

Annual Report on 2023 Public Finance Management Reform Action Plan

I - Budgeting

1. Improvement of Budget Management

1.1 Development of law of Annual budget

Responsible body: Budget Department, Macroeconomic Analysis and Forecasting Department, Public Debt Management Department (the parties involved: spending agencies, the State Audit Office, the Government of Georgia, the Parliament of Georgia)

Performance indicator: 2024 state budget draft law is prepared and submitted to the Parliament of Georgia within the period prescribed by law;

Draft state budget law is in line with the law of the fiscal parameters.

Period: January – December

Progress: A draft amendment to the Georgian law "On the 2023 State Budget of Georgia" was prepared (the first submission), in which macroeconomic forecasts were adjusted against the background of the existing challenge, both incomes and payments increased. During the year due to higher than planned economic growth the existing macroeconomic and fiscal forecasts were revised. Deficit and debt indicators were kept within the limits established by the Organic Law of Georgia on "Economic Freedom": the budget deficit in relation to GDP amounted to 3%, and the government debt indicator - 38.5%. State budget revenues increased by 256.7 million GEL and amounted to 22.2 billion GEL, while payments increased by 431 million GEL and amounted to 22.3 billion GEL. In addition, the resources were allocated to the existing needs in different directions (social and healthcare direction, education, economy, infrastructure improvement and others).

The draft amendment to the Law of Georgia "On the 2023 State Budget of Georgia" was submitted to the Parliament of Georgia for consideration. The mentioned documents are posted in an editable format on the website of the Ministry of Finance of Georgia - <https://mof.ge/5603> .

The "2024 State Budget Law Draft of Georgia" was prepared and approved within the deadlines set by the legislation, the reworked document of the main data and directions of the country for 2024-2027 and the attached materials of the updated budget law draft were attached to the draft. The draft budget law (all three submissions) and the budget law together with the attached materials are published on the website of the Ministry of Finance of Georgia¹, as well as the 2024 state budget law is posted on the website of the Legislative Gazette².

¹ <https://mof.ge/5677>

² <https://www.matsne.gov.ge/document/view/6020661?publication=0>

1.2 Increasing efficiency of mid-term spending (MTEF)

Responsible bodies: Budget department, Department of macroeconomic analysis and fiscal policy planning (the parties involves: spending agencies, government of Georgia, the Georgian Parliament)

Performance indicator: Final draft of the country's basic data and directions document for the years of 2023-2026 has been developed and presented to the financial-budgetary committee of the Georgian Parliament.

Primary and reworked versions of the country's basic data and directions document for years of 2024-2027 have been developed and presented to the Government of Georgia and the Georgian Parliament, within the term prescribed by the law and is in compliance with the requirements of the legislation.

Forecasts for mid-term incomes and payables of the government has been developed for current policy and in case of change to policy and aforementioned information is reflected in the country's basic data and directions document for years of 2024-2027.

Information on reasons for deviation from the previous period mid-term parameters has been developed and is attached to the 2024 budget project, that will be presented to the Georgian Parliament.

Period: January - July

Progress: Information received from municipalities and autonomous republics was added to the document of the main data and directions of the country for 2023-2026, and the final version of the document was prepared, which was submitted as information to the Finance and Budget Committee of the Parliament of Georgia. The document of the main data and directions of the country for the years 2023-2026 (final version) is published on the website of the Ministry of Finance of Georgia³.

The draft of the resolution of the Government of Georgia "On the measures to be implemented in order to compile the document of basic data and directions of the country for 2024-2027" was prepared and approved by the resolution N90 of February 28, 2023. According to the resolution, the forms of the annexes have been developed, according to which, in order to prepare the document of the main data and directions of the country for 2024-2027, the information must be presented to the Ministry of Finance of Georgia in stages. This resolution is available both in the Legislative Gazette⁴ of Georgia and through the website of the Ministry of Finance of Georgia⁵.

Information on the main directions of the ministries of Georgia for the years 2024-2027 was prepared within the deadlines established by the legislation, accompanied by basic, optimistic and pessimistic scenarios of the main economic and financial indicators, as well as information on the main macroeconomic and fiscal forecasts. The mentioned documents are published in an editable format (includes both word and excel files) on the website of the Ministry of Finance of Georgia⁶.

³ <https://mof.ge/5539>

⁴ <https://www.matsne.gov.ge/ka/document/view/5739594>

⁵ <https://mof.ge/images/File/kanonebi-brdzanebebi/02-03-2023/BDD%20%20N90.pdf>

⁶ <https://mof.ge/5653>

An initial version of the 2024-2027 Country Basic Data and Directions (BDD) document was prepared, accompanied by medium-term macroeconomic projections. The mentioned document was approved by the Government of Georgia within the deadline set by the legislation and is available on the website of the Ministry of Finance of Georgia⁷.

1.3 Improvement of the Program Budgeting on National and Local Municipalities level

Responsible Body: Budget Department, (the parties involved: Spending agencies, local authorities, donors)

Performance indicator: Conducted training and work meetings for Ministry and Municipality representatives, with help of donors.

The methodology of program budgeting has been updated at the state and local levels.

The program budget annex outlines the links of programs and sub-programmes to the "Policy Classifier" (SDGs, Gender Aspects, Climate Change, etc.).

Period: January - May

Progress: With the support of the European Union, in the framework of the technical assistance of the World Bank, work started in 2022 with three pilot ministries (the Ministries of Education and Science of Georgia and the Ministries of IDPs from the Occupied Territories of Georgia, Labor, Health and Social Protection, Economy and Sustainable Development of Georgia, Environmental Protection and Agriculture of Georgia) in the direction of improving the budget.

1.4 Evaluating the effectiveness of programs (Spending Review)

Responsible Body: Budget Department, ((Parties involved: selected pilot ministries, Academy of the of Ministry of Finance of Netherlands).

Performance indicator: In order to improve budget planning, study similar practices in other countries with the support of international partners (Academy of the Ministry of Finance of the Netherlands), assess the feasibility of their implementation in Georgia, and prepare proposals in order to increase the effectiveness of the programs/sub-programs provided for in the budget. Initiation of the necessary measures for the analysis of costs of the selected pilot program (Spending Review).

Period: January - December

Progress: Within the framework of cooperation with the Academy of the Ministry of Finance and Economy of the Kingdom of the Netherlands, work on the Spending Review project began. With the help of OECD experts,

⁷ <https://mof.ge/5653>

the first visit of the mission to Georgia was carried out on May 1-3 of this year with the participation of the Ministry of Finance of the Netherlands. The main directions and future plans of the project were discussed. Meetings were held both with the Departments of Policy Directions of the Ministry of Finance of Georgia, as well as with representatives of the sectoral ministries (Ministry of Economy and Sustainable Development of Georgia - LEPL - Produce in Georgia and Ministry of Environmental Protection and Agriculture of Georgia - Rural Development Agency of Georgia). The invited experts introduced the participants of the meeting to the directions for increasing the effectiveness of programs/sub-programs and similar practices in other countries. Further steps of project implementation were also planned.

1.5 Ensure the accordance of budgetary documentation with the financial management principles

Responsible Body: Budget department (Parties involved: Macroeconomic Analysis and Fiscal Policy Planning Department, Public Debt Management Department)

Performance indicator: Reflect detailed explanations of compliance with fiscal discipline in both planning and performance information in the country's Basic Data and Directions (BDD) document and budget documentation.

Period: January - December

Progress: The package of the primary version of the 2024-2027 basic data and directions document⁸ and the 2024 state budget project⁹ includes an appendix - "Comparison of medium-term forecasts and compliance with the fiscal rules defined by the Organic Law of Georgia on "Economic Freedom", where deviations of medium-term forecasts and relevant explanations are presented, Also compliance with fiscal rules.

1.6 Capital/Investment project management unified cycle development

Responsible Body: Budget Department, Fiscal Risk Management Department (involved parties: Macroeconomic Analysis and Forecasting Department, Fiscal Risk Management Department, Public Debt Management Department, Spending Agencies, The Government of Georgia, the Parliament of Georgia, donors)

Performance indicator: Evaluation of new investment projects submitted by spending institutions in accordance with the methodology of investment/capital projects management by the working group created in the Ministry of Finance of Georgia for the purpose of evaluation of investment projects.

New investment/capital projects, which are reflected in the state budget and medium-term framework, are evaluated in accordance with the investment/capital project management methodology, including the impact of projects on climate change issues and gender aspects.

⁸ <https://mof.ge/5653>

⁹ <https://mof.ge/5677>

Trainings have been conducted for relevant employees of spending institutions and municipalities with the support of international partners (WB, EU).

The final concept and test version of the electronic system of investment project management (ePIM) has been prepared in cooperation with the Financial and Analytical Service of the State Financial Services Agency, in order to integrate it into the electronic budget management system (e-budget).

Period: April - June

Progress: Within the technical support of the World Bank, the investment/capital project management methodology was prepared and approved by the Resolution N65 of the Government of Georgia on February 16, 2023, which is available both on the website of the Ministry of Finance of Georgia¹⁰ and the website of the Legislative Gazette of the State of Georgia¹¹.

The mentioned methodology was developed taking into account the existing practices and needs, including the discussion and reconciliation of the main principles of the changes with the technical assistance mission of the International Monetary Fund (IMF). Project management procedures were clarified. The working group created for the purpose of assessment of investment/capital projects in the Ministry of Finance of Georgia carried out the assessment of new capital projects and in order to make a final decision, to submit them to the Economic Council in accordance with the procedures established by the updated methodology of investment/capital projects management.

In order to improve the implementation of the Investment Project Management (PIM) reform, with the support of the European Union, experts invited as part of the World Bank's technical assistance conducted a cycle of Investment Project Management (PIM) trainings, in which representatives of both ministries and municipalities participated. More than 60 employees from different agencies were trained in this direction.

Within the framework of the technical support of the World Bank, in cooperation with the LEPL Financial and Analytical Service, the concept of the electronic portal for the management of investment/capital projects (E-PIM) was prepared and work was started in the direction of creating an electronic system.

In accordance with Article 4 of the Resolution No. 65 of February 16, 2023 of the Government of Georgia "On Approval of the Management Methodology of Investment/Capital Projects", the types of basic units to be used for financial and economic calculation of investment/capital projects and their values were approved by the order of the Minister of Finance of Georgia dated November 22, 2023 N433¹² and the procedure for determining the calculation methodology and final selection criteria for investment/capital projects and the scoring system for evaluating these projects. The said order is available on the website of the Ministry of Finance of Georgia.

