

2024 Public Finance Management Reform Action Plan

I - Budgeting

1. Improvement of Budget Management

1.1 Development of law of Annual budget project

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: 2025 state budget draft law is prepared and submitted to the Parliament of Georgia within the period prescribed by law;

The draft law on the state budget is in compliance with the fiscal parameters defined by the legislation.

Period: January-December

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 2024-2027 has been developed and presented to the financial-budgetary committee of the Georgian Parliament.

In order to prepare the country's basic data and directions document for 2025-2028, a draft of the Government of Georgia's order has been developed, which defines the forms of annexes, according to which the information could be presented step by step by spending institutions, government bodies of autonomous republics and local government bodies (except for local self-governing units that are part of autonomous republics) to the Ministry of Finance of Georgia. The aforementioned appendices provide for the methodology requirements for the preparation of the "Medium-term Economic Reform Program" (Economic Reform Program) document to be submitted to the European Commission by Georgia as a candidate country for EU membership.

The primary and reworked versions of the country's basic data and directions document for 2025-2028 have been prepared and submitted to the Government and Parliament of Georgia within the time limit established by the legislation and comply with the requirements of the legislation

The basic data and directions document of the country for the years 2025-2028 has been developed, taking into account the methodology for preparation of the "Medium-term Economic Reform Program" (Economic Reform Program) document to be submitted to the European Commission by Georgia as a candidate country for EU membership.

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 2025-2028.

Information on reasons for deviation from the previous period mid-term parameters has been developed and is attaches to the 2025 budget project, that will be presented to the Georgian Parliament.

Period: Januray-December

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 Equality, Climate Change, Human Capital Goals, etc.).

Period: January - December

1.4 Evaluating the effectiveness of programs (Spending Review)

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

Performance indicator: with involvement of the Academy of the Ministry of Finance of the Netherlands with the help of OECD experts: holding meetings with the agencies involved in the process; Preparation of the effectiveness evaluation (Spending Review) of one program selected in the pilot mode; Development of the process regulatory framework project.

Period: January - December

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

Responsible bodies: Budget department (the parties involves: Department of macroeconomic analysis and fiscal policy planning, Public Debt Management Department)

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

Period: January - December

1.6 Capital/Investment project management unified cycle development

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

Performance indicator The assessment of new investment/capital projects presented by spending institutions is carried out 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 evaluating investment projects, including the impact of projects on climate change issues and gender aspects.

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.

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

A test version of the electronic investment project management system (ePIM) has been developed in cooperation with the Financial and Analytical Service, and the preliminary evaluation and final selection of no less than 3 investment/capital projects has been carried out through the electronic system.

Period: January - December

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: Annual report on the 2023 state budget performance has been developed and presented to the Government of Georgia and the Georgian Parliament, within the prescribed terms. Performance report encompasses definitions on fiscal rules, planned and achieved goals and elaborations on any discrepancies. Along with the performance on the annual budget, information was prepared on previous year's performance, on keeping in line with the State Audit Service's recommendations.

Quarterly reports of the 2024 budget have been submitted to the Parliament of Georgia within the time limit 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

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 indicator: Based on Open Budget Survey, all the main budget documentation is available on the Ministry of Finance's website (www.mof.ge) within the prescribed period of the law

The Citizen's Guide to the 2025 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

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 2024 under the memorandum of cooperation signed between the Ministry of Finance of Georgia and the municipalities, with the support of international partners. Signing memorandums of cooperation with municipalities that will be re-evaluated using PEFA indicators to improve their financial management (at least 20 municipalities).

The public finance management of at least 15 municipalities evaluated in 2017-2018 has been analyzed and evaluated according to the Public Expenditure and Financial Accountability Assessment at sub-national level (PEFA) methodology.

Period: March - December

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)

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

Period: January - December

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 indicator: In the electronic budget management system (ebudget), spending institutions link the programs/subprograms they implement with the policy classifier/classifiers (SDG, gender equality, climate change, human capital goals, etc.).

Connecting budgeted programs/sub-programs with government sector strategies. The programs/sub-programs to be implemented by the spending institutions are linked to at least one government strategy through the policy classifier and this information is reflected in the 2025 program budget annex. For this purpose, meetings have been held with relevant agencies.

Linking budgeted programs/subprograms to climate change classifier. The programs/sub-programs to be implemented by the spending institutions are linked through the climate change policy classifier and the said information is reflected in the 2025 program budget annex.

Reflecting gender aspects in budgeted programs/sub-programs. Gender-sensitive programs/sub-programs are identified by all ministries and linked to the Gender Equality Policy Classifier outlined in the 2025 Program Budget Annex.

With the involvement of international partners (UN WOMAN, WB), pilot ministries have been selected and workshops have been held to consider climate change and gender aspects in the budget.

II – Public Debt Management

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

Responsible body: Department of Public Debt Management

Performance indicator: development of a medium-term government debt management strategy for the years 2025-2028 and its publication in accordance with the order of the Minister of Finance No. 328 of September 26, 2022.

Period: January - December

2.2 Development of government securities market

2.2.1 Introduction of new tools within the scope of liability management operations

Responsible body: Department of Public Debt Management

Performance Indicator: Using Switch Operations in the Government Securities Market.

