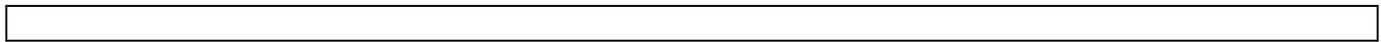




**Annual Report on 2018 Public Finance Management
Reform Action Plan**





I - Budgeting

1. Improvement of budget management

1.1 Preparation of draft annual Budget Law

Responsible entity: Budget Department, Macroeconomic Analysis and Fiscal Policy Planning Department, Public Debt and External Financing Department (Involved entities: Spending Institutions, State Audit Office, Government of Georgia, Parliament of Georgia)

Performance Indicator: The 2019 draft state budget law is prepared and submitted to the Parliament of Georgia according to the legislation;

The draft state budget law complies with the fiscal parameters determined by the legislation;

Budget documentation is consistent with international practices, including standards set by the methodology for program budgeting.

Implementation period: January-December

Progress: "Draft State Budget Law of Georgia 2019" (first, second and third submission), processed document of the basic data and directions of the country for 2019-2022, attached materials of the draft budget law and accompanying draft laws "On Amendments to the Budget Code of Georgia", "Georgia The Law on Amendments to the Organic Law on Local Self-Government, the Law on Amendments to the Organic Law of Georgia on Economic Freedom ") was submitted to the Government of Georgia within the timeframes established by the legislation. The "Draft State Budget Law of Georgia for 2019" is published in an editable format on the website of the Ministry of Finance of Georgia¹.

Within the timeframe established by the legislation, the Parliament of Georgia approved the "Georgia 2019 State Budget Law", which is fully compliant with the fiscal law parameters. The Law of Georgia on the State Budget for 2019 is published on the website of the Ministry of Finance of Georgia². Draft budget law and budget law are published in an editable format.

1.2 Medium-term planning (MTEF)

Responsible entity: Budget Department, Macroeconomic Analysis and Fiscal Policy Planning Department, (Involved entities: Spending Institutions, Government of Georgia, and Parliament of Georgia)

Performance Indicator: The final version of the 2018-2021 Basic Data and Direction document is prepared;

The primary and revised versions of the country's 2019-2022 Basic Data and Directions document are prepared and submitted to the Government of Georgia and to the Parliament of Georgia according the legislation; The primary and revised versions of BDD are in compliance with the requirements of the legislation;

In the medium term period the forecast of the government total revenues and expenditures are prepared based on existing policy and for the new initiatives (new policy) and relevant information is presented in 2019-2022 Basic Data and Direction document at least for two line ministries. The information is provided on the discrepancies between planned medium-term parameters;

¹ <https://mof.ge/5187>

² <https://mof.ge/5187>



The medium term action plans of line ministries are improved; is in compliance with methodology for program budgeting adopted by the Ministry of Finance; Medium-term action plans include costing and they are adopted by the line ministries;

Reconciliation of medium term forecasts is prepared, which is attached to the draft state budget.

Implementation period: January-July

Progress: The information received from local self-governments and autonomous republics was added to the document of the Basic Data and Directions of the country for 2018-2021 and the final version of the document was prepared, which was submitted in the form of information to the Finance and Budget Committee of the Parliament of Georgia. The document of the main data and directions of the country for 2018-2021 (final version) is placed in Georgia on the website of the Ministry of Finance³.

The draft resolution of the Government of Georgia on the measures to be taken for the compilation of the document of the basic data and directions of the country was prepared and approved by the resolution N107 of March 1, 2018. Forms of appendices have been developed, according to which, in order to prepare the document of the basic data and directions of the country for 2019-2022, the information should be gradually submitted to the Ministry of Finance of Georgia.

The initial version of the Country basic Data and Directions (BDD) document for 2019-2022 was prepared and approved by the Government of Georgia within the timeframe set by the legislation⁴.

Work will begin in 2019 in the event of a change in existing policies and policies for the preparation of government revenue and tax forecasts for the medium term, and the relevant information will be reflected in the country 2020 basic data and directions document.

In order to ensure compliance of the action plans of the ministries with the budget documentation, an amendment was made to the Budget Code of Georgia, according to which the medium-term action plans approved by the ministries must comply with the basic data and directions document and the Law on State Budget. Also, according to the methodology of compiling the program budget, the ministries should reflect appropriate changes in the medium-term action plans within one month after the approval of the annual budget law, no later than the beginning of the budget year.

1.3 Improvement of program budgeting in the municipalities

Responsible entity: Budget Department (Involved entities: Municipalities, Donors)

Performance Indicator: Program budget methodology for Autonomous Republics and Municipalities is updated;

Updated methodology are piloted in the municipalities

Progress: On July 27, 2018, the Order N385 of the Minister of Finance of Georgia of July 8, 2011 "On Approval of the Program Budgeting Methodology 5⁵" was amended and the methodology of compiling the budget of the republican budget of the Autonomous Republic and the local self-government unit was renewed.

Implementation period: January-December

1.4 Ensuring transparency of the budget process

³<https://mof.ge/5097>

⁴ <https://mof.ge/5177>

⁵<https://matsne.gov.ge/ka/document/view/1400751?publication=4>



Responsible entity: Budget Department (Involved entities: Spending Institutions, Government of Georgia, Parliament of Georgia)

Performance Indicator:

The mechanisms of providing information to society at all stages of the budget process have been developed; relevant measures have been taken to eliminate the defects identified in the Open Budget Survey process;

According to Open Budget Survey, all basic budget documentation is available on the web-site of the Ministry of Finance of Georgia (www.mof.ge) within the timeframe established by legislation;

Citizens Guide of 2019 state budget law is published on the website.

An effective mechanism has been elaborated in the direction of public participation in the budget preparation process.

Implementation period: January-December

Progress: According to the Open Budget Survey, all key budget documents are available to all interested parties through the website of the Ministry of Finance of Georgia (www.mof.ge) within the timeframe set by law.

A citizen guide has been prepared on the draft state budget law 2019 and the budget law, as well as short guides on the implementation of the 2019-2022 Country Basic Data and Directions (BDD) document, 6 and 9 months' implementation of the 2018 state budget. These guidelines are available to the public through the Ministry of Finance website⁶.

A concept has been developed for the involvement of citizens in the budget preparation process, based on which an electronic module is being prepared on the website of the Ministry. Citizens will be able to participate in the 2020 budget planning process.

1.5 To further improve the principles of fiscal governance based on the international standards

Responsible entity Budget Department (Involved entities: Spending Institutions, Government of Georgia, Parliament of Georgia)

Performance Indicator: During 2018 implementation of the recommendations of the document "Strengthening Fiscal Discipline Framework", which is prepared within the framework of technical assistance of the International Monetary Fund (IMF).

Review existing fiscal discipline and prepare amendments to the law on "Economic Freedom" And preparation of relevant regulations.

Detailed explanations about the compliance of fiscal disciplines with the legislation is presented in the basic data and directions (BDD) document and budget documentations.

Implementation period: January-December

Progress: In accordance with the recommendations of the International Monetary Fund (IMF), amendments were prepared to the Organic Law of Georgia on Economic Freedom, which clarifies the conditions for the application of current fiscal rules, tightens the obligation to protect them and respond to violations. The obligation to reflect the annual budget forecasts of the fiscal rules in the draft law and to report on them in the annual budget execution report is added to the Budget Code.

⁶ https://mof.ge/mokalakis_gzamkvlevi



Country Basic Data and Directions (BDD) document and budget documentation include information on compliance with fiscal discipline.