In order to evaluate investment/capital projects and reconcile the positions of the Ministry, to implement the relevant works and to coordinate the said process, by the order of the Minister of Finance of Georgia dated December 4, 2023 N461, the regulations of the working group created in the Ministry of Finance of Georgia for

¹⁰ <https://mof.ge/5615>

¹¹ <https://www.matsne.gov.ge/ka/document/view/5724007?publication=0>

¹² <https://mof.ge/images/File/28.11.2023/ministris%20brZaneba.pdf>

the purpose of evaluating investment/capital projects and coordinating the said process were approved, which is published on the website of the Ministry of Finance of Georgia¹³.

In accordance with the investment/capital project management methodology approved by the Resolution N65 of the Government of Georgia on February 16, 2023, information about new projects reviewed in 2023 is published on the website of the Ministry of Finance of Georgia¹⁴.

1.7 Reporting on annual and quarterly budget performance, reinforcement of accountability to the supervising entity

Responsible Body: Budget department (involved parties: spending agencies, State Audit Service, Georgian Parliament)

Performance indicator: The annual report on the implementation of the 2022 budget has been prepared and submitted to the Government of Georgia and the Parliament of Georgia within the deadlines set by the legislation. The performance report includes explanations of fiscal rules, planned and achieved goals, and explanations of variances. Together with the annual budget execution report, information is prepared on the consideration of the recommendations of the State Audit Service on the previous year's budget execution report.

Quarterly reports of the 2023 budget have been submitted to the Parliament of Georgia within the deadline set by the legislation and are in line with the existing requirements of the Georgian legislation;

Along with the 6-month budget execution report, information on the interim review of the budget execution has been prepared and submitted to the Parliament of Georgia;

An action plan on taking into account the recommendations of the State Audit Service on the state budget performance report has been prepared in accordance with the established rule. Analysis of the recommendations of the state audit provided by the mentioned action plans.

Period: January - December

Progress: In accordance with the legislation and within the established deadlines, the annual report on the implementation of the 2022 state budget was prepared along with the attached materials. Together with the annual budget execution report, information was prepared on "the possibility of taking into account the comments and recommendations presented in the report prepared by the State Audit Service on the 2021 annual report on the execution of the state budget of Georgia in the budget process" on the determination of the action plan of the Government of Georgia regarding the implementation of the government's action plan.

The 2022 annual performance report of the state budget in editable format (includes both word and excel files) is published on the website of the Ministry of Finance¹⁵.

¹³ <https://mof.ge/images/File/public%20finances%20in%20Geo/12-01-2024/WG-brdzaneba%202023.pdf>

¹⁴ <https://mof.ge/5615>

¹⁵ <https://mof.ge/5641>

Within the deadlines established by the legislation, the implementation reports of the 3rd, 6th and 9th months of the state budget of 2023 of Georgia were prepared, the 3rd¹⁶, 6th¹⁷ and 9th¹⁸ months implementation reports in editable format (includes both word and excel files) are posted on the web page of the Ministry of Finance of Georgia.

Based on the changes implemented in the Budget Code of Georgia, the quarterly and annual reports reflect the information on the changes in the incomes, payments and balances of the state enterprises belonging to the government sector, based on the data provided by the said enterprises. The data of the state enterprises belonging to the government sector were reflected in the parameters of the unified budget of the state.

Unlike previous years, the quarterly and annual reports are accompanied by an appendix on the status of the Human Capital Program.

1.8 Ensure the Transparency of the Budget Process

Responsible body: Budget Department (the parties involved: the state budget spending units, the Government of Georgia, the Parliament of Georgia)

Performance indicators:

According to the Open Budget Survey, all basic budget documents are available on the website of the Ministry of Finance of Georgia (www.mof.ge) within the deadlines set by the legislation.

The Citizen's Guide to the 2024 State Budget is published on the website. Short guides to the country's basic data and direction documents and performance reports have been prepared, which are available on the website of the Ministry of Finance of Georgia.

The platform for citizens' involvement in the budget preparation process (eBTPS.mof.ge) operates on the website of the Ministry of Finance of Georgia, through which citizens have the opportunity to participate in the budget planning process.

Sharing international experience and cooperation with international partners in the direction of budget transparency and citizen involvement.

Period: January - December

¹⁶ <https://mof.ge/5647>

¹⁷ <https://mof.ge/5663>

¹⁸ <https://mof.ge/5681>

Progress: Fiscal transparency assessment (FTE) was again carried out in 2023 within the framework of the International Monetary Fund (IMF) technical assistance. Compared to the 2017 assessment, progress was made in all three main areas of the Fiscal Transparency Code, and ratings improved for 15 of the 36 indicators. According to the Fiscal Transparency Evaluation (FTE) assessment, Georgia has best and good practices in 27 out of 36 indicators. Technical details are being agreed upon and publication of the said document is expected in the near future.

According to the Open Budget Survey, all basic budget documents are available to all interested persons through the web page of the Ministry of Finance of Georgia¹⁹ within the deadlines set by the law. Including:

- Annual performance report of the state budget for 2022 (includes both word and excel files);²⁰
- 2023 state budget performance report for 3 months (includes both word and excel files);²¹
- Basic country data and directions for 2023-2026 (final version);²²
- The main directions of the ministries of Georgia for the years 2024-2027 (includes both word and excel files);²³
- Basic country data and directions for 2024-2027 (primary option) (includes both word and excel files);²⁴
- On the 2023 state budget law of Georgia - citizen's guide;²⁵
- On the 2023 state budget law of Georgia - brochure;²⁶
- Basic data and directions of the country for the years 2023-2026 - a brief overview;²⁷
- Annual performance report of the 2022 state budget of Georgia - brochure;²⁸
- On the 2023 state budget report for 3 months - brochure;²⁹
- 2023 state budget 6-month performance report (includes both word and excel files)³⁰;
- On the 2023 state budget report for 6 months - brochure³¹;
- 2023 state budget 9-month performance report (includes both word and excel files)³²;
- On the 2023 state budget report for 9 months - brochure³³;
- Basic country data and directions for 2024-2027 (revised version) (includes both word and excel files)³⁴;
- "Draft of the 2024 State Budget Law of Georgia" (first submission) (includes both word and excel files)³⁵;

¹⁹ <https://mof.ge/5109>

²⁰ <https://mof.ge/5641>

²¹ <https://mof.ge/5647>

²² <https://mof.ge/5539>

²³ <https://mof.ge/5653>

²⁴ <https://mof.ge/5653>

²⁵ <https://mof.ge/images/File/gzamkvlevi/2023/08-02-2023/Citizens%20Guide%202023-kanoni.pdf>

²⁶ <https://mof.ge/images/File/gzamkvlevi/2023/11-01->

[2023/%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90%202023%20%E1%83%99%E1%83%90%E1%83%9C%E1%83%9D%E1%83%9C%E1%83%96%E1%83%94.pdf](https://mof.ge/images/File/gzamkvlevi/2023/11-01-2023/%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90%202023%20%E1%83%99%E1%83%90%E1%83%9C%E1%83%9D%E1%83%9C%E1%83%96%E1%83%94.pdf)

²⁷ https://mof.ge/images/File/2023/biujeti_mimartulebebi/23-02-2023/2023-2026%20bdd%20mokle.pdf

²⁸ https://mof.ge/images/File/2023/shersulebis_angarishebi/08-06-

[2023/%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A3%E1%83%A0%E1%83%98%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90.pdf](https://mof.ge/images/File/2023/shersulebis_angarishebi/08-06-2023/%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A3%E1%83%A0%E1%83%98%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90.pdf)

²⁹ https://mof.ge/images/File/2023/shersulebis_angarishebi/20-06-

[2023/3%20%E1%83%97%E1%83%95%E1%83%98%E1%83%A1%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90%202023.pdf](https://mof.ge/images/File/2023/shersulebis_angarishebi/20-06-2023/3%20%E1%83%97%E1%83%95%E1%83%98%E1%83%A1%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90%202023.pdf)

³⁰ <https://mof.ge/5663>

³¹ https://mof.ge/images/File/2023/shersulebis_angarishebi/29-09-

[2023/2023%20%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A1%20%20%E1%83%97%E1%83%95%E1%83%98%E1%83%A1%20%E1%83%A8%E1%83%94%E1%83%A1%E1%83%A0%E1%83%A3%E1%83%9A%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90.pdf](https://mof.ge/images/File/2023/shersulebis_angarishebi/29-09-2023/2023%20%E1%83%AC%E1%83%9A%E1%83%98%E1%83%A1%20%20%E1%83%97%E1%83%95%E1%83%98%E1%83%A1%20%E1%83%A8%E1%83%94%E1%83%A1%E1%83%A0%E1%83%A3%E1%83%9A%E1%83%94%E1%83%91%E1%83%98%E1%83%A1%20%E1%83%91%E1%83%A0%E1%83%9D%E1%83%A8%E1%83%A3%E1%83%A0%E1%83%90.pdf)

³² <https://mof.ge/5681>

³³ https://mof.ge/images/File/2023/shersulebis_angarishebi/06-11-2023/2023-9%20Tvis%20Shersulebis%20broshura.pdf

³⁴ <https://mof.ge/5653>

³⁵ <https://mof.ge/5677>

- Sample annexes developed to strengthen the links between the budget and policy directions³⁶.

With the support of USAID, work has begun in the direction of improving budget transparency and public involvement and accountability. It is planned to improve the functionality of the electronic portal (e-BTPS.mof.ge) and fully implement it.

Citizen's guides were prepared on the draft law of Georgia "On the State Budget of Georgia for 2024"³⁷ and approved law³⁸, which is available through the website of the Ministry of Finance of Georgia.

1.9 Improvement of finance management by municipalities

Responsible Body: Budget Department (involved parties: municipalities, donors)

Performance indicator: Municipalities are being supported in order to fulfill the conditions to be implemented in 2023 under the memorandum of cooperation signed between the Ministry of Finance of Georgia and the municipalities, with the support of international partners. Monitoring of the fulfillment of these conditions is carried out.

The public finance management of at least 5 municipalities evaluated in 2017-2018 was analyzed and evaluated according to the Public Expenditure and Financial Accountability Assessment at sub-national level (PEFA) methodology.

Period: March - December

Progress: Starting from 2022, municipalities will be re-assessed according to the updated methodology of Public Expenditure and Financial Accountability Assessment at sub-national level - PEFA. In 2022, 3 (Tbilisi, Batumi and Martvili) municipalities were assessed and validated by the World Bank, and in 2023 by GIZ (Rustavi, Khashuri, Dusheti, Poti, Zestafoni, Lagodekhi) and USAID (Kutaisi, Marneuli, Oni) with support, an additional 9 municipalities were assessed using PEFA indicators.