Period: January – December

2.2.2 Expansion of Primary Dealers Pilot Program

Responsible body: Department of Public Debt Management

Performance Indicator: Inclusion of additional Treasury bonds in the Primary Dealers Pilot Program, subject to program evaluation results.

Period: January – December

2.2.3 Preparation of Government Debt Management Report

Responsible body: Department of Public Debt Management

Performance Indicator: Preparation and publication of the 2023 Government Debt Management Report on the Ministry's website.

January - December

III - Accounting and reporting

1. Implementation of appropriate IPSAS standards for the accrual method

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

Responsible body: Treasury Service

Performance indicator: taking into account the requirements of IPSAS standards introduced into action and the best international practices, appropriate changes have been made in the normative acts regulating accounting and reporting

Period: January - December

1.2 Additional introduction of accrual-based IPSAS standards in the public sector

Responsible body: Treasury Service

Performance indicator: analysis has been conducted to introduce additional IPSAS standards based on the accrual method; Drafts of amendments to relevant normative acts have been prepared and approved by the order of the Minister of Finance

Period: January - December

1.3 Conducting workshops, seminars, trainings, etc. for public sector accountants

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

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

Period: January-December

1.4 Preparation of consolidated financial statements of the government based on IPSAS standards introduced into action

Responsible body: Treasury Service

Performance indicator: on the basis of the IPSAS standards corresponding to the accrual method introduced into operation, the consolidated financial statements of the government have been prepared and published on the website of the Treasury Service for transparency.

Period: January-July

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

2.1 Elaboration/development of the functionalities of the electronic treasury system (E-treasury) in the integrated information system of state finance management (PFMS) and improvement/simplification of existing business processes

Responsible body: Treasury Service, Financial Analytical Service

Performance indicator: analysis of relevant business processes has been conducted; Appropriate software is developed; Business processes are refined/simplified and functions properly.

Period: January-December

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

Responsible body: Treasury Service, Financial Analytical Service

Performance indicator: public schools and kindergartens are involved in the integrated information system of state management; payment of fees by public schools and kindergartens is carried out through the electronic system of the treasury (E-treasury).

Period: January-December

2.3 Integrating state-owned enterprises into the integrated state management information system (PFMS)

Responsible body: Treasury Service, Financial Analytical Service

Performance indicator: State enterprises belonging to the government sector are involved in the integrated information system of state management; incomes received and payments made by state-owned enterprises belonging to the government sector is carried out through the electronic system of the treasury (E-treasury).

Period: January-December

2.4 Training of state budget and local self-government representatives regarding the use/changes of the electronic treasury system (E-treasury)

Responsible body: Treasury Service, Financial-Analytical Service, Academy of the 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 (E-treasury)

Period: January-December

2.5 სამთავრობო Training of representatives of state enterprises belonging to the government sector regarding the use/changes of the electronic treasury system (E-treasury)

Responsible body: Treasury Service, Financial-Analytical Service, Academy of the Ministry of Finance

Performance indicator: representatives of state-owned enterprises belonging to the government sector are trained in the use/changes of the electronic treasury system (E-treasury)

Period: January-December

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 indicator:

- 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 restructuring the framework of taxation of energy products and electricity within the European Union 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 European Council Directive 2006/112/EC of November 28, 2006

Period: January-December

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 by 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 resolution body or the analysis of the existing practice of taxation of taxpayers by the tax body.

Period: January-December

1.3 Further perfection of the customs legislation

Responsible Body: Tax and Customs Policy Department

Performance indicator:

Preparation of a document comparing the relevant legislation of Georgia with the European Union customs legislation, in which the differences between the mentioned legislations will be described in detail

Period: January-December

1.4. Refinement of international tax policy

Responsible Body: 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, in order to successfully implement the multilateral convention "On the introduction of measures related to tax treaties to reduce the taxable base and prevent profit shifting" 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) preparation and publication the synthesized texts 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

2. Strengthen the tax risk management process in the field of compliance with the law

2.1 Implementation of targeted measures in the priority directions defined by the law compliance plan

Responsible body: Revenue Service

Performance Indicator:

The activities planned in the priority direction determined by the 2024 Law Compliance Improvement Plan have been completed:

- ✓ in the areas of trade, taxes at the source of payment, construction activities and large taxpayers;
- ✓ Declaration correctness control programs are implemented/updated;
- ✓ The necessary procedures for conducting the experiment and measuring the results using behavioral approaches have been implemented;
- ✓ The mechanism of pre-filing of the tax declaration has been introduced;
- ✓ Automation of data reporting on key revenue service data (KPI) for at least 5 environments ("dashboard") is created;
- ✓ The quality of the results of the study of the task of the compliance programs is evaluated within the framework of at least 3 programs

Period: January- December

2.2 Support and development of the data warehouse

Responsible body: Revenue Service

Performance Indicator:

- ✓ at least 4 modules and/or groups of reports have been created/added to the database, data from at least two new sources have been integrated;
- ✓ Data storage security risks are identified.