1.6 Annual and Quarter Budget Execution Reports, Strengthen accountability toward regulatory agency

Responsible entity: Budget Department, (Involved entities: State budget spending institutions, State Audit Office, The parliament of Georgia)

Performance Indicator: Annual Reports of the 2017 state Budget and quarterly Reports of 2018 are submitted to the Parliament of Georgia within the timeframe established by the legislation and are in compliance with the existing requirements of the Georgian legislation;

Mid-year review of the budget execution is prepared together with a 6-month budget execution report and submitted to the Parliament of Georgia;

The Action Plan is prepared on the consideration of the State Audit Office report recommendations according to the legislation.

Implementation period: January-December

Progress: The report on the implementation of the annual state budget for 2017 has been prepared and published on the website of the Ministry of Finance of Georgia. Implementation Report "On the Possibility of Considering the Remarks and Recommendations Presented in the Annual Report on the Execution of the State Budget of Georgia for 2016 by the State Audit Office in the Budget Process" (approved by the Government of Georgia on September 13, 2017 № 1935) is attached to the report in accordance with the requirements of the Resolution №144 of the Government of Georgia of March 30, 2015 on "Some Measures to Strengthen Accountability and Accountability in the Public Financial Management Process". Along with the annual report on the implementation of the 2017 budget, the Parliament of Georgia has submitted "Information on the implementation of programs under the 2017 state budget⁷", which includes information on the planned and achieved interim and final results of each program, as well as evaluation indicators of planned and achieved results.

During 2018, the first⁸, second⁹ and third¹⁰ quarter budget execution reports were prepared and submitted to the Government of Georgia and the Parliament of Georgia within the timeframe set by the legislation, which includes information on macroeconomic and budgetary developments and revenues, comparisons of taxes (including taxes of general national importance), balance sheet changes, and actual volumes of the total balance sheet with the plan figures for the relevant period. The second quarter performance report is accompanied by information on the interim budget execution. Quarterly reports in editable format are available on the website of the Ministry of Finance of Georgia.

1.7 Developing a unified cycle of capital / investment projects management and analyzing international experience of assessing program efficiency

⁷https://mof.ge/images/File/biuj2017_12tve/Programuli-22.03.2018.pdf

⁸ <https://mof.ge/5169>

⁹ <https://mof.ge/5179>

¹⁰<https://mof.ge/5207>



Responsible entity: Budget Department, Macroeconomic Analysis and Fiscal Policy Planning Department, spending institutions, State Audit Office, The Government of Georgia, The parliament of Georgia)

Performance Indicator: Capital / Investment projects management guide and methodology has been reviewed, Implementation of capital / investment projects management piloted;

2019 State budget and further years budgets and the basic data and direction document includes only the investment / capital projects which is in line with the requirements of the investment project management guidelines and methodology;

Investment Projects Management Guide and Methodology is harmonized with Public-Private Partnership (PPP) legislation;

Retraining is provided to the staff of spending institutions and municipalities with support of donor organizations.

Analyze the state budget program effectiveness based on similar practices in other countries to increase efficiency of programs.

Implementation period: January-December

Progress: Capital / investment project management trainings will be held on February 26-28, 2019 at the Academy of the Ministry of Finance, with the support of the World Bank (WB) and the United States Agency for International Development (USAID), to train relevant staff in spending agencies and municipalities. Donor support will also harmonize investment project management guidelines and methodologies with public-private partnership (PPP) legislation.

1.8 Budget Process is supported with the Relevant Legislation

Responsible entity: Budget Department, Legal Department (Involved entity: State budget spending institutions, The Government of Georgia, The parliament of Georgia)

Performance Indicator: Activities planned within the framework of public finance management reform are supported by relevant legislation.

Implementation period: January-December

Progress: Progress: Taking into account the recommendations of the International Monetary Fund "Draft Law on Amendments to the Budget Code of Georgia" on Amendments to the Budget Code of Georgia "," On Amendments to the Organic Law of Georgia "Code of Local Self-Government" and "Organic Law of Georgia on Economic Freedom" on making changes. " In particular:

The amendments to the Budget Code of Georgia are related to the improvement of public financial management, including the regulation of the volume of reserve funds, and instead of 2.0% of the total budget allocations today, the volume of reserve funds of the President and the Government should not exceed 1.0%. And its increase is possible in the amount of not more than 20.0%.

According to the amendments to the Local Self-Government Code, the system of financing municipalities will be changed, in particular, there will be no equalization transfers for municipalities, as well as revenues from various types of income tax will be fully transferred to the state budget, instead, 19.0% of VAT revenues are used to finance municipalities.



Amendments to the Organic Law of Georgia on Economic Freedom have been prepared in accordance with the recommendations of the International Monetary Fund and provide for further refinement of existing fiscal rules.

II - Tax Policy and Customs Issues

1. Improvement of tax base

1.1 harmonization of Georgian tax legislation with European directives in accordance with Association agreement

Responsible entity: Tax and Customs Policy Department

Performance indicator: -To harmonize Georgian tax legislation with European directives in accordance with Association agreement completion of regulatory impact assessment (RIA) document in respect of anticipated amendments to the tax code;

- Preparation of amendments to the tax code in order to harmonize Georgian VAT legislation with directive N2006/112/EC;
- Preparation of secondary legislation for the legislative changes already implemented in 2017 for the purpose of harmonization of Georgian legislation with EU directives

Implementation period: January - December

Progress: During this period, a regulatory impact assessment document (so-called RIA) was prepared to harmonize tax legislation with EU directives under the EU Association Agreement.

The Georgian legislation has been fully harmonized with the following directives: Council Directive 2007/74 / EC of 20 December 2007 (Passengers Directive); Thirteenth Council Directive 86/560 / EEC (VAT refund) of 17 November 1986 and Council Directive 92/83 / EEC of 19 October 1992 (Structure of excise duty on alcohol).

In order to put into practice the Thirteenth Directive 86/560 / EEC of the Council of 17 November 1986, on 24 August 2018, amendments were made to the secondary legislation, in particular in Order N996 of the Minister of Finance of Georgia on Tax Administration.

The draft amendments to the Tax Code are currently being worked on in order to approximate the legislation of Georgia with the Council of Europe Directive 2006/112 / EC.

1.2 Further Improvement of tax legislation

Responsible entity: Tax and Customs Policy Department

Performance indicator: Analysis of presented tax legislation initiatives, problems identified during tax administration process, identification of ambiguous provisions and addressing such problems during drafting tax law amendments.

Implementation period: January - December

Progress: In order to improve the tax legislation, a number of changes were made in the Tax Code of Georgia:

Exemption from VAT for the provision of technical services for aircraft and ships operating international sea flights;



Imported vehicle was exempt from excise duty, which is factory adapted for people with disabilities who move in a wheelchair;

If the vehicle is registered for export within 90 days and leaves the territory of Georgia, the importer is entitled to a full refund of excise duty paid on the vehicle;

In case of purchase of some goods produced by non-entrepreneurial individuals (the list of types of goods will be determined by a sub-legal act), the income received by the natural person will be taxed at the source of payment at a minimum rate of 3 percent by the purchaser of the goods;

The purchase of products of a person with the status of a micro business by the enterprise is no longer considered as non-economic expense and will not be taxed with profit tax, if this person has a tax document written during the sale / purchase of the products produced by him;

Entrepreneurs have the opportunity to use a single tax document instead of 5 different tax documents.