1.10 Support for the budget process by refinement of corresponding legislation

Responsible body: Budget department, Legal department (participating parties: State budget spending agencies, the Government of Georgia, the Georgian parliament)

³⁶ <https://mof.ge/5109>

³⁷ <https://mof.ge/images/File/gzamkvlevi/2023/13-10-2023/Citizens%20Guide%202024-1.pdf>

³⁸ <https://mof.ge/images/File/gzamkvlevi/2024/22-01-2024/Citizens%20Guide%202024.pdf>;

https://mof.ge/images/File/2024_Biujeti/05-04-

[2024/%E1%83%91%E1%83%98%E1%83%A3%E1%83%AF%E1%83%94%E1%83%A2%E1%83%98%202024.pdf](https://mof.ge/images/File/2024_Biujeti/05-04-2024/%E1%83%91%E1%83%98%E1%83%A3%E1%83%AF%E1%83%94%E1%83%A2%E1%83%98%202024.pdf)

Performance indicator: Planned measures within the public finance management reform were supported by corresponding legislative and by-laws.

Period: January - December

Progress: Along with the 2024 state budget draft, a draft law of Georgia "On Amendments to the Budget Code of Georgia" was prepared in the form of an accompanying bill, with the aim of smooth financing of directions and municipalities provided for by the state budget, as well as in the direction of increasing the degree of flexibility in the management of the state treasury's monetary resources.

1.11 Strengthening the Link Between the Policy Documents and Budget

Responsible body: Budget department, Financial-Analytical Service (participating parties: State budget spending agencies)

Performance indicators: In the electronic budget management system (ebudget) there is a mechanism for connecting strategic/sectoral policy documents and budgeted programs.

With the support of international partners (UN WOMAN, WB), as well as the Academy of the Ministry of Finance, pilot ministries were selected and workshops were held to consider climate change and gender aspects in the budget (tagging).

Period: January - December

Progress: In accordance with Article 3, Clause 2 of the Resolution N90 of February 28, 2023 of the Government of Georgia "On the measures to be implemented in order to compile the country's basic data and directions document for 2024-2027", the measures and coordination mechanisms to be implemented to strengthen the links between strategic planning and budgeting were regulated.

- ✓ The process of linking the budgeted programs and sub-programs with the policy classifier is carried out by the ministries in coordination with the Human Rights Secretariat of the Government of Georgia;
- ✓ The process of connecting the budgeted programs and sub-programs with the policy classifier for climate change issues is carried out by the ministries in coordination with the Ministry of Environment Protection and Agriculture of Georgia;

In the program budget annex of the 2024 budget³⁹ Links to the relevant political classifier are shown. In particular:

Seven ministries (the Ministry of Regional Development and Infrastructure of Georgia, the Ministry of Education, Science and Youth of Georgia, the Ministry of IDPs from the Occupied Territories of Georgia, the Ministry of Labour, Health and

³⁹ <https://mof.ge/5677> - https://mof.ge/images/File/2024_Biujeti/03-04-2024/18_programuli%202024.doc

Social Protection, the Ministry of Finance of Georgia, the Ministry of Defense of Georgia and the Ministry of Internal Affairs) connected their programs/sub-programs with the Gender Equality Policy Classifier;

- ✓ Three ministries (Ministry of Environmental Protection and Agriculture of Georgia, Ministry of Regional Development and Infrastructure of Georgia, Ministry of Economy and Sustainable Development of Georgia) connected their programs/sub-programs with the climate change (mitigation/adaptation) policy classifier;
- ✓ The programs of 7 ministries are related to the UN Sustainable Development Goals (SDG);
- ✓ Programs of 3 ministries related to human capital goals. etc.

During the reporting period, a sample of the annex to the State Budget Law was developed - "Fiscal impact of government strategies in the medium term", through which the assessment of the fiscal impact of government strategies in the medium term should be carried out, and the said annex should become a constituent part of the package of the State Budget Law. The sample of the annex was agreed with the relevant ministries and the administration of the Government of Georgia. The protocol of the agreement and information about the sample of the annex are published on the website of the Ministry of Finance of Georgia in Georgian⁴⁰ and English⁴¹ languages.

Work will continue in this direction to achieve the planned results within the framework of the 2023-2026 strategy of public finance management reform.

II- Public Debt Management

2.1 Update the government's medium-term debt management strategy

Responsible bodies: Public Debt Management Department

Performance indicators: Development of a medium-term strategy for government debt management for 2023-2027 and its publication in accordance with the order of the Minister of Finance No. 328 of September 26, 2022.

Period: January - December

Progress: In the 4th quarter of this year, work was underway on the 2024-2027 government debt management strategy document. Numerical data was updated and strategic directions were developed. The strategy document will be published for public comments on the website of the Ministry of Finance towards the end of the 4th quarter. Taking into account the recommendations received during this period, the strategy document will be submitted to the government for approval.

⁴⁰ <https://mof.ge/images/File/public%20finances%20in%20Geo/04-10-2023/%E1%83%9E%E1%83%A0%E1%83%94%E1%83%96%E1%83%94%E1%83%9C%E1%83%A2%E1%83%90%E1%83%AA%E1%83%98%E1%83%90%20-%E1%83%9E%E1%83%9D%E1%83%9A%E1%83%98%E1%83%A2%E1%83%98%E1%83%99%E1%83%98%E1%83%A1%20%E1%83%99%E1%83%9A%E1%83%90%E1%83%A1%E1%83%98%E1%83%A4%E1%83%98%E1%83%99%E1%83%90%E1%83%A2%E1%83%9D%E1%83%A0%E1%83%94%E1%83%91%E1%83%98.pptx>;
<https://mof.ge/images/File/public%20finances%20in%20Geo/29-09-2023/%E1%83%9D%E1%83%A5%E1%83%9B%E1%83%98%20-%E1%83%91%E1%83%98%E1%83%A3%E1%83%AF%E1%83%94%E1%83%A2%E1%83%98%E1%83%A1%20%E1%83%99%E1%83%90%E1%83%A8%E1%83%98%E1%83%A0%E1%83%98%20%E1%83%A1%E1%83%A2%E1%83%A0%E1%83%90%E1%83%A2%E1%83%94%E1%83%92%E1%83%98%E1%83%94%E1%83%91%E1%83%97%E1%83%90%E1%83%9C%2028.09.2023.docx>

⁴¹ <https://mof.ge/images/File/04.12.2023/2.%20meeting%20minutes.docx>; <https://mof.ge/images/File/04.12.2023/1.%20Policy%20Classifier-ENG.pptx>

2.2 Update of the Law on Public Debt

Responsible bodies: Public Debt Management Department

Performance indicators: Updating the Law of Georgia on Public Debt and bringing it closer to international standards.

Period: January - December

Progress: With the involvement of the technical support mission of the World Bank, work was being carried out on the draft law on public debt. The new law ensures the compliance of the definitions of debt defined for different purposes with the manuals of public finance and public sector debt statistics and their mutual compatibility. During the year, the work on the amendment project was carried out with the active involvement of the structural units of the Public Debt Management Department and the Legal Department.

2.3 Development of government securities market

2.3.1 Implementation of new tools within the scope of liability management operations

Responsible bodies: Public Debt Management Department

Performance indicators: Use of buy-back operations in the government securities market.

Period: January - December

Progress: In accordance with the existing redemption plan, three redemption auctions were held in each of the four quarters, and securities with a nominal value of 62 million GEL were redeemed out of the planned 90 million GEL securities. In the 4th quarter of the current year, together with the National Bank of Georgia, work was carried out on the project of amending the joint order of the Minister of Finance and the President of the National Bank in order to introduce exchange auctions. Work on the change was carried out quickly, and the order will be published in the Gazette by the end of the 4th quarter.

2.3.2 Expansion of Primary Dealers Pilot Program

Responsible bodies: Public Debt Management Department

Performance indicators: Inclusion of 10-year Treasury bonds in the pilot program for primary dealers.

Period: January - December

Progress: From January 1, 2023, 10-year treasury bonds issued in 2018 with an initial maturity of 10 years were added to the pilot program of primary dealers. Currently, the mentioned bond and the 5-year bond issued in 2022 have an "active" status in the pilot phase.

Note: Based on the next evaluation of the pilot program of primary dealers, a decision will be made in the second half of the next year to expand the program.

III- Accounting and reporting

1. Development of IPSAS standards related to the accrual concept

1.1 Refinement and improvement of accounting regulations in the public sector in order to comply with the requirements of IPSAS standards

Responsible bodies: State Treasury Service

Performance indicator: In order to comply with the accounting methodology requirements of the IPSAS standards introduced in action, an analysis has been carried out; Relevant changes have been made in the normative acts regulating accounting

Period: January – December

Progress: As part of the IMF's technical assistance, an analysis of additional IPSASs was conducted. Treasury employees were trained in the above standards. Appropriate recommendations were developed for the purpose of refining the accounting-reporting regulatory acts and additionally introducing IPSAS standards. In accordance with the recommendations, drafts of normative acts are being prepared.

Note: ongoing

1.2 Holding workshops, seminars, trainings, etc. for public sector accountants

Responsible bodies: State Treasury Service, Academy of the Ministry of Finance

Performance indicator: Public sector accountants are trained and put into practice the knowledge gained in workshops, seminars, trainings, etc. regarding the requirements of IPSAS standards.

Period: January – December

Progress: Within the framework of cooperation with the Academy of the Ministry of Finance, trainings in IPSAS standards are being conducted for accountants of budgetary organizations, which involves teaching accounting and reporting methodology, in order to apply IPSAS standards in practice. In addition, with the support of the

World Bank, access to the IPSAS in a box online learning platform developed by PwC was acquired for 420 accountants of the public sector, and trainings were conducted regarding the basic requirements of IPSAS standards and the use of this platform.

Note: ongoing

1.3 Prepare government consolidated financial statements based on actionable IPSAS standards

Responsible bodies: State Treasury Service

Performance indicator: Consolidated Government Financial Reporting Based on IPSAS Standards Implemented for Action and Published for Transparency on Treasury Service Website

Period: January - July

Progress: On the basis of the implemented IPSAS standards, the state treasury prepared the 2022 consolidated financial statements of the organizations financed by the state budget, and the 2022 consolidated financial statements of the autonomous republics and municipalities, which were published on the website of the state treasury to ensure accountability and transparency <http://www.treasury.ge>.

