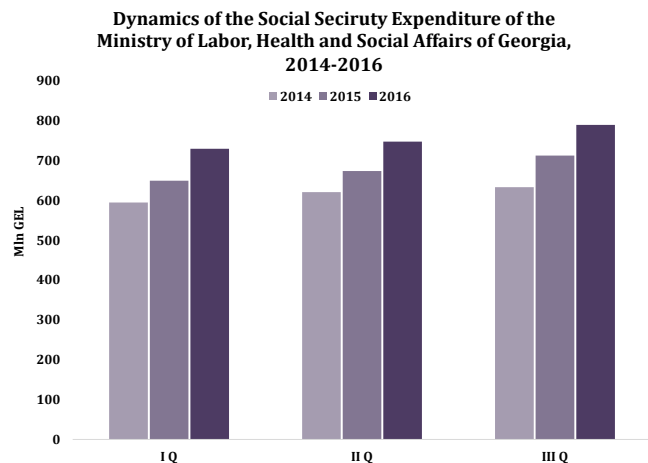
This issue reviews expenditure on social security from the state budget, its compliance, and dynamics in 2014-2016. It should be noted that state budget does not include the social security expenditures of autonomous republics, self-governed cities and municipalities and the data is not consolidated. To illustrate them, this issue includes social expenditures of Adjara AR and biggest self-governed cities.

In the first three quarters of 2016, the expenditure on social security from the state budget increased significantly (10.7%, 238.6 mln GEL), compared to the corresponding period of 2015, which amounted to 37% of total budget expenditure. In the given period, the indicator for state budget compliance compared to the nine-month plan is 98.8%.

The level of expenditure on social security increased in all three quarters. In the first quarter - by 13% (85.3 mln GEL), in the second quarter by 11.2% (76.5 mln GEL), and in the third quarter by 10.6% (76.8 mln GEL).

Source: The Ministry of Finance of Georgia

To discuss the social security expenditures in terms of spending agencies, in the first three quarters of 2016, social security expenditures of the Ministry of Labor, Health and Social Affairs of Georgia is 98.4% (2.3 bln GEL) of the total social security expenditures. On second place is the Ministry of defense of Georgia - 0.9% (20.7 mln GEL), then comes the Ministry of Internal Affairs by 0.2% (5.5 mln GEL), Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia - 0.1% (2.0 mln GEL) and the Ministry of Education and Science of Georgia - 0.1% (2.0 mln GEL). As the expenditure on social security of the Ministry of Labor, Health and Social Affairs of Georgia is so high in the total social security expenditures, it is important to discuss the expenditures of this Ministry, its dynamics across the time and programs. Social security expenditures of the ministries, except the Ministry of Labor, Health and Social Affairs of Georgia, mainly include costs of pension, health insurance, etc.



According to the nine-month data of 2016, social security expenditure of the Ministry of Labor, Health and Social Affairs of Georgia increased by 11.3% (230.9 mln GEL) and amounted into 2,270 mln GEL, compared to the corresponding period of 2015.

The level of expenditure on social security increased in all three quarters. In the first quarter, the expenditure on social security increased by 12.4% (80.3 mln GEL), in the second quarter by 10.9% (73.7 mln GEL), and in the third quarter by 10.8% (76.8 mln GEL).

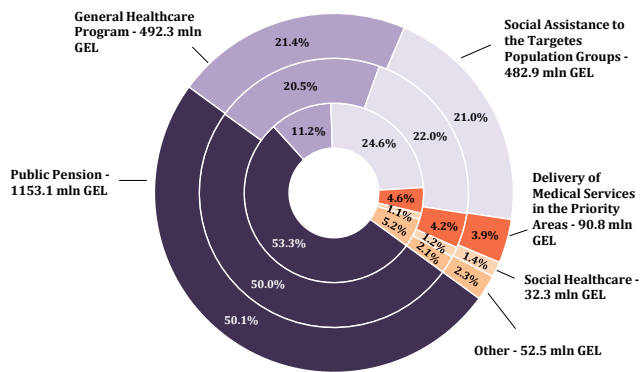
The expenditure of the Ministry of Labor, Health and Social Affairs of Georgia consists of two major categories: social protection (73%) and healthcare (27%). Social protection programs include the following: public pension, social assistance for the target groups, social rehabilitation and child care, social benefits for high-mountainous settlement. The healthcare programs include: general social healthcare, public healthcare (e.g. Immunization, safe blood, management of C hepatitis, treatment of drug addicted patients, etc.) and the delivery of medical services in the priority areas (e.g. mental health, management of diabetes, children's hematological services, etc.).

Source: The Ministry of Finance of Georgia

In 2016 according to the social programs, 50.1% of total social security expenditures is spent on public pension (1.1 bln GEL), general healthcare program - 21.4% (492.3 mln GEL), social assistance to the targeted population groups - 21% (482.9 mln GEL), delivery of medical services in the priority areas - 3.9% (90.8 mln GEL) and public healthcare - 1.4% (32.3 mln GEL).