1.3 Planned tax law amendments – formation of growth oriented tax system

Responsible entity: Tax and Customs Policy Department

Performance indicator: There are plans to introduce simplified taxation system for individual entrepreneurs. Also there are plans to introduce new corporate income tax regime for organizations, legal entities of public law. Also there are ongoing discussions whether to move micro finance organizations, insurance companies and banks to the new system. In addition, tax administration regulatory provisions are being revised.

Implementation period: January - December

Progress: The following changes have been made in the tax legislation on the mentioned issues:

- Small business taxable income from July 1, 2018 is taxed at a rate of 1% instead of 5%.
- The norm of limiting the joint income of small businesses has increased and instead of 100 000 GEL it will be 500 000 GEL.
- The tax will be declared and paid on a monthly basis, the current so-called Advance payments.
- Small businesses will have to use cash registers and consignment notes in cases prescribed by law. The obligation to produce a special journal for the registration of goods was maintained. Small businesses no longer have any other accounting obligations.
- The reason for revoking the status of a small business is no longer the fact of registration of an individual entrepreneur as a value added tax payer.



- Organizations are taxed from 2019 according to the principles of the new profit tax regime, which actually means their exemption from this tax, because they do not distribute profits, and as for financial institutions, they will move to the new profit tax regime from 2023.

1.4 Publishing of new version of tax legislation guide for investors “pocket tax book“

Responsible entity: Tax and Customs Policy Department

Performance indicator: Raising awareness of investors and taxpayers **Implementation**

period: January - December

Progress: A tax guide "pocket tax book" has been developed, which is planned to be published in 2019.

1.5. Enhancement of International Tax Policy

Responsible entity: Tax and Customs Policy Department

Performance indicator: Implementation of domestic procedures required for the conclusion of bilateral tax treaties with priority states and/or amendmend of existing treaties.

Implementnation and further enhancement of international standards on transparency and exchnage of information for tax purposes. Initiation of legislative changes under the Global Forum new second round of reviews.

Implementation and monitoring of 4 minimum standards under the Base Erosion and Profit Shifting (BEPS) project.

Implementation of “Multilateral Convention to implement tax treaty related measures to prevent base erosion and profit shifting” elaborated under the BEPS Action 15 mandate, introduction of minimum standards and best practices under the MLI and its monitoring.

Initiation of amendments to domestic law under the Action 13 Country – by- Country Reporting.

Reporting period: January – December

Progress: The Agreement on the Avoidance of Double Taxation on Income and Capital with Moldova and Saudi Arabia entered into force, and the text of the agreement with the Kyrgyz Republic was ratified by the Parliament of Georgia. Agreements have been initiated with the following states: Montenegro, Albania, South Africa, Thailand, Hong Kong, Panama.

A questionnaire received from the OECD Secretariat was completed as part of the Global Forum's new 2016 methodology for assessing Georgia's jurisdiction. Remarks were made on comments and comments received from the Global Forum Secretariat. A draft of changes to be made to Georgian legislation and practice within the second round of evaluation has been prepared.

As part of the FHTP Annual Monitoring of the 5th BEPS Event, we provided the OECD Secretariat with completed questionnaires on the international financial company and virtual zone regime operating in Georgia, which received a “potential harmful but actually not harmful” rating at the Harmful Tax Practices Forum. The order of the Minister of Finance was drafted on the implementation of mandatory measures envisaged by the BEPS project, which mainly include



the identification of tax decisions related to the preferential regime, the exchange of mandatory spontaneous information of decisions and the production of statistics.

Preparatory work was carried out for the preparation and practical implementation of materials related to the assessment of Georgia.

In the framework of the evaluation of the 6th BEPS measure, the agreements on the avoidance of double taxation concluded by Georgia and entered into force were analyzed. Based on this, an evaluation questionnaire was completed and submitted to the OECD Secretariat, which assesses Georgia. Comply with the double taxation agreements concluded with the minimum standard of BEPS Measure 6. As a result of the assessment, it was recognized that Georgia will take the necessary action to implement the standard.

As part of the evaluation of the 13th BEPS event, preparatory work was carried out, as well as a draft of amendments to the legislation for the first time. The draft law on this amendment was submitted to a group of experts for consideration.

As part of the evaluation of the 14th BEPS event, MAP statistics were reflected in the OECD online platform, and a relevant questionnaire was included.

On December 27, 2018, the Parliament of Georgia ratified the "Multilateral Tax Convention on the Implementation of Tax Agreement-Related Measures to Reduce the Inflation Base and Prevent Transfer" and the Document on Reservations and Notifications of Georgia in Relation to this Document.

1.6 Implementation of the new legislative act regulating customs sphere

Responsible entity: Tax and Customs Policy department

Performance indicator: Enhancement of existing legislative act and compliance with the provisions of the regulation 9/11/2013 of the European Parliament and the Council of 9 October 2013 and the custom regulation (EC) №1186/2009 setting up a Community system of reliefs from customs duty.

Implementation period: January-December

Progress: The draft Customs Code of Georgia was developed and submitted to the Parliament of Georgia, and work continued on the maximum approximation of the Georgian customs legislation with the relevant EU legislation.

2. Enhancement of compliance in terms of fulfillment of tax and state border crossing obligations through risk based approaches

2.1 Conduct survey on the assessment of Revenue Service's performance and taxpayers' satisfaction

Responsible entity: Revenue Service

Performance indicator: Survey on the assessment of Revenue Service's performance and taxpayers' satisfaction is conducted

Implementation period: January-December



Progress: The Satisfaction Survey of the Business Sector and Individuals has started, which should have been completed by the end of December 2018, however, due to the donor organization, the deadlines have been adjusted. No completion date has been set at this stage. The project is implemented in conjunction with G4G.

2.2 Development and implementation of VAT automatic refund program

Responsible entity: Revenue Service

Performance indicator: VAT refund is made through newly developed automatic refund program

Implementation period: January-December

Progress: Risk criteria were developed to ensure the return of excess VAT arising and accumulated through declaration and the number of taxpayers in excess of more than GEL 50,000 was reduced. Also, 314 facilities were inspected, which are being monitored and analyzed. At the same time, measures are being taken for the remaining facilities.

In order to reduce the accumulated excess of VAT, in 2018, the taxpayers were reimbursed more than 500 million GEL from the budget. The redundancy return process has improved significantly compared to previous years. The risk criteria for returning overpaid taxes to taxpayers have been revised and changed.

With the current automatic refund module compared to 2017 (8,712.3 GEL), 5 times more VAT is refunded in 2018 (46,587.6 GEL).

In addition, in 2018, an automatic VAT refund program was created, which automatically evaluates the declarations submitted by the taxpayer through the declaration control mechanism and determines the amount of legitimate, refundable VAT based on the risk criteria. Currently, the program is being implemented by IT. The program is scheduled to be launched in February 2019 in test mode.

3. Institutional Development and Sustainability of Revenue Service

3.1 Taxpayers segmentation in database by different criteria and development of the system providing continuous control over data accuracy

Responsible entity: Revenue Service

Performance indicator: Taxpayers segmentation in database by different criteria is made and system providing continuous control over data accuracy is developed

Implementation period: January-December

Progress: A concept has been developed to increase the credibility of the taxpayer register, the implementation of which will help to improve the existing information on taxpayers and the targeted implementation of actions by the Revenue Service. The concept was submitted to the Ministry of Finance, which has refused to implement it at this stage. Work on an alternative concept is ongoing.