Note: Completed

2. Development of Integrated Public Financial Management Information System (PFMS)

2.1 Development of accrual-based treasury ledger functionalities and refinement / simplification of existing business processes in Integrated Public Financial Management Information System (PFMS)

Responsible bodies: State Treasury Service, Financial Analytical Service

Performance indicator: Relevant business process analysis is conducted; Appropriate software has been developed; Business processes are sophisticated / streamlined and functioning smoothly

Period: January - December

Performance indicators: Development of the functions of the treasury's main book and improvement/simplification of the existing business processes were carried out.

Progress: The functions/modules of the Treasury's main book are being refined and the existing business processes are being simplified.

Note: ongoing

2.2 Integrating public schools and kindergartens into the state management integrated information system (PFMS)

Responsible bodies: State Treasury Service, Financial Analytical Service

Performance indicator: Public schools and kindergartens are included in the integrated information system of state management.

Period: January - December

Progress: preparatory works were carried out; An appropriate action plan has been developed and the process of integrating public schools into the information system of state financial management is underway. To date, 585 public schools have been integrated into the state management information system.

2.3 Training of state budget and local government representatives on the use / changes of the electronic treasury system

Responsible bodies: State Treasury Service, LEPL- Academy of Ministry of Finance

Performance indicator: Representatives of the state budget and local self-governing units are trained regarding the use/changes of the electronic treasury system.

Period: January - December

Progress: In order to facilitate the integration of public schools and kindergartens into the state financial management information system, an appropriate training program was developed and trainings are being conducted for public school representatives regarding the use of the electronic treasury system. To date, 585 public school representatives have been trained.

Note: Ongoing

IV- Tax and Custom Issues

1. Improvement of Legislative Base

1.1 Harmonization of tax legislation with EU directives within the Framework of the Association Agreement

Responsible Body: Tax and Customs Policy Department

Performance indicators:

- Completion of work on the draft amendments to the Tax Code of Georgia with the Council Directive 2003/96/EC of October 27, 2003 on the restructuring of the framework of taxation of energy products and electricity within the framework of the European Union in order to harmonize the tax legislation of Georgia.

- Completion of work on the draft amendments to the Tax Code in order to further approximate the tax legislation to the 2006/112/EC Directive of the European Council of November 28, 2006.

Period: January - December

Progress: Draft amendments to the Tax Code of Georgia have been prepared.

1.2 Further refinement of the tax code

Responsible Body: Tax and Customs Policy Department

Performance indicator:

- Implementation of appropriate changes in the Tax Code of Georgia, taking into account the best international practices.
- Implementation of the rules provided for in the second pillar of the two-pillar plan developed by the OECD regarding the taxation of the digital economy.
- Issuance of public decisions on the application of the norm of tax legislation based on the decision of the dispute review body or the analysis of the current practice of taxation of taxpayers by the tax body.

Period: January – December

Progress: Work was ongoing on changes to be implemented in the Tax Code taking into account the best international practices, and drafts of relevant changes were prepared.

In cooperation with the USAID Economic Governance Program, within the framework of the platform of the Consultative Group of Research Organizations, the results of the research on the reform of the income tax and the analysis of the impact of the reform of the property tax were prepared.

Changes were made to the tax code, as a result of which tax administration was simplified, the regime of excise taxation for some types of tobacco products was changed, the period specified for the refund of excise duty for the export of light vehicles was increased, tax sanctions were optimized and the regime of excise taxation of some goods was changed for effective administration of taxes related to imported oil products.

The regime of income and profit tax taxation of the persons organizing the gaming machine salons has been changed, as well as the income and profit tax rates for the people organizing gambling games in a system-electronic form, and the income tax rate for the players. A pilot program has been launched for the implementation of the second pillar of the two-pillar plan developed regarding the taxation of the digital economy, within the framework of which a working meeting was held with experts from the Organization for Economic Cooperation and Development (OECD) in February, and the work continues.

In order to ensure uniform practice of taxation, the public decision of the Minister of Finance of Georgia No. 107 of March 28, 2023 "On Taxation of Tourist Services with VAT" was issued.

Drafts of public decisions "On the VAT taxation of operations carried out by consumers within the framework of the points accumulation loyalty scheme" and "On the VAT taxation of goods/service exchange operation (barter operation)" have been prepared, which are being discussed in the format of the working group for developing public decisions. Based on the analysis of the existing practice of taxation of taxpayers by the tax authority, work is underway on new projects.

1.3 Further perfection of the customs legislation

Responsible Body: Tax and Customs Policy Department

Performance indicator: In order to complete the customs code, development of the project of appropriate legislative changes and preparation of the draft of the legislative act regulating the customs tariff. Also, implementation of measures necessary for the implementation and entry into force of Book X of the Customs Code.

Period: January – December

Progress: Amendments were made to the Customs Code of Georgia, which, taking into account the existing challenges, ensures the increase of the efficiency of customs supervision, customs control and customs formalities, as well as the creation of a legal basis for flexible administration and the prevention of violations of customs legislation.

An amendment to the Tax Code was adopted, which brought the commodity codes provided for in the Tax Code into compliance with the nomenclature of the 2022 edition of the International Convention on the Harmonized System of Commodity Description and Coding of Commodity Names.

1.4. Refinement of international tax policy

Responsible bodies: Tax and Customs Policy Department

Performance indicators: Implementation of relevant procedures defined by law to conclude agreements/update existing agreements on "avoidance of double taxation on income and capital and prevention of non-payment of taxes and tax evasion."

Implementation of relevant measures within the framework of the 2nd round of assessment of the performance of international tax standards developed within the framework of the Global Forum on Transparency and Exchange of Information for Tax Purposes and the exchange of information on request in accordance with the new 2016 methodology. as well as preparation/adoption of the project of relevant legislative changes regarding the automatic exchange of financial information (CRS).

Implementation of appropriate measures for the implementation/subsequent monitoring of the 4 minimum standards developed within the framework of the Tax Base Reduction and Profit Shifting (BEPS) Action Plan of the Organization for Economic Co-operation and Development and the Big Group (OECD /G 20).

By the recommendation of the OECD, the multilateral convention "On the introduction of measures related to tax treaties to reduce the taxable base and prevent profit shifting" was prepared within the framework of the 15th measure of the BEPS action plan of the Organization for Economic Cooperation and Development and the Grand Squad (OECD /G 20). In order to successfully implement the Convention, synthesized texts were prepared and published together with the respective countries.

Implementation of relevant measures for the step-by-step implementation of the agreements on the first and second pillars (Pillar 1 and Pillar 2) developed by the OECD regarding the taxation of the digital economy.

Period: January-December

Progress: On May 15-17, the Malaysian delegation visited Georgia and held the first round of negotiations in order to conclude an agreement between Georgia and Malaysia on "Prevention of Double Taxation on Income and Capital and Prevention of Non-Payment of Taxes and Tax Evasion".

On March 10 of this year, the assessment of Georgia by the Organization for Economic Cooperation and Development (OECD) officially began, in order to determine compliance with the international standard of transparency and information exchange for tax purposes. In accordance with the methodology of 2016, in connection with the 2nd round of the evaluation of information exchange based on the request, from May 29 to June 2, the visit of the OECD Secretariat and the evaluation team of the Global Forum was made to the Ministry of Finance of Georgia.

Draft relevant legislative amendments, including secondary legislation, regarding the automatic exchange of financial information (CRS) were also prepared and adopted. In order to start the process of exchanging information with different jurisdictions within the framework of the automatic exchange of financial information, work was underway on the notifications to be delivered to the Secretariat of the Organization for Economic Cooperation and Development.

As part of the evaluation of the implementation of the 5th Base Reduction and Profit Shifting (BEPS) minimum standard, the Secretariat of the Forum for Harmful Tax Practices (FHTP) of the Organization for Economic Co-operation and Development sent a questionnaire filled out in the framework of the annual monitoring of "virtual zone person" and "international company" . Based on the mentioned questionnaires, the existing preferential tax regimes in Georgia, within the framework of the forum meeting held in Paris in April, were assessed to be in line with the standards established by the OECD.

Within the framework of the implementation of the 6th measure of the BEPS project (preventing the abuse of tax treaties), an annual questionnaire was submitted to the OECD Secretariat, which included the compliance of the international agreements signed by Georgia with the minimum standard.

In order to introduce the minimum standard, within the framework of the 13th measure of BEPS (transaction, evaluation documentation and reporting by countries), in order to create the necessary legal environment for

the implementation of the reporting standard by countries, a draft of the order of the Minister of Finance of Georgia on the approval of the rule of reporting of multinational enterprises group has been prepared.

The work on the synthesized texts covered by the Multilateral Tax Convention (MLI) and entered into force has been completed, all processed texts in Georgian and English have been published on the website of the Ministry. As a result of lengthy consultations with the OECD Secretariat, a consolidated version of the MLI was approved and domestic procedures were initiated to extend the MLI to all double taxation agreements in force with Georgia.

On September 20-22, a delegation of Montenegro visited Georgia and held the first round of negotiations in order to conclude an agreement between Georgia and Montenegro on "Prevention of Double Taxation on Income and Capital and Prevention of Non-Payment of Taxes and Tax Evasion".

1.5 Increasing compliance with the law related to the fulfillment of tax and customs obligations

1.5.1 Task: strengthening the tax risk management process in the field of compliance with the law

Activity - determining the rating of the taxpayer's behavior

Responsible body : Revenue Service

Performance Indicator:

- ✓ The corresponding module is integrated in the payer environment.
- ✓ Focus groups are defined and feedback is evaluated.
- ✓ The module is working in test mode.

Period: January - December

Progress: Behavior rating and related tabs (feedback form, explanatory text, etc.) are integrated into the real environment.

Familiarization of the project with payers and interested parties was carried out, both through face-to-face meeting and online format. An initial pilot population to include the behavioral rating module was identified.

Monitoring, quality control process and feedback evaluation are ongoing.

Activity - automation of risk criteria in the data warehouse (Data Warehouse) and reflection of data from new sources in it

Responsible body: Revenue Service

Performance Indicator:

- ✓ The risk criteria of automatic control programs of monthly profit and tax declarations held at the source of payment are integrated in the data warehouse;
- ✓ Data from at least two third-party sources are integrated into the data warehouse.

Period: January - December

Progress:

The work on the risk criteria of the accuracy control program for monthly profit and payment source tax declarations has been completed.

Third-party data storage is integrated with:

1. Information on payments received by the recipient of the payment operation for the sale of goods/services through the non-cash payment method (terminal) provided by commercial banks.
2. Information about the permits issued by the architecture service of Tbilisi Municipality.

In addition, in order to integrate the data into the repository, negotiations are underway for new data to be received from a third party.