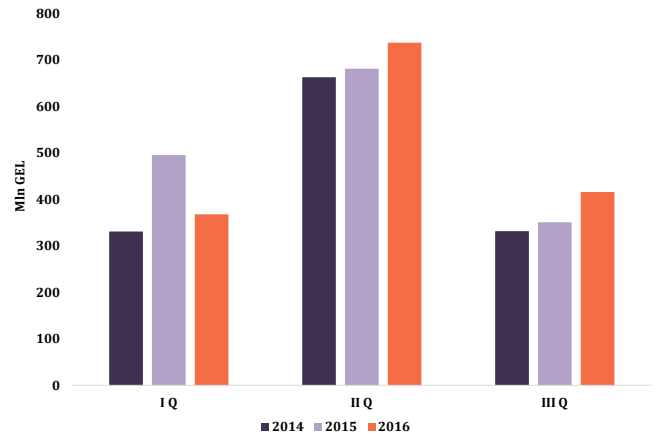
In the first three quarters of 2016, compared to the corresponding period in 2015, the expenditure on public pension increased (11.7%, 121.2 mln GEL) and amounted to 1.1 bln GEL. In this period, the compliance of expenditure on pensions is 100% in line with the nine-month plan. The pension program covered 712,000 people on average.

### The Share of the Expenditure of the Biggest Social Programs in the Total Social Security Expenditures, I-III Q, 2014-16



Source: The Ministry of Finance of Georgia

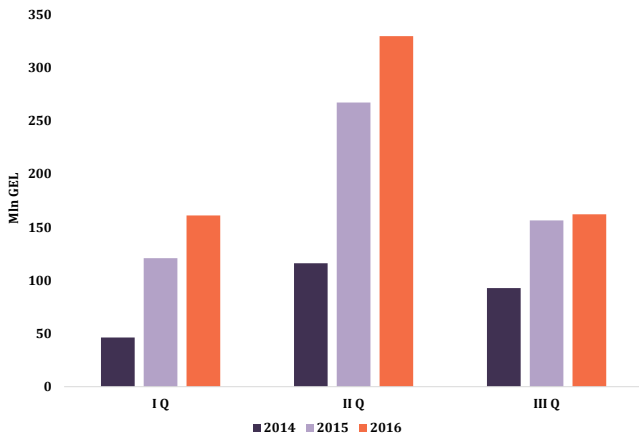
### Public Pension, I-III Q 2014-16



In total, 80% of health care expenditure of the Ministry of Labor, Health and Social Affairs of Georgia is spent on the general healthcare program. In the first three quarters of 2016, compared to the corresponding period in 2015, the expenditure on health care increased significantly (16.1%, 68 mln GEL) and amounted to 492.3 mln GEL. In this period, the compliance of health care expenditure is 97.2%, compared to the nine-month plan.

In the first three quarters of 2016, compared to the corresponding period in 2015, the social assistance for target groups increased (6.5%, 29.4 mln GEL) and amounted to 483 mln GEL. In this period, the compliance of social expenditure for target groups is 99.3%, compared to the nine-month plan. The program of social expenditure for target groups covered 452,000 people.

### General Healthcare Program, I-III Q 2014-16



### Social Assistance to the Targeted Population Groups, I-III Q 2014-16



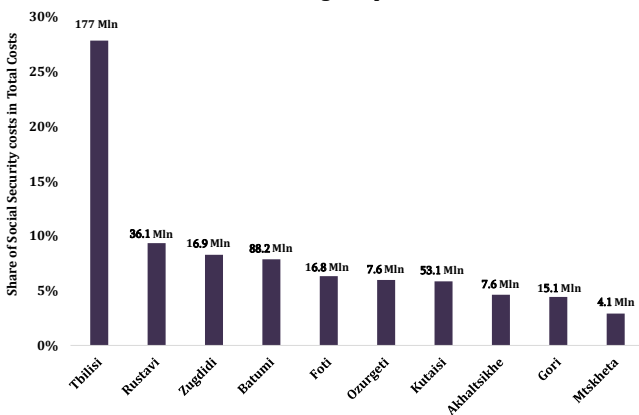
Source: The Ministry of Finance of Georgia

Source: The Ministry of Finance of Georgia

As it was mentioned above, the social expenditure data of autonomous republics, self-governed cities and municipalities are not consolidated, therefore, there is discussed the budgets of Adjara AR and the biggest self-governed cities.

According to the 2016 data, social security costs of Adjara AR is 4.8% (7.5 mln GEL) of Adjara AR budget costs. It should be noted, that in 2016, compared to the previous year, social security costs increased by 27%.

### The Share of Social Security Expenditure of the Biggest Cities in the Total Budget Expenditures, 2016



Source: Legislative Herald of Georgia

In 2016 27.8% (177 mln GEL) of Tbilisi budget costs is spent on social security. From the budgets of self-governed cities, Tbilisi spends the most on social expenditures.

9.3% (36.1 mln GEL) of the budget costs of Rustavi city is spent on social security expenditures. In 2016 compared to the previous year social costs increased by 6.9% (0.2 mln GEL).

8.3% (16.9 mln GEL) of the budget costs of Zugdidi city is spent on social security expenditures. In 2016 compared to the previous year social costs increased by 47.6% (0.4 mln GEL).