3.2 Introduction of electronic case management system for Audit Department

Responsible entity: Revenue Service

Performance indicator: Work on introduction of electronic case management for Audit Department has started

Implementation period: January-December

Progress: In order to effectively manage and monitor tax audit processes, including the rational allocation of time and labor resources, there is a need to introduce integrated software in the Revenue Service system. On March 28, 2018, a tender was announced for the preparation of the technical task required for the creation of the system, in which the company UGT won.

By the order of the Head of the Revenue Service, a working group was set up, which included nine structural units of the Service. The group was led by the Department of Taxation and Customs Methodology. After two months of work, UGT prepared a technical assignment. Based on the prepared technical assignment, the tender for creating the software will be announced in January 2019.

With the introduction of the audit case management system, the entire tax audit process will be supervised electronically. The auditee will be able to programmatically reflect all stages of the audit (from planning to completion) and have electronic access to all documents (legislation, dispute resolution, audit report, etc.) required during the ongoing audit process.

The system will process the information of the unified electronic database of the Revenue Service as efficiently as possible, divide the enterprises according to the areas and systematize the topics raised in the process of tax control according to the fields and sectors, which allows to correctly determine the risks of enterprises.

3.3 Introduction and development of individual staff evaluation system

Responsible entity: Revenue Service

Performance indicator: Individual staff evaluation system is developed and introduced

Implementation period: January-December

Progress: The Human Resources Management and Development Department has developed a system for evaluating the work done. The department, in the process of creating the model, studied in detail the works of different specifics. The system of work performed by the employees of the Revenue Service is based on the individual evaluation of the employee, which is a method of assessment of competencies and consists of the following components:

- Assessment of professional skills (so-called Soft skills);
- Assessment of specific technical knowledge;
- In most cases, both of the above together.

The system considers the following universal competencies for evaluation:

- Quality, risk and operations management;



- Leadership and management;
- Teamwork;
- Proactivity / initiative;
- Problem solving / decision making skills and creativity;
- Oral and written communication;
- analytical thinking;
- Basic computer skills;
- Strategy and vision;
- Specific software skills;
- Legislation;
- foreign language.

4. Support EU integration process

4.1 EU Twinning project on ``Supporting the Accession of Georgia to the Conventions on Transit Area and Launching of the New Computerised Transit System (NCTS)``

Responsible entity: Revenue Service

Performance indicator: Implementation of the project has started

Implementation period: January-December

Progress: Pursuant to Common Transit Convention (CTC) Commitment under the Technical Part of the Association Agreement between Georgia and the European Union under the Deep and Comprehensive Free Trade Agreement (DCFTA) and in order to develop the New Computerized Transit System (NCTS) in March 2018, the EU Technical Assistance Twinning Project was launched.

Within the project, a component leader was identified for each component by the Revenue Service. On June 6, 2018, the first meeting of the Project Steering Committee was held in Tbilisi, where a 6-month action plan was discussed and approved. From June 11, 2018, the implementation of activities planned under the project began. Also, on September 20, the second meeting of the committee was held, where the results of the implemented activities were summarized and a work plan for the next six months was developed. Experts work in three areas:

- Analysis of the legal framework;
- Study of IT systems;
- Development of human and institutional resources of the Service and raising awareness.



The analysis of the existing legal framework was carried out within the project. A document on comparative analysis of legislation has been prepared. Also, the first stage of IT systems analysis was carried out and the relevant report was prepared. The experts discussed and presented recommendations for structural changes to be implemented in the service.

4.2 Participation in peer review work within the framework of Global forum, including participation in assessments as an assessor

Responsible entity: Revenue Service

Performance indicator: Assessments of Belgium and Gercy are prepared, assessment reports are submitted to and approved by the assessment group; Assessment report of Luxemburg is made by the Georgian Experts

Implementation period: January-December

Progress: Two employees of the International Relations Department of the Revenue Service assessed the jurisdiction of three countries, Belgium, Luxembourg and Germany, according to the Global Forum's tax exchange standards. The report of Belgium was approved in February of this year, and the report of Germany was approved in June of this year. A visit to the Luxembourg assessment site took place in May 2018, and the report is scheduled to be reviewed and approved in February 2019. In addition, in 2018, another staff member was certified as an Expert-Assessor for the purposes of the Global Forum Standard.

III – Macroeconomic Forecasting and Analysis

1. Improvement of Macroeconomic Forecasting and Analysis

1.1 Improvement of macroeconomic forecasting and analysis and increase in analytical information

Responsible entity: Macroeconomic Analysis and Fiscal Policy Planning Department

Performance indicator: Improved forecasts, introduction of macroeconomic analysis results (implementation of regular review system).

Implementation period: January – December

Progress: Increased analytical information area; Along with the monthly presentation and brochure, analytical information is prepared periodically, tailored to specific interest groups, including credit rating agencies, investors, etc.; Expanded current account and foreign debt analysis; Work began on external vulnerability analysis. After completing the macroeconomic forecasting training course in 2017-2018, work began on developing new models. In addition, fiscal multipliers were assessed earlier this year, which formed the basis for assessing the expected results of fiscal reform.

1.2 Study of new analytical indicators of economic activity based on information received from administrative sources

Responsible entity: Macroeconomic Analysis and Fiscal Policy Planning Department

Performance indicator: Expansion of analytical products of economic activity.



Implementation period: January – December

Progress: Employees are trained periodically (IMF direct and online trainings) to use analytical indicators. Various work files are compiled, where analytical indicators are obtained, processed and graphical analysis is performed. The analysis of the turnover of VAT-paying enterprises by sector continues. The methodology for assessing economic activity has been improved. The process of analyzing customs operational data to assess foreign trade trends has been introduced.

1.3 Periodic analysis and dissemination of economic conditions

Responsible entity: Macroeconomic Analysis and Fiscal Policy Planning Department

Performance Indicators: Periodic information about the economic situation published on the official web-site of the Ministry of Finance.

Implementation period: January – December

Progress: The process of sectoral analysis of the economic situation has been introduced, which is divided into real, fiscal, foreign and monetary sectors. Various statistical and administrative information, including operational data, is received, processed and analytical reports are prepared for the leadership of the Ministry.

1.4 Periodic analysis of fiscal policy

Responsible entity: Macroeconomic Analysis and Fiscal Policy Planning Department

Performance indicators: Monitoring of quarterly deficits, study of structural deficit, structural deficit methodology, monthly monitoring of budget deficit.

Implementation period: January – December

Progress: A fiscal risk analysis document for 2018-2021 was prepared, which was attached to the draft state budget of Georgia for 2019. This document is prepared based on modern international experience and includes macroeconomic risk analysis, analysis of state-owned enterprises, sensitivity analysis of state-owned enterprises, information on public-private partnership projects, analysis of guaranteed electricity procurement contracts and quasi-fiscal (non-commercial) activities of state-owned enterprises.

It is noteworthy that for 2018, the fiscal risk analysis document first reflected the sensitivity analysis of enterprises. The analysis identifies the negative impact and scale of economic shocks on the enterprises reflected in the analysis and the recommendations for avoiding these risks and reducing the negative effects.

1.5 Macroeconomic modeling

Responsible entity: Macroeconomic Analysis and Fiscal Policy Planning Department

Performance Indicator: Technical Specifications for Dynamic Stochastic General Equilibrium Model (DSGE), Quarterly Modification and Specification of Macroeconomic Model.