In addition to the above, the work on the creation of the technical document of the risk indicators of large payers and the construction of the corresponding module in the reporting and visualization environment (BI) has been completed, the testing process is ongoing.

In order to create a report of uncollected amounts charged by the tax audit, a technical document was developed and a corresponding report was built in the reporting and visualization environment (BI).

In accordance with the business requirement, a new criterion was added to the taxpayer behavior rating module and several criteria were modified to improve the results. There is an ongoing process of importing new tables from GAS into the database.

A pilot version of the completed tasks report report was created.

Activity - implementation of the automatic control system of declarations in basic payments

Responsible body: Revenue Service

Performance Indicator:

- ✓ A program for automatic control of the correctness of profit tax declarations has been implemented.
- ✓ Risk indicators have been added to the automatic control program of tax declarations held at the source of payment.

Period: January - December

Progress: Assessment of the quality of the tasks initiated by the audit department within the framework of the program for controlling the correctness of tax declarations withheld at the source of the tax was carried out.

On the basis of the mentioned, the quality control evaluation document of the program was developed.

Activity - implementation of measures to increase compliance with the law in target groups

Responsible body: Revenue Service

Performance Indicator:

The activities determined by the 2023 Law Compliance Improvement Plan are carried out in the following priority directions:

- ✓ trade sector;
- ✓ Tax withheld at the source of payment;
- ✓ construction activities;
- ✓ Large tax payers.

Period: January - December

Progress:**1. Trade sector;**

In the fourth quarter of 2023, the integration of the logics developed in order to refine the population of the trade sector into the relevant software environment was completed. In order to promote voluntary compliance and raise awareness of tax obligations, a communication campaign has been launched to inform taxpayers.

2. Tax withheld at the source of payment;

In order to promote voluntary compliance and raise awareness of tax obligations, a communication campaign has been launched to inform taxpayers. Consultations are underway with business associations and professional organizations in order to successfully implement the campaign.

3. construction activities;

The segmentation of taxpayers according to risk has been completed. In order to promote voluntary compliance and raise awareness of tax obligations, a communication campaign has been launched to inform taxpayers.

4. Large taxpayers

The methodology for quality control of measures implemented by the Office of Large Taxpayers is being developed. A form of integration of the feedback mechanism into the electronic system of case management has been developed. The "Declarations Control" module for large payers has been created. A framework document for collaborative approaches to compliance has been drawn up for each class of large taxpayers. The payer analysis process involves persons connected/affiliated with large businesses. The risk criteria in the register of tax risks associated with large taxpayers have been updated. A risk logic document is developed and integrated into the DW environment. A catalog of error types has been developed and includes at least two tax risks. The analysis, initiation and implementation of the need to change the threshold indicators of the criteria for determining the category of large payers was carried out.

Activity - implementation of registration data quality assurance measures

Responsible body: Revenue Service

Performance Indicator:

- ✓ New procedures for tax registration of non-citizens and dual citizens of Georgia and payment of money to the state budget of Georgia have been introduced;
- ✓ The share of payers with correct contact and main dimensions information is >90%.

Period: January - December

Progress:

During the technical work required for the automatic information exchange software, information exchange difficulties were identified. It was necessary for the parties participating in the process to clarify certain issues, at which point the changes in the decisions regarding the data exchange consent took place. In the process of reorganization in the public registry, an independent IT service was created from the Digital Governance Agency. This led to the separation of functions between the two agencies and delay in the progress of the project.

In order to sign the memorandum, feedback on the working version of the document was received from two agencies, which was caused by the agency's consent/refusal regarding the exchange of information.

In order to improve the payment procedures in the state budget of Georgia, it is important to change the existing rules of payments, for which the analysis of payments on the unified treasury code was carried out and the vision of improving payments was presented to commercial banks. Issues were agreed with representatives of commercial banks and technical works were planned. A memorandum is being developed.

The completion of the project is planned for the first half of 2024 and depends on the performance of works by commercial banks.

2. Data quality control about the payer is a permanent process.

Activity - implementation of measures to ensure timely declaration

Responsible body: Revenue Service

Performance Indicator:

- ✓ 90% rate of timely declaration of basic payments has been achieved/maintained;
- ✓ Presumptive charging mechanism is spread over one additional charge.

Period: January - December

Progress:

1. 90% of the 5 main taxes are retained in VAT and monthly profit tax.
2. The estimated accrual mechanism was not extended to the additional declaration.

1.5.2 Task: development of customs risk management and preliminary information exchange system

Activity - implementation of the eTIR system

Responsible body: Revenue Service

Performance Indicator:

1. Software module for TIR procedure holder authorization (ITDB) is developed and launched in working mode.
2. eTIR software module is developed and launched in working mode.

Period: January - December

Progress:

According to the recommendation of the Center for Information Technologies, the work process in the mentioned direction will start at the end of the 4th quarter and will continue throughout 2024.

1.5.3 Task: improvement of tax debt management system

Activity - tax debt management reform

Performance Indicator:

1. Case management is introduced as part of the tax agreement;
2. Case management is implemented in terms of legal issues;
3. Case management is implemented in terms of product expertise.

Period: January - December

Progress:

Within the framework of tax debt management reform:

1. In terms of tax agreements, the case management software is partially implemented by the information technology center, new requirements and tasks are periodically added by the methodology department;
2. In terms of legal issues, case management testing has been completed and is running in a real environment;
3. In terms of commodity expertise, the working group sent a technical assignment document for case management software to the Information Technology Center, and the execution of the said assignment will be moved to the 2024 action plan.

1.5.4 Task: Development of services tailored to the needs of interested parties

Activity - development of mechanisms to optimize business processes and increase availability of service services

Responsible body: Revenue Service

Performance Indicator:

1. Service usage manuals/video guides have been developed for 40% of services.
2. Service delivery manuals and business process maps have been developed for 40% of services.
3. The concept of changing the design and structure of the authorized user page of the Revenue Service has been developed.

Period: January-December

Progress:

1. Service usage manuals/video guides have been developed for 100% of the services. (in annual terms)
2. Service delivery manuals and business process maps for 100% of services have been developed. (in annual terms)
3. The concept is prepared.

1.6 Institutional capacity development and sustainability of the organization**1.6.1. Task: improvement of information technology systems****Activity - modernization of customs data information system****Responsible body:** Revenue Service**Performance Indicator:**

1. The business processes required by the contracting party are described.
2. The functional / non-functional requirements of the software modules related to the declaration are defined.
3. Functional / non-functional requirements of software modules related to the movement of goods are defined.
4. Testing of software modules related to declaration is completed.
5. The testing of software modules related to the movement of goods has been completed.

Period: January-December

Progress:

The project was stopped due to non-fulfillment of obligations by the donor organization.

1.6.2 Task: bringing the information security system into compliance with modern standards**Activity - implementation of ISO 27001 standard****Responsible body:** Revenue Service**Performance indicator:** ISO 27001 compliant requirements are implemented.**Period:** January-December**Progress:**

Information security documents were developed:

- access control policy and procedure, which include the service's critical information bases Oracle and Asycuda;
- Business continuity policy and related documents - BIA, IT services continuity plan;
- incident management procedure;
- change management procedure;
- document classification policy;
- Physical access policy.

A data leakage prevention tool was purchased and installed by the Revenue Service. At this stage, the rules and policies for the use of the tool are being developed. Also, an awareness raising course for employees in terms of information security is underway.

The recommendations given in the assessment of the auditors of the OECD and the Global Forum were almost fully implemented. At this stage, one recommendation should be implemented, which refers to limiting the use of personal devices (laptops/computers) by employees to access service databases.

1.6.3 Task: Development of organizational risk management system

Activity - Development of operational risk registers

Responsible body: Revenue Service

Performance Indicator:

The register of operational risks of at least 2 departments of the service has been developed.

Period: January-December

Progress:

Work is ongoing on the development of the risk register of the disputes, methodology and service monitoring departments

1.6.4 task: support of integration processes with the European Union

Activity - Implementation of the New Computerized Transit System (NCTS).

Responsible body: Revenue Service

Performance Indicator:

1. Legislation/sub-legislative acts relevant to the common transit convention have been developed at the national level.
2. Employees of the customs department have been retrained.
3. Awareness-raising measures have been implemented with persons involved in international trade.
4. The transit application operates at the national level.

Period: January-December

Progress:

1. Legislative/sub-legislative acts corresponding to the common transit convention have been developed at the national level;
2. The relevant employees of the customs department have been retrained;
3. Awareness-raising measures have been implemented with persons involved in international trade;
4. The transit application operates at the national level.

V - Macroeconomic Analysis and Fiscal Policy

1.1 Improving macroeconomic forecast analysis and increasing analytical information

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Improvement of analytical products for economic activity, improved forecasting, introduction of the results gained by the macroeconomic analysis, centralized system of data analysis.

Period: January- September

Progress: The analysis of the turnover of VAT-paying enterprises in terms of branches continues. Also, as a result of the analysis of the operational data of the customs, the foreign trade trends are assessed. The data processing system is being improved in order to receive and process information promptly. The monthly inflation forecast is evaluated and the reasons for the deviation from the actual are analyzed in order to refine the forecast.

1.2 Preparation of analytic information about economic development tendencies of the country

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Plannin

Performance Indicator: Periodical information on economic situation is published on the Ministry of Finance's website.

Time Period: January- September

Progress: Both monthly and quarterly reviews are published on the website of the Ministry. The improvement and refinement of the analysis of economic trends using various analytical and visual indicators continues. A monthly analysis of remittances and a quarterly analysis of tourism are carried out and the main trends are revealed. International trade is also analyzed every month. Analytical information tailored to specific interest groups, including credit rating agencies and investors, is being prepared.

1.3 Publication of macroeconomic research papers

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Research papers available on the official website of the Ministry of Finance

Period: January - December

Progress: No research paper has been published during the mentioned period, however, the Tax Expenditure Impact Assessment Report has been completed and final comments are being considered before its publication.

The development of the Georgian version of the DSGE model in the form of a document is also being completed, which is also planned to be published on the website of the Ministry.

1.4 Analysis of shocks affecting the development of the economy, creation of scenarios and assessment of macroeconomic risks

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Renewal of macroeconomic risk analysis; using DSGE model to analyze different political scenarios

Period: January - December

Progress: The development of a semi-structural model continues, which will additionally analyze various shocks and scenarios of the economy. In addition, through the DSGE model, a shock was developed and the results were analyzed to assess the impact of tax expenditures on the economy. The analysis of expected risks for the budget and the use of the appropriate "Heatmap" continues. Various so-called satellite models have been developed, which determine the relationship between different variables and shock values. These models were used in the process of quantitative calculation in the impact assessment report of tax expenditures.