Implementation period: January – December



Progress: An action plan was developed with the International Monetary Fund and activities were written until the end of 2019; Necessary trainings were conducted, including macroeconomic forecasting, fiscal policy analysis, monetary and fiscal policy analysis using dynamic equilibrium dynamic-stochastic models (DSGE) and others. The model already reflects all the essential characteristics of the Georgian economy, which are necessary for an adequate assessment of the impact of policy. An activity plan for 2019 has been written, aimed at refining the model calibration and improving the forecasting.

1.6 Vulnerability Analysis

Responsible entity: macroeconomic Analysis and Fiscal Policy Planning Department

Performance Indicator: Study of International Experience.

Implementation period: January – December

Progress: Models for calculating government debt stabilization current account and calculating government debt stabilization budget deficit have been refined. An action plan has been developed to improve credit ratings, with a central role to play in reducing external vulnerabilities. The possibilities of reducing the current account in the medium term are analyzed.

1.7 Macroeconomic Risk Assessment

Responsible entity: macroeconomic Analysis and Fiscal Policy Planning Department

Performance Indicator: Update of Macroeconomic Risk Analysis

Implementation period: January – December

Progress: A fiscal risk document has been prepared, which analyzes in detail the external macroeconomic risks, the results of their implementation and policy responses, as well as the risks arising from state-owned enterprises and public-private partnership agreements. The document, along with optimistic and pessimistic scenarios, was added to the 2019 budget.

2. Improvement of revenue forecasting and analysis

2.1 Improvement of budget revenue forecasts

Responsible entity: macroeconomic Analysis and Fiscal Policy Planning Department

Implementation Indicator: Improved Forecast, Elaboration and Use of Alternative Methodology, Study of Elasticity Coefficients for Revenue, Study of Elasticity Coefficient of Excisable Goods.

Implementation period: January – December

Progress: The elasticity ratios of both total tax revenues and individual taxes (including VAT, excise, customs, income, profit and property taxes) to GDP for both the short and long term were assessed.



2.2 Acceptance, processing and analysis of the information on accrued taxes Responsible

entity: macroeconomic Analysis and Fiscal Policy Planning Department

Performance Indicator: Use of Data for Analytical and Forecast purposes. **Implementation**

period: January – December

Progress: Monthly calendar adjusted data on declared turnover of enterprises is systematically analyzed according to the VAT database.

3. Detection and evaluation of fiscal risks

3.1 Identification and evaluation of conditional liabilities of state-owned enterprises

Responsible Entity: Fiscal Risk Management Division

Performance Indicator: Improvement of methodology and data-receiving system from state-owned enterprises and; Creation of a registry of conditional liabilities of state-owned enterprises; Analysis of the results of the activities of state-owned enterprises and assessing fiscal risks.

Implementation period: January – December

Progress: In order to assess the fiscal risks of state-owned enterprises, a number of agencies and organizations were requested to provide information on the activities of enterprises, their financial indicators, contingent liabilities and forecast indicators of their activities.

Based on the obtained data, a fiscal risk analysis document was prepared, which includes information on enterprise contingent liabilities, performance analysis and fiscal risk assessment. The document was attached to the Draft Law of Georgia on the State Budget of Georgia for 2019 (III submission).

Compared to the previous reporting period, the quality of information in the submitted reports has significantly improved, as well as the sensitivity analysis of state-owned enterprises is reflected in the current document, unlike in previous years.

3.2 Identification, evaluation and analyze of quasi-fiscal activities

Responsible Entity: Fiscal Risk Management Division

Performance Indicator: Creation of Quasi-fiscal activities registry, fiscal risk assessment based on the registry.

Implementation period: January – December

Progress: From the information received from state-owned enterprises, quasi-fiscal activities were identified for four major enterprises, and the resulting fiscal risks and net costs were assessed.

3.3 Collection, regulation and evaluation of information on ongoing projects of public and private partnership

Responsible Entity: Fiscal Risk Management Division



Performance Indicator: Creation of public and private partnership projects registry; Using the PFRAM model developed by the International Monetary Fund and the World Bank to evaluate public and private partnership projects and to make system analysis;

Implementation period: January – December

Progress: In 2018, no projects were submitted that would be subject to PFRAM evaluation. However, by spring 2019, the International Monetary Fund's Technical Assistance Mission is expected to conduct additional training to use the model effectively.

3.4 Sensitivity analysis of state-owned enterprises and stress tests to assess possible fiscal risks

Responsible Entity: Fiscal Risk Management Division

Performance Indicator: Development of sensitivity analysis and stress testing methodology, Using this methodology based on the data of some big state-owned Enterprises

Implementation period: January – December

Progress: With the support of the International Monetary Fund's Technical Assistance Mission, a model for the sensitivity of state-owned enterprises was developed. Given the financial importance of state-owned enterprises, 7 enterprises were selected for the model (large enterprises that are particularly vulnerable to external factors). Based on the financial indicators of these enterprises for the past three years, forecasts for the next five years of financial statements have been prepared, which reflect the sensitivity (stress tests) of enterprises to various economic factors and scenarios.

The model mainly considered 6 macroeconomic perspective scenarios:

- Baseline scenario forecasts;
- Scenario of low GDP growth;
- Exchange rate shock scenario;
- Interest rate shock scenario;
- Combined shock scenario;
- Negative economic growth scenario.

IV – Accounting and Reporting

1. Implementation of Accrual-based IPSASs

1.1 Implementation of IPSAS standards for 2018 year, specified in IPSASs detailed action plan (IPSAS 18, IPSAS 20, IPSAS 25, IPSAS 26, IPSAS 32) in accounting and financial reporting Instruction of state budgetary organizations

Responsible entity: Treasury Service



Performance Indicator: State budgetary organizations are recording their transactions in accordance with Accounting and Financial Reporting Instruction, which comprise the requirements of IPSAS Standards implemented in 2018 year (IPSAS 18, IPSAS 20, IPSAS 25, IPSAS 26, and IPSAS 32)

Implementation period: January-December

Progress: Amendments to the accounting regulations have been made to reflect the requirements of the IPSAS standards (IPSAS 18, IPSAS 20, IPSAS 25, IPSAS 26, IPSAS 32) introduced in 2018.

1.2 Informing accountants of state budgetary organizations in amendments of accounting and reporting instruction during the 2017-2018 years, preparing and conducting training programs for them

Responsible entity: Treasury Service, LEPL – Academy of the Ministry of Finance

Performance Indicator: Accountants of state budgetary organizations are aware and using requirements of IPSAS standards implemented during the 2017-2018 years

Implementation period: January-December

Progress: The training program was prepared by the Treasury Service in accordance with the International Public Sector Accounting Standards introduced in 2017-2018 (and trained representatives of organizations funded by the state budget).

1.3 Analytics of the IPSASs for 2019 year, specified in IPSASs detailed action plan and prepare draft instruction on accounting and financial reporting for state budgetary organizations

Responsible entity: Treasury Service

Performance Indicator: Prepared draft amendments to the Accounting and Financial Reporting Instructions for the state budgetary organizations, which reflects requirements of IPSAS standards for 2019, specified in IPSASs detailed Action Plan.

Implementation period: June-December

Progress: To facilitate the implementation of the IPSAS Standards Action Plan (2017-2020), staff from the World Bank's Technical Assistance Reporting and Methodology Department were trained. In addition, an analysis of the standards set out in the detailed IPSAS Implementation Action Plan for 2019 was carried out. A draft of amendments to the Financial Reporting Instruction is being prepared and will be approved by order of the Minister of Finance by April 1, 2019.

1.4 Raise awareness in IPSASs for representatives of local self-government units

Responsible entity: Treasury Service

Performance Indicator: As a result of seminars, workshops etc. representatives of self-government units are familiar with IPSAS standards requirements

Implementation period: January-December



Progress: Within the framework of the IPSAS standards implementation strategy, seminars, workshops, trainings, etc. were organized for the representatives of the self-governing units.

1.5 Develop IPSAS practical manual in order to support IPSASs implementation process in local self-government units

Responsible entity: Treasury Service

Performance Indicator: To facilitate IPSASs implementation process in local self-government units, a supportive practical manual is developed by international expert

Implementation period: January-June

Progress: To facilitate the implementation of IPSAS standards in self-governing units, an international expert guide has been developed, which includes key activities and recommendations for the practical implementation of IPSAS standards.

1.6 Select pilot local self-government units and prepare methodologies based on IPSASs for them

Responsible entity: Treasury Service

Performance Indicator: Developed IPSASs based methodology for the pilot municipalities, taking into consideration the specifics of the local budgets

Implementation period: January-December

Progress: 11 pilot municipalities were selected. A methodology relevant to IPSAS standards has been developed for the pilot municipalities, taking into account the specifics of local budgets, according to which the 2018 financial statements will be prepared by the pilot units.

2. Development Public Financial Management Information System (PFMS)

2.1 Evaluation/Analytics of module of management of actual receipts on Treasury Single Account of budgetary organizations

Responsible entity: Treasury Service; Financial-Analytical Service

Performance Indicator: Prepared business processes analytical document related to the management of actual receipts of budgetary organizations

Implementation period: January-December

Progress: Not started

2.2 Analytics of integration of accounting entries of receipts into the Treasury General Ledger

Responsible entity: Treasury Service; Financial-Analytical Service



Performance Indicator: Prepared business processes analytical document on receipts accounting entries integration into the Treasury General Ledger

Implementation period: January-December

Progress: Not started.

3. Cash Management Reform

3.1 Projecting cash flow on Treasury Accounts and Developing instruments for more effective cash management

Responsible entity: Treasury Service

Performance Indicator: As a result of developing financial instruments, Cash Management Module in PFMS information system is functionally improved

Implementation period: January-December

Progress: In terms of increasing the efficiency of state treasury cash management, in 2018 the state treasury held a total of 68 auctions in the Bloomberg system. At the same time, the electronic module for booking securities required for the placement of cash, which is one of the most important components of the liquidity management process, has been functionally improved.

3.2 Training of Cash Flow Forecasting and Management Department staff on financial markets issues

Responsible entity: State Treasury Service

Performance Indicator: Cash Flow Forecasting and Management Department staff has been trained on financial markets issues

Implementation period: January-December

Progress: In November 2018, a working visit to the Ministry of Finance of the Netherlands was organized with the participation of representatives of the Treasury. The visit was dedicated to issues related to financial markets, in particular, such as: sharing experiences in cash forecasting, settlement, transactions, bookkeeping, information technology, control and risk management.

V – Reform of public internal financial control

1.1 planning, assessment and improvement of awareness of public internal control system's development

Responsible entity: Central Harmonization Unit

Performance indicator: 1. Measures taken according to the development strategy and action plan of public internal control system approved by Georgian government; 2. conference has been conducted; 3. annual report of 2017 about development of public internal control reform is submitted at the session of Georgian government.



Implementation period: January – December

Progress: 1. All the measures envisaged by the State Internal Financial Control System Development Strategy and Action Plan for 2018 have been successfully implemented; The implementation of the 2017-2018 Action Plan of the State Internal Financial Control System Strategy was monitored, as a result, a relevant report was developed.

2. On October 19, 2018, the Annual Conference on State Internal Financial Control was held; A regional conference was held for Georgian and Armenian public sector internal audit managers on "Issues and Requirements for High-Quality Auditing".

3. The 2017 Consolidated Annual Report on the Development of State Internal Financial Control Reform has been submitted to the Government of Georgia.

1.2 Implementation and facilitate of effective functioning in public sector of financial management and control system

Responsible entity: Central Harmonization Unite

Performance indicator: 1. Handbook about financial management and control has been developed; 2. Manual developed about managing control of the second stage, in accordance with the instructions on the rules and procedures for the establishment of financial management and control; 3. Within the framework of the financial management and control system, at least in two ministries managerial level of three different directions are retrained.

Implementation period: January – December

Progress: 1. In 2018, the Harmonization Center developed a guide and guidebook for the implementation of financial management and control.

2. In accordance with the instructions on the rules and procedures for the establishment of financial management and control, a guide for the second stage, namely the establishment of managerial control, has been developed, which is annexed and integrated with the resolution of the Government of Georgia.

Organized by the Harmonization Center and supported by the German Society for International Cooperation (GIZ), the Academy of the Ministry of Finance of Georgia hosted a training for managers of 4 Ministries (Ministry of Environment and Agriculture, Ministry of Education, Science, Culture and Sports; Ministry of Finance; Ministry of Internal Affairs) on "Effective risk management in public institutions", which is a prerequisite for establishing a risk management system in institutions.

Also, organized by the Harmonization Center and supported by the Academy of the Ministry of Finance of the Netherlands, presentations on financial management and control of the system were held in 4 ministries (Ministry of Interior, Ministry of Refugees and Accommodation of the Occupied Territories, Ministry of Education and Science, Ministry of Agriculture). The roles and responsibilities of the supporting structural units in the implementation of this system were defined.



1.3 development and facilitate of effective functioning in public sector of financial management and control system

Responsible entity: Central Harmonization Unit

Performance indicator: 1. Development of internal audit units in local self-governing unites (including in autonomous republic of Adjara), by taking their activates in compliance with best international practice; 2. The qualification of internal auditors is enhanced by the trainings carried out together with the academy of ministry of finance; 3. Improvement of practical experience of internal auditors through at least one financial or pilot compliance audit and one pilot audit of informational system.

Implementation period: January – December

Progress: 1. In the framework of the project "Improved Internal Control System for Effective Self-Government", with the support of the Harmonization Center, USAID project "Democratic Governance Initiative (GGI) in Georgia" and the German Society for International Cooperation (GIZ), training was conducted in 8 municipalities (Zugdidi, Batumi, Telavi, Kutaisi, Akhaltsikhe, Gori, Mtskheta, Rustavi), which was attended by all internal auditors of each region. In addition, 3 system audit pilot projects were implemented in Zugdidi, Kobuleti and Telavi municipalities with the involvement of local experts.

2. A seminar was held at the Academy of the Ministry of Finance of Georgia for the internal audit managers of Georgia and Armenia on the topic: "Issues and requirements for the implementation of high quality auditing activities." Also, a working meeting was held at the Academy of the Ministry of Finance with the internal auditors regarding the introduction of a quality assurance and improvement program.

3. A pilot audit of information technology (IT) was carried out at the Ministry of Defense of Georgia, with the involvement of an international expert. The pilot project was preceded by an Information Technology (IT) audit training at the Academy of the Ministry of Finance of Georgia, organized by the Harmonization Center with the support of the German International Cooperation GIZ and the project "Public Financial Management in the South Caucasus".

Also, 2 pilot audits were carried out with the involvement of an international expert at the Ministry of Internal Affairs of Georgia and the Ministry of Culture and Sports.