1.5 Stress-Test analysis

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: DSGE model usage for different stress-tests

Period: January - December

Progress: The analysis of the stress test carried out in the current period was related to the analysis of the possible consequences arising from the tax benefits.

1.6 Creation of medium-term fiscal policy and creation of recommendations

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Document of medium term fiscal policy

Period: January - December

Progress: For the presentation of the 2024 budget bill, the analysis of macroeconomic scenarios was updated, as well as the tasks of macroeconomic policy and the document of comparison of macroeconomic forecasts. The mentioned documents were published on the website of the Ministry of Finance together with the draft budget law. As for the country's basic data and directions document 2024-2027 (BDD), which represents the medium-

term budget framework, it was prepared together with the draft budget law and published on the website of the Ministry of Finance. Work has begun with the International Monetary Fund (IMF) on the development of the Medium-Term Revenue Strategy (MTRS), within the framework of which a mission was held in September to exchange information on the main aspects of the preparation of the document.

1.7 Participation in assessment of socioeconomic decisions and creation of strategies with the framework of macroeconomic forecasting

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Influence of socioeconomic decisions on macro-fiscal indicators

Period: Januar- December

Progress: Macroeconomic forecasts were developed for the submission of the draft budget law.

1.8 Coordinating the processing of strategy and cooperation with international rating companies to improve credit rating of the country

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Final version of strategy

Period: January- December

Progress: Active communication with international rating companies such as Fitch, Moody's and S&P continues. This year, meetings were held with all three rating companies in both remote and face-to-face formats, within the framework of which the necessary information was exchanged and the sovereign rating of Georgia was updated. In addition to the period provided by the calendar, active communication with rating companies is continued in electronic form and by means of telephone conversations, in order to constantly inform them about the main economic trends of Georgia. Georgia's sovereign ratings for the current period are as follows: Fitch BB positive, S&P BB stable, Moody's Ba2 negative. There is active communication with the representatives of the agencies by e-mail and telephone, during which they are informed about the main economic trends of the country or the issues that are relevant to them. In the third quarter, meetings were held with representatives of rating company S&P and Moody's.

1.9 Processing and analyzing data to estimate tax expenditures, increasing the area of assessment

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Prepare tax expenditures assessment analysis

Period: January - December

Progress: It is worth noting that last year meetings were held with IMF experts both remotely and - mission experts were in Georgia, where there were working meetings with the employees of the Department of Macroeconomic Analysis and Fiscal Policy Planning and Departments of Tax and Customs Policy on the preparation of the tax expenditure assessment report. As a result, a Tax Expenditure Assessment Report was prepared and accompanied the Budget Law in its first submission, updated with 2022 data. In addition, with the help of communication with experts of the International Monetary Fund (IMF) and various econometric models developed in the department, a report on the assessment of the impact of tax expenditures was prepared, which is in the final stage and involves taking into account comments before its final publication.

2.1 Creation of unified and state budget revenue forecast, improvement budget revenue forecast methodology and creation of alternative methodology

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Improved prognosis, alternative methodology

Period: January - December

Progress: The assessment of elasticity coefficients of total tax revenues and individual taxes (including: VAT, excise, customs, income, profit and property tax) with respect to the gross domestic product continues, both for the short-term and for the long-term period is continuing.

2.2 Organizing state finance statistics work and data distribution based on statistical methodology and IMF and other international organization recommendations

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Published reports

Period: January - December

Progress: Every year, the accounting of public finances is improved and adjusted to international standards. The aforementioned information is published on the website of the Ministry of Finance of Georgia on an annual, quarterly and monthly basis. In addition, the Ministry of Finance prepares analytical data on economic and financial indicators, which is published together with state budget draft laws/laws. In addition, the publication of the balance sheet operations of the government sector and the central government sub-sector from the period after 2019 continues.

VI - Fiscal Risks

1.1 Development of a comprehensive legal framework for state enterprises

Responsible Body: Fiscal Risk Management Department

Performance indicator: The Ministry of Finance of Georgia, with the support of partner international organizations, developed and adopted the 2023-2026 strategy for the comprehensive reform of state-owned enterprises of Georgia by Resolution No. 573 of December 14, 2022 of the Government of Georgia. The development of the draft Law on State Corporations/State Enterprises and related by-laws is a consequence of the mentioned strategy. In 2023, it will be presented to the Parliament of Georgia as a legislative initiative.

Period: January - December

Progress: The concept of the Law on State Enterprises was developed.

1.2 Piloting the reform of state enterprises in the enterprises defined by the Resolution No. 573 of the Government of Georgia on December 14, 2022

Responsible Body: Fiscal Risk Management Department

Performance Indicator: Introducing the best international standard for improving the corporate governance of state-owned enterprises. Approval of the transitional rule for the creation of the supervisory board selection commission, appointment, dismissal, remuneration, qualification requirements, incentives/sanctions of the board members in the pilot enterprises.

Period: January - December

Progress: In accordance with the 2023 piloting action plan of the 2023-2026 strategy for the comprehensive reform of state enterprises of Georgia, the piloting of the dualistic model of state enterprises was started in 3 state enterprises by the decree of the Government of Georgia on March 10, 2023. In particular, on June 8, 2023, the Ministry of Finance of Georgia and LEPL National State Property Agency of Georgia, in accordance with the Decree of the Government of Georgia dated March 10, 2023 N475, signed the agreements "on the transfer of 50% of the state-owned shares of "Union of Georgian Airports" LLC and 50% of the state-owned shares of JSC "Georgian Railways" with the right of management" and regarding the transfer of the state-owned share of the Georgian Gas Transportation Company LLC with the right to manage it, to which the Ministry of Economy and Sustainable Development of Georgia was determined to be a party, and 50% of the share of the Georgian Gas Transportation Company LLC remained under its management.

Immediately after the entry into force of the decree, such issues as disposal of property owned by enterprises, transfer of usufruct rights, removal of property from the capital of enterprises and inclusion of state property in the capital, review of the annual budget and business plan of enterprises and other partners/shareholders within the scope of their authority make decisions unanimously.

1.3 Preparation of fiscal risk analysis document

Responsible Body: Fiscal Risk Management Department

Performance indicator: The Ministry of Finance of Georgia will attach the fiscal risk analysis document to the first, second and third submissions of the 2023 state budget project. The document will at least maintain the 2022 standard. In addition, the direction of long-term fiscal risk analysis will be improved.

Period: July - December

Progress: The fiscal risk analysis document was attached to the draft law of Georgia "On the 2024 State Budget of Georgia". The document includes an overview of the financial results of state-owned enterprises, an analysis of public-private cooperation projects and contingent liabilities arising from guaranteed electricity purchase agreements (PPA), as well as contracts for difference in prices (CFDs, FiPs) supporting the production and use of energy from renewable sources, fiscal risks arising from legal disputes.

In the part of long-term fiscal risks, fiscal risks caused by natural events and climate change and demographic (population aging) risks are discussed.

The document has been prepared taking into account the best international practices and is available on the website of the Ministry of Finance of Georgia in Georgian <https://mof.ge/5677> and in English <https://mof.ge/en/5374>.

1.4 Financial supervision of state enterprises

Responsible Body: Fiscal Risk Management Department

Performance indicator: in accordance with the rule of implementation of the financial supervision of state enterprises of the Decree No. 1012 of the Government of Georgia of June 10, 2022, agreement on the application for corporate transfer of the enterprises separated by the decree.

Period: September - December

Progress: The Ministry of Finance of Georgia carries out financial supervision of enterprises with 7 state enterprises. Taking into account the deadline set by the decree, the enterprises submitted the corporate intent applications (CIA) for 2023 and subsequently 2024 to the Ministry of Finance and received recommendations from the Ministry. Management of enterprises on the basis of CIA represents a good international standard of strategic management of enterprises, which contributes to the development of predictability and result-oriented management and financial transparency practices in enterprises.

VII - Development of Public Internal Control System

1.1 Development of financial management and control system

Responsible Institution: Harmonization Center

Performance indicator: 1. A consolidated annual report on the development of the state internal financial control system was developed and submitted to the Government of Georgia. 2. In at least 5 central ministries, persons responsible for risk management have been identified, who have been trained with the support of the Center for Harmonization. 3. At least 3 municipalities have developed action plans for the implementation of the recommendations issued as a result of the assessment of the current state of the financial management and control system organized by the Center for Harmonization.

Period: January - December

Progress: The 2022 consolidated annual report on the development of the state internal financial control reform prepared by the State Internal Control Department was approved by the Government of Georgia (according to the Decree of the Government of Georgia dated May 15, 2023 N893).

In the 6 ministries involved in the pilot implementation process of the reform of the state internal financial control (the Ministry of Education and Science of Georgia; the Ministry of Environmental Protection and Agriculture of Georgia; the Ministry of Finance of Georgia; the Ministry of IDPs from the Occupied Territories of Georgia, the Ministry of Labor, Health and Social Protection; the Ministry of Culture, Sports and Youth of Georgia and the Ministry of Internal Affairs of Georgia) the persons responsible for coordinating the risk management process at the level of the institution are defined. In order to share the best practices of risk management and raise their qualifications, the mentioned persons were on a study visit to Stockholm (Sweden) within the framework of cooperation between the State Internal Control Department and the Swedish National Financial Management Agency (ESV). During the study visit, meetings were held with representatives of various public agencies, who shared practical experience and successful risk management approaches implemented in the institution. The persons responsible for the coordination of the risk management process are constantly involved in awareness and qualification raising activities under the coordination of the Harmonization Center.

In 2 municipalities, namely Zugdidi and Mtskheta, action plans for the implementation of the recommendations issued as a result of the assessment of the current state of the financial management and control system, organized by the State Internal Control Department, have been developed. In addition, an action plan for establishing a financial management and control system was developed in Poti Municipality, and 8 additional municipalities presented information on the current situation in relation to the recommendations issued as a result of the above-mentioned assessment.

1.2 Development of internal audit

Responsible Body: Harmonization Center

Performance indicator: 1. At least 20 internal auditors have been trained within the national certification program of internal auditors. 2. An information technology (IT) audit guide has been developed and at least 1 pilot project has been implemented in accordance with the above. 3. At least 20 monitoring of the implementation of the recommendations issued as a result of the external assessment of the quality of the internal audit activity has been carried out.