VI - Information Technology

1.1 eBudget - Upgrading the system and developing new features

Responsible entity: LEPL Financial-Analytical Service

Performance Indicator: Rewriting Configuration Module on a new technology; extending Remains planning capabilities (through tracking period beginning and period ending Remains); extending functionality of Structure Modification Notices in order to enable interaction among structures of different budget entities; refactoring integration module of eBudget and eDMS systems; creating functionality, which will enable automatic synchronization of Conversions from eTreasury into eBudget system and creating integration module with eTreasury system, which will serve planning, adjusting and monitoring of execution processes related to Revenues.

Implementation period: January-December

Progress: Reporting functionality has been expanded and several new static reports have been added. Completion of copying the consolidation module to the new technology. Completion of copying the configuration module to the new



technology - testing is underway at this stage. Migration work related to the opening of the 2018 working period has been completed in the budget execution system (eGLE) of LEPLs and A (A) IPs. The first phase of the Report Enlargement Task has been completed in the Budget Execution Report System (eGLE) of LEPLs and NPOs. The task of integrating with the eDMS system has been completed. Completed the task of changing services with the treasury system (the change was caused by a commitment reform). The task of expanding the change notice scheme has been completed.

1.2 eTreasury - Upgrading the system and developing new features

Responsible entity: LEPL Financial-Analytical Service

Performance Indicator: Implementation of the agreements and obligations integration project in the eTreasury system; Implementation of next stage of transition to accrual method from the accounting cash method - analyzing the part of revenues and elaboration of technical document; Reflecting accounting transactions in the General Ledger; Modernization of existing system functionality and relevant modules within the ongoing reforms, or adding new ones.

Implementation period: January - December

Progress: New modules have been added to the system:

- unpaid detentions;
- View treasury codes written on district codes;
- Message sending functionality;
- Direct enrollment tab;
- Billing transfer module, which involved the LEPL Services Development Agency;
- Functional accumulative pension scheme;
- Functional distribution of taxes according to local budgets;
- Money management module;
- SMS authorization tool has been added to the portal go.mof.ge.

Changed:

- Menu management;
- Conversion type payment request and refund processing process;
- Logic of loading and processing of primary documents;
- Green corridor functionality;
- Processing of SWIFT transactions;



- System operations module;
- Logic of loading and processing of primary documents;

Electronic Treasury Services under Contract and Liability Reform. Completed changes to the electronic system and added new functionalities in line with the requirements of the Commitment and Contract Reform Reform. Testing of notifications, enforcement sheets and electronic collection service from LEPL National Bureau of Enforcement is underway. Functional preparation for collection of receipts from the National Bank and connection with collection orders received from the National Bureau of LEPL Enforcement and automation of the collection processing process were prepared. Work on a new design of the portal is ongoing.

1.3 eDMS - Upgrading the system and developing new features

Responsible entity: LEPL Financial-Analytical Service

Performance Indicator: Unification of all finance-related systems relevant to debt management; Simplification of information collection and management; Improvement of ease of access to organized data.

Implementation period: January - December

Progress: The DMNAT database has been completely migrated. New services related to the eTreasury system (development of primary documents, automatic creation of invoices, sending, etc.) have been developed. Refactoring of projects, investment lines and component structure was carried out. Automatic exchange services with eBudget system completed. The task of changing the services with the eTreasury system, which was caused by the reform of the commitment and contract, has been completed. The issue of shifting to the auction day system is over. The logics of certain reports have been corrected.

1.4 eHRMS - Upgrading the system and developing new features

Responsible entity: LEPL Financial Analytical Service

Performance Indicator: System implementation in the organizations; Implementation of the relevant changes based on the new legislative amendments and the updated standard; Development of Self-Service Module; Integration with other systems; Permanent development according to the requirements.

Implementation period: January- December

Progress: An employee portal (Self-Service) has been added to the system, through which the employees of the organization have defined access to their personal information.

New functionalities and modules have been added to the system, including:



- Reserve management functionality of professional public servants;
- Functional classes of professional public servants;
- Organizational abolition functionality;
- Total employee evaluation reflection module;

SMS authentication method has been introduced in eHRMS system. The documentation in the database was archived, the functions of appointments, vacations, job descriptions, news management and reporting were updated.

1.5. Providing stability of ICT infrastructure of the Ministry of Finance

Responsible entity: LEPL Financial-Analytical Service

Performance Indicator: Increasing stability of the infrastructure and systems of the Public Finance Management System. Installation of new server and storage systems, aligning business processes with ITIL standards, Introducing ISO 27000 standards and increasing information security level.

Implementation period: January- December

Progress: To increase the security of the applications, a software balancer was installed and switched to Reverse Proxy mode. Increased PFMS system data storage space and optimized database performance. The Always On model of databases was introduced, which improved the speed of generating reports. The backup system has been expanded with the addition of a new module for the Duplicate system. Both server and data storage systems and software have been upgraded and significantly enhanced. Compatibility of the bank transfer system with the new version of the database has been achieved.

VII - Supervision of Accounting, Reporting and Auditing

1.1 Effective functioning of the Reporting Portal

Responsible entity: The Service for Accounting, Reporting and Auditing Supervision.

Performance indicator: 20 presentations held for entities aiming to raise awareness regarding International Financial Reporting Standards and legislative changes.

Updated IFRSs translated and published on the SARAS web-page;

Training modules on IFRS for SMEs, translated and published on SARAS web-page; Financial Reporting Standard, developed for the fourth category (micro) enterprises;

Financial statements of 500 entities, published on SARAS portal (Reportal.ge) by using the web-page tab for the presentation of the financial statements (**eservices.rs.ge | SARAS**);

Implementation period: January-December



Progress: 22 presentations were made on international financial reporting standards and legislative changes. An updated price standard has been translated and posted on the service website. The development of these training modules by the Price Foundation has not been completed at this stage. The modules already released by the Price Foundation are being translated. The Financial Reporting Standard for the Fourth Category (Micro) Enterprises, as well as the Self-Learning Guide for the Fourth Category (Micro) Enterprise Financial Reporting Standard, have been developed and posted on the Service's website. 629 entities submitted reports to the Service through the report submission tab (eservices.rs.ge | SARAS), of which 580 reports were published on the Service portal (Reportal.ge).

1.2 Optimization of tax risk management process

Responsible entity: The Service for Accounting, Reporting and Auditing Supervision and LEPL Risk Management Division of Revenue Service

Performance indicator: Additional space located on the web-page of e-services (eservices.rs.ge), where financial results of up to 500 entities will be published in an electronic processing format:

More data about up to 500 entities to manage tax risks and optimize the process;

Optimizing of labor and financial resources, consumed in the process of reviewing the entities bearing tax risk;

Implementation period: January-December

Progress: 629 Enterprises submitted 4 major financial reporting forms in a programmable format. Data on 629 enterprises are available. As for the labor expended in the process of auditing tax risk persons and the optimization of financial resources, this issue falls within the competence of the Risk Division of the LEPL Revenue Service.

1.3 Facilitating the authorization process of economic operator

Responsible entity: The Service for Accounting, Reporting and Auditing Supervision and LEPL Customs Department of Revenue Service

Performance indicator: Monitoring of the System of Quality Control carried out for up to 30 audit firms;

Published general report of SARAS concerning the audit quality;

Financial statements submitted by up to 500 entities and published by SARAS, which is used to assess financial sustainability and system effectiveness of entity;

Granting a status of authorized economic operator to the relevant entities as a result of processing data of up to 500 entities.