Period: January - December

Progress: Within the framework of the national certification program of internal auditors with the support of OECD/SIGMA, manuals for all four modules provided by the program were developed, self-assessment questions were prepared for each module according to chapters, pairs of trainers were selected for each module, a detailed calendar of the national certification program was developed, an evaluation of the national certification program was prepared, and examination tests were developed. With the support of the German Organization for International Cooperation (GIZ), 20 internal auditors underwent a training course in the first and second modes. Also, an exam was conducted for the mentioned group in the first module. In addition, an agreement has been reached with the USAID public administration and local government programs, which involves the financing of one additional group, which will be included in the certification program from January 2024.

The State Internal Control Department actively cooperates with the European Union within the framework of the "Economic Governance and Fiscal Accountability Program" administered by the World Bank, with the involvement of Ernst and Young offices in Turkey and Georgia. Within the framework of the aforementioned cooperation, an information technology (IT) audit guide was developed, based on which pilot audits are being conducted in the Ministry of Justice of Georgia and the State Revenue Service. The pilot projects were preceded by trainings in information technology (IT) auditing, which were implemented with the involvement of Ernst and Young.

The monitoring of the implementation of the recommendations issued as a result of the external assessment of the quality of internal audit activity is being carried out in about 50 internal audit entities.

VIII - Accounting, Reporting and Auditing Supervision

1. Effective functioning of Reporting Portal

1.1 Development of Reporting Portal

Responsible Body: Service for Accounting, Reporting and Auditing Supervision

Performance Indicator:

Activities related to raising awareness for enterprises in the direction of reform and international standards of financial reporting (including informative videos, conducted presentations, trainings, placement of supporting manuals and materials on websites and social media);

updated IFRS standards translated and posted on the website of the service;

2021 and 2022 reports of more than 75,000 enterprises made public through the report submission tab (Reportal.ge | SARAS) on the service portal (Reportal.ge);

Progress:

In the fourth quarter of 2023, activities related to raising awareness for enterprises in the direction of reform and international standards of financial reporting were carried out:

1. On November 27, a workshop on sustainability reporting standards was held for enterprise representatives. The purpose of the meeting was to raise the awareness of enterprises on environmental, social and governance issues in terms of introduction, implementation of internal policies and reduction of environmental impact. Sustainability reporting standards covering environmental, social and governance issues were discussed at the meeting. The meeting was chaired by experts in the field invited by IFC - Jerome Lavin and Ralitsa Germanova. The participants of the meeting received comprehensive answers from the speakers on the issues of interest to them - <https://www.saras.gov.ge/ka/News/Detail/2671>
2. On November 22, the service, in cooperation with the International Financial Reporting Standards Foundation (IFRS Foundation), held the annual event for the seventh time in 2023, for accountants and auditors, as well as SDP, I and II category enterprises. IFRS standards, IFRS standards updates for small and medium businesses and sustainability reporting standards were discussed at the meeting - <https://www.saras.gov.ge/ka/News/Detail/2667>.
3. The service participated in the international conference "Uniting Business Europe", which brought together high-level executives from both the public and business sectors and corporations, including sustainability experts and representatives of local networks of the UN Global Compact from 30 European countries, North America and Central Asia. It should be noted that the head of the service was the speaker of the conference panel discussion "Revaluation of tomorrow: ESG and EU regulatory changes in focus". The service aims to bring the legislation into compliance with international standards of reporting and to assist organizations in the process of adaptation to the mentioned standards, so that they can prepare and submit reports of the appropriate quality - <https://www.saras.gov.ge/ka/News/Detail/2658>
4. Within the framework of the "Support for the Implementation of the Agreement on Association between the European Union and Georgia II" project, on the issue of introducing Country-By-Country Reporting requirements, on the needs of raising awareness and further initiation of the process to the employees of the accounting and reporting department of the Service, on December 14-29, from the international expert in the field Provide expert assistance. Within the framework of the project, a guiding document was signed, which is valuable for the service for initiating and implementing changes. Based on the fact that the service works intensively on the dynamic approximation of the legislation within the framework of the obligation assumed by the association agreement with the European Union, it is important to improve the legal base on the matters under its competence. Representatives of other thematically related agencies also attended the event - <https://www.saras.gov.ge/ka/News/Detail/2672>

On the reporting portal (www.reportal.ge) in the fourth quarter of 2023, on the basis of Article 9, Clause 3 of the Law of Georgia "On Accounting, Reporting and Auditing", the information of public interest persons, enterprises of the first, second, third and fourth categories was checked and made public for the 2021 reporting period of relevant groups, 1,061 reports of 1,047 enterprises - including - 3 of public interest persons, 2 of 1st

category enterprises/groups, 19 of 2nd category enterprises/groups, 119 of 3rd category enterprises/groups , category 4 enterprise/group - 918 reports.

For the reporting period of 2022, 26,919 reports of 26,346 enterprises were made public, including 50 of those of public interest; 1st category enterprise/group - 163; 2nd category enterprise/group - 536; 3rd category enterprise/group - 4,254; 4th category enterprise/group - 21 916 reports.

In total, 27,980 reports were published in the 4th quarter of 2023.

2. Review of compliance of reports with international financial reporting standards (IFSR, IFRS for SMEs).

Responsible Body : Accounting, reporting and audit supervision service

Performance Indicator: average of 40 detailed reviews of reports.

Period: January-December

Progress: In the fourth quarter of 2023, 13 reports were reviewed in order to check the compliance of the reports with the international financial reporting standards (IFSR, IFRS for SMEs).

3. Promoting the growth of audit service quality

3.1 Increasing the quality of audit services

Responsible Body: Accounting, reporting and audit supervision service

Performance indicator: Quality control system monitoring conducted for 30 audit firms.

Period: January - December

Progress: In compliance with the requirements of the Law of Georgia "On Accounting, Reporting and Auditing", monitoring of public interest firms is carried out on average once every 3 years, and monitoring of non-public interest firms is carried out on average once every 6 years.

15 monitorings were conducted in the fourth quarter of 2023.

4. Oversight of money laundering and terrorist financing

4.1. Production of the register of accountable persons

Responsible Body: Accounting, reporting and audit supervision service

Performance indicator: Enrollment of accountable persons covered by the extended circle in the relevant register.

Progress: According to the data of December 2023, more than 445 persons have successfully registered in the registers of accountants and accounting firms, created since May 31, 2023. The registration process is continuous.

4.2. Improving the legal framework

Responsible Body: Accounting, reporting and audit supervision service

Performance indicator: By-laws have been issued covering the issues of preventive measures, risk assessment and management, compliance control system, accountability to the supervisory body, register of accountable persons and inspections and enforcement.

Period: January - December.

Progress:

On November 9, 2023, approved by the order of the head of the service No. 14, "the rule for the study of the ownership and control (management) structure of the client by the accountable person and the identification and verification of the beneficial owner" came into force.

The purpose of the rule is to provide guidance to accountable persons on the process of examining the ownership and control (management) structure of a customer and identifying and verifying the beneficial owner, in order to facilitate accountable persons to conduct their work in accordance with the law, the Financial Action Task Force (FATF) recommendations and the EU's anti-money laundering In accordance with the directives (2015/849 and 2018/843).

Within the framework of the "Support for the implementation of the Association Agreement between the European Union and Georgia - II" project, the service provided expert support. The international expert helped the employees of the service in the formation of appropriate documentation and methodologies, which will significantly help the service in the supervision of accountable persons, including professional accountants, accounting firms, certified accountants, auditors and audit firms.

4.3. Raising the awareness of accountable persons

Responsible Body: Accounting, reporting and audit supervision service

Performance indicator: Awareness-raising presentations have been held for accountable persons in the direction of issued legal acts.

Period: January - December.

Progress:

On November 13, 2023, the service held an information meeting for accountable persons, those interested in continuing education in the direction of money laundering, as well as providing continuing education services.

At the meeting held in online format, the by-law normative acts developed on the issue of continuing education in the direction of prevention of money laundering and financing of terrorism were discussed, in connection with which the team of the relevant direction of the service provided comprehensive information to the interested persons.

On December 22, 2023, the service will hold an information meeting for accountable persons within the framework of the Law of Georgia on "Promotion of Money Laundering and Prevention of Terrorism Financing", where the "Study of Ownership and Control (Management) Structure of the Client by an Accountable Person and Identification of the Beneficial Owner" issued by the Service will be discussed. Verification rule". Also, during the online meeting, relevant consultations will be provided to interested persons.

The Service continuously and immediately implements proactive cooperation with accountable persons regarding issues of combating money laundering.

IX - Informational Technologies

1. Development and Support of the Public Finance Management Integrated Information System

1.1 eBudget – System development and addition of new features

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: Run a module copied on the new configuration technology in a real environment; Copying the performance system of LEPLs and N(N)LEs to new technology; Develop a mechanism for checking balance sheets and automatically balancing balances when approving annual and quarterly budgets; Expansion of organizational structure change functionality; Expand the functionality of dynamic reporting documents; Upgrade or add new system functionality and related modules as part of your current tasks.

Period: January - December

Progress: Electronic budget management system - the working environment for the management system of the budgets of public enterprises and private enterprises was configured for the year 2023; In the electronic budget management system, the functionality of counting the expenses of a specific date range was added to the reporting documents; a new reports document that is automatically generated every night was also added; changes were made in the reports of the budget chapters and in the program budget annex report; In the real environment, the verification mechanism of the budget users was introduced for both the budget and the systems of LEPLs and NNLEs; The working period of 2024 was configured in the electronic budget management system; changes were made in the part of processing investment projects; A new type of manager and software codes was added, and other necessary changes were made in the manager's configuration section; 32 corrections were introduced into the system and 37 errors were eliminated.

1.2 eTreasury - System development and addition of new functionality

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: For the second stage of the reform of the transition from the cash method of accounting to the accrual method - the analysis of the part of the receipts and the development of a technical task, in accordance with the new plan of accounts (municipalities' payments), the change in the logic of invoice and salary operations, the optimization of the treasury's main book; Automatic import of multi-year contracts in the new working period, functionality to block unregistered multi-year contracts; Modernization of system functionality and relevant modules or addition of new ones within current tasks.