Implementation period: January-December

Progress: The quality control system was monitored against 7 audit firms; 8 monitoring procedures are underway. Work is underway on a common account of the quality of the audit. 580 reports have been made public by the Service, a joint work is underway with the Customs Department of the LEPL Revenue Service. As for granting the status of an authorized economic operator to enterprises, this issue falls within the competence of the Customs Department of the LEPL Revenue Service.



VIII – Resource Management

1. LEPL “Service Agency of the Ministry of Finance of Georgia” – modernization of the website of electronic auction eAuction.ge and the electronic system ERP

1.1 Service quality improvement

Responsible entity: LEPL “Service Agency of the Ministry of Finance of Georgia”

Performance indicator: Increase of number of customers, expanding the area of the services, increase of revenue of the Service Agency, service quality improvement

Implementation period: January-December

Progress: During 2018, actions were taken in different directions to improve the quality of service. As of December 31, 2018, up to 94,000 natural / legal residents / non-residents are registered on the website eAuction.ge. During the I-IV quarter of 2018, 9636 partner individuals / legal entities joined the website, out of which 8418 individuals and 1218 legal entities. During the I-IV quarter of 2018, up to 32,000 lots were announced by partner individuals / legal entities. Measures to manage the property of individuals and legal entities were promoted on a permanent basis (announcing online and public auctions, monitoring bids, providing information to customers through a hotline and online consultations). The amount received from the services of the website exceeded the planned and amounted to more than 1 127 000 GEL. During 2018, more than 8330 online consultations, and more than 26 000 consultations were issued through the hotline. Also, the services of the agency (auction, e-shop) were popularized on social networks. Email marketing was carried out permanently, which provided the customer with information about the properties for sale on the website.

In order to improve the quality of customer service, a new service has been added to the eAuction.ge website, which has simplified the procedures for purchasing / registering property on the eAuction.ge website. A person who purchases property declared by the National Bureau of Enforcement at an electronic auction will be notified of the order and the possibility of receiving and downloading the ordinance and other attached documents electronically upon winning. It is important that the mobile application of the website works successfully, which allows all interested persons to register and trade on the desired lot through their own smartphone. To date, the number of downloads has exceeded 7000 units.

The Agency shared the practice and experience of the electronic auction with the representatives of the Republic of Azerbaijan, held a virtual auction, provided the interested parties with detailed information on the procedures for the management of state property.

Users were constantly informed about the changes and updates on the website.

Work resumed on the dissemination of service agency services in community centers. A memorandum has been prepared and it is planned to sign it on cooperation with the Service Development Agency. Manuals have been prepared for users, which will be placed in community centers and will ensure the simplification of the process (registration, buying and selling, password recovery). Also, an information flyer has been prepared and it is planned to distribute it in Georgian, Armenian and Azerbaijani languages. Also, a training course on agency services and electronic auctions is planned for the staff of the center.

1.2 Refine/modernization of the system of eAuction



Responsible entity: LEPL "Service Agency of the Ministry of Finance of Georgia"

Performance indicator: implementation of new services, updating website design and optimization of functionality, integration of services with partner organizations, extension of electronic payment system

Implementation period: January-December

Progress: New important functionality has been added to the website, which involves receiving orders for auctions at the National Bureau of Enforcement in electronic form. The person who buys the property announced by the LEPL - National Bureau of Enforcement at the electronic auction, in case of agreeing to the condition for electronic receipt of the document, will receive information about the upload of documentation on the winning lot in the form of a short text message. In addition, the documentation downloaded on the eAuction.ge personal page will be considered delivered as soon as it is downloaded.

Also, a new participation feature has been created on the website, which aims to enable interested users (two or more) to trade together on a specific lot and in case of victory, to be registered in the system as full winners. This feature will be available to users electronically by mutual consent, with the appropriate consent code.

Another new feature has been added to the website, namely, it has become possible to send a request for re-declaration of property from the interested parties to the National Agency for Minerals and the National Agency for Property at completed auctions.

Based on customer requirements and needs, various types of reports / functionality have been added and refined:

The trading process has been simplified for the users, in particular, the button for placing a price during the auction has been added to the "Loading" function, in order to avoid making wrong steps, as well as a cadastral code graph on the lot page, ; In order to avoid certain technical shortcomings, the process of registration of individuals and legal entities on the website has been improved, in particular, the possibility of entering similar data in the username and password columns has been limited; Optimized / redesigned the registered lot cloning page, subscribing news from the website and selected lot pages, in particular, the number of lots to be added to the selected lot list was limited, as well as the number of characters in the short description tab during lot registration, and added and refined functions; The English language version of the website has been refined. After registering on the website, a message was added about the successful registration. The following information was placed in the list of completed lots: lot status, date and starting price.

A number of changes have been made to simplify the process of providing information to users, the advanced search functionality has been improved; A new functionality has been created, which means sending a request online and specifying the desired dates in case the user wants to use the website multiple times. It has become possible for users to change the lump sum dates of lots as well as clone them in the job list and auction results. A new page of auction results has been created, where a list of parameters on the lot has been placed, reporting is done by selecting the desired parameter (it is possible to save the desired parameters and change it as desired).



Improved various reports in the administrator panel on the website, such as auction results, payments, lot change history, activation of services to partner organizations, as well as the administrator was allowed to send the activation link again, problem payments, draft change history, list of organizations was displayed on the administration page. Manage selected amounts, administer current lots, simultaneously reject confirmed lots by users and be able to specify a reason for rejection - comment, ability to search by account numbers specified by users on the website, reporting of documents uploaded on the service resource of the service created for the employees of the Revenue Service by upload dates, as well as detailed report of VIP lots posted on the website, which made it possible to search for specific services and applications. The destination window editing function has been added to the admin side, the filters for listing categories and subcategories on the website have been improved.

The work on the first stage of the ERP integration of the warehouse management system and the website eAuction.ge has been successfully completed, which involves the automatic, repeated (three-stage) announcement of failed auctions on the website eAuction.ge. The system has been fully tested and a new service is planned to be introduced in real time in the near future.

A new version of the mobile application is being worked on, in particular, a new feature is being tested, which includes the procedure for placing the property for sale on the eAuction.ge website through the mobile application. It is also planned to install a buy-sell function in the online store in a mobile application like the website. Also, new modules will be added to the application, such as: user workspace, personal profile, administration of bank details.

The website has improved the service of individuals and added the function of sending short text messages, in particular, the website sends a message to the seller about the implementation of the step on the lot, as well as the sale of property after the auction and the auction ended in vain.

The procedure for placing the property on the website has been further simplified, making it possible for the user to add new personal bank account numbers to the already created lot, indicate and choose the desired bank account number for a specific lot.

Several versions of the eAuction.ge e-mobile website have been successfully launched and launched, with downloads exceeding 7,000 units in 2018. The following modules have been added to the application: Add / delete desired lots in selected lots; User profile-edit-change password; Enlarge / enlarge the photo on the lot page. The new modules have further simplified the registration and trading procedures for users on the eAuction.ge website.

The payment scheme of the Bank of Georgia "GeorgianCard" has been updated, as well as the login functionality has been added. Functional optimization and general bug fixes.

1.3 Development of the electronic system ERP

Responsible entity: LEPL "Service Agency of the Ministry of Finance of Georgia"



Performance indicator: Development of the system, creation of new modules, improvement reporting system

Implementation period: January-December

Progress: A new functionality has been created in the ERP system, through which auctions are automatically announced on the auction site, with predefined parameters, without any user intervention, according to the auction results, all the necessary documents are automatically created in the ERP.

A new reporting system has been developed by users to monitor the auction process.