Period: January - December

Progres: eTreasury electronic service system of the state treasury - was added the functionality of state enterprises, enabling/disabling the receiver's bank account verification process in the banks and processing the received status code; A new operation has been added to the SSI module - transferring money to the budget; Functionality of control of CPV codes of primary documents and requirements, green corridor of requirements, employee module and source was improved; Validations of liabilities, transfers and non-salary packages and employee admissions report were added to the expenditure portal; The back office has been added to the budget code administration facility, budget balance, local budget balance, budget transfers, unified budget payments, LEPLs expenses, treasury codes, transferred payment requests, general education institutions unified budget payments and income reports, At the same time, the data of state enterprises were added to the existing reports with appropriate logic; The functions of the management of the liquidator and the administration of the balances of the event have been changed; The means of viewing and processing data of state enterprises of the local budget type were added to the portal of the financial institution in accordance with the budget of the founder of the state enterprise; In the accounting module, the main ledger was optimized, the functionality of overlapping accounting accounts was added, the logic of dividing financing accounts into system operations and reporting "Appendix 1" was changed; SMS code authorization was added to the enrollment system; The method of loading transactions of incoming funds of organizations has been added to the external service of treasury accounting operations. As part of the eTreasury system optimization task, two iterations were completed, within the framework of which provision of space and refactoring of the existing code of obligations, salaries, package modules were made.

1.3 eDMS - Improvement of the system and addition of new features

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Creation of new foreign debt service reporting documents; Expand and improve the functionality of clarifying planned information of budget support projects; Expansion of project write-off functionality - setting up services with the treasury system to generate actual revenues from the treasury system; Analysis of tasks related to foreign debt credit agreements; Upgrade or add new system functionality and related modules as part of current tasks.

Period: January - December

Progress: State debt and investment project management system - added a new reporting document - signed projects; New fields have been added to the auction results form; Added new fields to auction results and Treasury issues interfaces; Changes were made in the part of project identification in the existing reporting documents; The working period of 2024 was configured; Changes were made to the service of sending component and investment changes to the electronic budget management system; most of the domestic and foreign debt reports have been optimized and improved in terms of information; 4 new tasks have been completed and are in testing mode - the functionality of gluing fields to projects; Functionality of copying change notices; Import functionality of the annual budget file from the previous period; Functionality of adding a quarterly budget file; 152 amendments were entered into the system.

45 corrections were made to the system and 4 bugs were eliminated.

1.4 eHRMS - Improvement of the system and addition of new features

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: New modules added to the system: technical support module for evaluation module, professional development module, report constructor and self-service portal and refinement / development / modernization according to new requirements; Ensuring integration processes with external systems in accordance with a protocol already defined and developed (export and import of data into the eHRMS system from other HR systems); Realization of new requirements in the system and constant customer support; Continue the process of introducing the system in public organizations.

Period: January - December

Progress: The technical work of integration with the Moodle system in the real environment of the system has been completed. Two new static reports were added to the system. All reports related to the assessment module have been updated and refined as requested. The vacation and attendance table modules are being updated in the system, namely adding a new type of vacation to the system.

Individual components of evaluation modules were optimized, and the existing logic in relation to the structure was also changed. In accordance with the new requirements, the functionality of managing the hospital sheet (bulletin) was updated in the system.

The logic of the appointment and pay functionality have been changed and optimized the work experience functionality.

New requirements/cases are being identified and their technical solution works are in progress.

1.5 Ensure the sustainability of ICT infrastructure of Ministry of Finance

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: Improvement of infrastructural and system sustainability of public finance management electronic system; providing ITIL accordance for business processes, implementation of ISO27001 standards and improvement of IT security level; optimization of databases (document processing, treasury data, division of databases by years and switching older data to low level storage systems); implementation of new hyperconvergent system server and database systems and its broader use; improvement of virtual infrastructure (Vcenter ESX) to 7.0 version and migration of virtual servers to new system;renewal of backup systems; modernization of server infrastructure constant feed and cooling system. Purchase and implementation of Web Application Firewall (WAF) and balancer.

Period: January - December

Progress: Installation/integration of Privileged Users (PAM) system, Debugging the Network Virtualization and Security Platform (NSX-T) environment in test mode, Upgrade/Migrate McAfee Security Systems to Trellix System, Elimination of vulnerabilities identified on the servers of the Ministry of Finance and its substructures (updating HAProxy balancer versions, upgrading TLS versions of services, preventing various types of vulnerabilities). Dell EMCVxRail (34 server) hyperconverged system software code and virtualization platform upgrades were done.

Costing of public finance management reform 2023 action plan activities

#	Filed/Action	Full Funding/Funding Source (GEL)
	I - Budgeting	23 01 – Public finance management
		3,500,000
1	Improvement of Budget Management	3,500,000
1.1	Development of law of Annual budget	400,000
1.2	Increasing efficiency of mid-term spending (MTEF)	400,000
1.3	Improvement of the Program Budgeting on National and Local Municipalities level	500,000
1.4	Evaluating the effectiveness of programs (Spending Review)	250,000
1.5	Ensure the accordance of budgetary documentation with the financial management principles	250,000
1.6	Capital/Investment project management unified cycle development	600,000
1.7	1.7 Reporting on annual and quarterly budget performance, reinforcement of accountability to the supervising entity	400,000
1.8	Ensure the Transparency of the Budget Process	100,000
1.9	Improvement of finance management by municipalities	400,000
1.10	Support for the budget process by refinement of corresponding legislation	50,000
1.11	Strengthening the Link Between the Policy Documents and Budget	150,000
	II – Public Debt Management	23 01 – Public finance management
		3,650,000

1	Update the government's medium-term debt management strategy	1,300,000
2	Update of the Law on Public Debt	750,000
3	Development of government securities market	1,600,000
3.1	Implementation of new tools within the scope of liability management operations	800,000
3.2	Expansion of Primary Dealers Pilot Program	800,000
III - Accounting and reporting		23 01 – Public finance management
		2,825,000
1	Development of IPSAS standards related to the accrual concept	1,000,000
1.1	Refinement and improvement of accounting regulations in the public sector in order to comply with the requirements of IPSAS standards	300,000
1.2	Holding workshops, seminars, trainings, etc. for public sector accountants	450,000
1.3	Prepare government consolidated financial statements based on actionable IPSAS standards	250,000
2	Development of Integrated Public Financial Management Information System (PFMS)	1,825,000
2.1	Development of accrual-based treasury ledger functionalities and refinement / simplification of existing business processes in Integrated Public Financial Management Information System (PFMS)	325,000
2.2	Integrating public schools and kindergartens into the state management integrated information system (PFMS)	1,300,000
2.3	Training of state budget and local government representatives on the use / changes of the electronic treasury system	200,000
IV - Tax and Custom Issues		23 01 - Public finance management 23 02 - Mobilizing income and improving taxpayer service
		19,145,000
1	Improvement of Legislative Base	2,600,000
1.1	Harmonization of tax legislation with EU directives within the Framework of the Association Agreement	500,000
1.2	Further refinement of the tax code	500,000
1.3	Further perfection of the customs legislation	500,000

1.4	Refinement of international tax policy	1,100,000
2	Increasing compliance with the law related to the fulfillment of tax and customs obligations	13,596,000
2.1	determining the rating of the taxpayer's behavior	200,000
2.2	automation of risk criteria in the data warehouse (Data Warehouse) and reflection of data from new sources in it	480,000
2.3	implementation of the automatic control system of declarations in basic payments	4,600,000
2.4	implementation of measures to increase compliance with the law in target groups	2,180,000
2.5	implementation of registration data quality assurance measures	1,210,000
2.6	implementation of measures to ensure timely declaration	380,000
2.7	implementation of the eTIR system	400,000
2.8	tax debt management reform	3,546,000
2.9	development of mechanisms to optimize business processes and increase availability of service services	600,000
3	Institutional capacity development and sustainability of the organization	2,949,000
3.1	modernization of customs data information system	540,000
3.2	implementation of ISO 27001 standard	70,000
3.3	Development of operational risk registers	1,939,000
3.4	Implementation of the New Computerized Transit System (NCTS).	400,000
	V - Macroeconomic Analysis and Fiscal Policy	23 01 - Public finance management
		1,900,00
1	Improving macroeconomic forecasting and analysis	1,020,000
1.1	Improving macroeconomic forecast analysis and increasing analytical information	140,000
1.2	Preparation of analytic information about economic development tendencies of the country	130,000
1.3	Publication of macroeconomic research papers	55,000
1.4	Analysis of shocks affecting the development of the economy, creation of scenarios and assessment of macroeconomic risks	145,000
1.5	Stress-Test analysis	115,000
1.6	Creation of medium-term fiscal policy and creation of recommendations	100,000
1.7	Participation in assessment of socioeconomic decisions and creation of strategies with the framework of macroeconomic forecasting	90,000

1.8	Coordinating the processing of strategy and cooperation with international rating companies to improve credit rating of the country	115,000
1.9	Processing and analyzing data to estimate tax expenditures, increasing the area of assessment	130,000
2	Improving revenue forecasting and analysis	880,000
2.1	Creation of unified and state budget revenue forecast, improvement budget revenue forecast methodology and creation of alternative methodology	585,000
2.2	Organizing state finance statistics work and data distribution based on statistical methodology and IMF and other international organization recommendations	295,000
VI – Fiscal Risks		
		23 01 - Public finance management
		700,000
1	Development of a comprehensive legal framework for state enterprises	208,000
2	Piloting the reform of state enterprises in the enterprises defined by the Resolution No. 573 of the Government of Georgia on December 14, 2022	148,000
3	Preparation of fiscal risk analysis document	235,000
4	Financial supervision of state enterprises	109,000
VII - Development of Public Internal Control System		
		23 01 - Public finance management
1	Development of Public Internal Control System	600,000
1.1	Development of financial management and control system	420,000
1.2	Development of internal audit	180,000
VIII - Accounting, Reporting and Auditing Supervision		
		23 06 - Supervision of accounting, reporting and audit
		1,882,000
1	Effective functioning of Reporting Portal	260,000
1.1	Development of Reporting Portal	261,000

2	Promoting the growth of reporting quality	332,000
2.1	Review of compliance of reports with international financial reporting standards (IFSR, IFRS for SMEs)	332,000
3	Promoting the growth of audit service quality	890,000
3.1	Increasing the quality of audit services	890,000
4	Oversight of money laundering and terrorist financing	400,000
4.1	Production of the register of accountable persons	100,000
4.2	Improving the legal framework	100,000
4.3	Raising the awareness of accountable persons	200,000
IX - Informational Technologies		
		23 04 - Electronic and analytical support of financial management
		6,491,200
1	Development and Support of the Public Finance Management Integrated Information System	6,491,200
1.1	eBudget – System development and addition of new features	862,900
1.2	eTreasury - System development and addition of new functionality	2,052,300
1.3	eDMS - Improvement of the system and addition of new features	443,100
1.4	eHRMS - Improvement of the system and addition of new features	1,046,400
1.5	Ensure the sustainability of ICT infrastructure of Ministry of Finance	2,086,500