Period: January- December

2.3 Determination of the rating of the taxpayer's conduct

Responsible body: Revenue Service

Performance Indicator:

- ✓ Feedback from taxpayers has been implemented in the conduct rating module;
- ✓ For the conduct rating module, new indicator criterion(s) are identified, current criteria are evaluated and analyzed;

- ✓ Conduct ratings are available for the target population.

Period: January- December

2.4 Modernization of existing processes in the revenue service during entity liquidation/reorganization

Responsible body: Revenue Service

Performance Indicator:

- ✓ An updated concept of the entity liquidation/reorganization business process has been developed;
- ✓ The necessary legislative changes are identified and initiated;
- ✓ Automation of information exchange with third parties is provided;
- ✓ Logics of software modules necessary for the business process are developed;
- ✓ The software required for the business process is complete.

Period: January- December

2.5 Modernization of primary tax documents

Responsible body: Revenue Service

Performance Indicator:

- ✓ In the service provision part, the possibility of electronic subscription of primary tax documents has been introduced (including for non-VAT payers);

Period: January- December

2.6 Improving procedures for tax registration of non-citizens and dual citizens of Georgia and for payment of money to the state budget of Georgia

Responsible body: Revenue Service

Performance Indicator:

- ✓ In order to receive information from a third party, a memorandum of cooperation has been signed with at least 1 agency;

- ✓ When registering a person, information is exchanged with at least 1 agency automatically;
- ✓ Negotiations with commercial banks have been completed and the payment procedure for the unified treasury code has been updated.

Period: January- December

3. Development of customs risk management and preliminary information exchange system

3.1 Modernization of customs risk management system

Responsible body: Revenue Service

Performance Indicator:

- ✓ The shortcomings of applications integrated in the risk management system have been eliminated;
- ✓ The risk management system is functioning in working mode

Period: January- December

3.2 Implementation of customs information exchange system

Responsible body: Revenue Service

Performance Indicator:

- ✓ A technical document has been signed between Georgia, Azerbaijan and Turkey, and information exchange is being carried out in a test mode;
- ✓ The technical document between Georgia and Turkey has been signed and the exchange of information is carried out in a test mode;

Period: January- December

3.3 Implementation of the eTIR system

Responsible body: Revenue Service

Performance Indicator:

- ✓ The software module for authorization of the eTIR procedure holder is launched in working mode;

- ✓ eTIR software module is developed;
- ✓ The eTIR software module is running in test mode

Period: January- December

4. Improving the tax debt management system

4.1 Implementation of the measures envisaged by the 2022-2024 debt management strategy

Responsible body: Revenue Service

Performance Indicator:

- ✓ A tax treaty task management program has been implemented;
- ✓ Expertise Division task management software has been implemented for Debt Management, Audit, Tax Monitoring and Finance Departments;
- ✓ A program for identifying and administering companies founded by founders of enterprises with temporary uncollectible debts has been developed;
- ✓ The main performance indicators of the 2022-2024 debt management strategy have been achieved.

Period: January- December

5. Development of services tailored to the needs of interested parties

5.1 Development of feedback system

Responsible body: Revenue Service

Performance Indicator:

- ✓ A feedback system has been implemented for the debt management department;
- ✓ A feedback system has been implemented for the tax monitoring department;
- ✓ A feedback system has been implemented for the electronic statements of the Revenue Service.

Period: January- December

5.2 Development of mechanisms to optimize service business processes and increase availability

Responsible body: Revenue Service

Performance Indicator:

- ✓ User manuals/video guides for 60% of services have been developed;
- ✓ Service delivery manuals and business process maps have been developed for 60% of services.

Period: January- December

5.3 Changes to the structure and design of the authorized user page

Responsible body: Revenue Service

Performance Indicator:

- ✓ The new structure of the authorized user page is developed, the new design is prepared and tested with interested parties;
- ✓ Implementation of the new structure and design changes to the authorized user page by the Information Technology Center has begun.

Period: January- December

5.4 Simplification of the procedure for refunding overpaid amounts for natural persons entitled to benefits on income received from the source of payment

Responsible body: Revenue Service

Performance Indicator:

- ✓ A memorandum of cooperation has been signed with all partner agencies;
- ✓ The exchange of information with the third party is carried out automatically;
- ✓ Created and tested software module for automatic refund of overpaid amounts.

Period: January- December

5.5 Technical retooling of the telephone center of the Consulting and Information Division

Responsible body: Revenue Service

Performance Indicator:

- ✓ The existing Avaya system in the call center has been replaced by Asterix;
- ✓ The necessary technical equipment for making the call has been purchased;
- ✓ The software is updated.

Period: January- December

6. Information technology systems improvement

6.1 Modernization of the Tax Administration Information System (TAS) of the Revenue Service

Responsible body: Revenue Service

Performance Indicator:

- ✓ 30% of the priority modules of the Tax Administration Information System (TAS) have been transferred to the new system.

Period: January- December

6.2 Implementation of IT project management methodology in the information technology center

Responsible body: Revenue Service

Performance Indicator:

- ✓ Training of project managers in IT project management methodology has been carried out and ongoing projects have been distributed among project managers;
- ✓ JIRA software is adapted to IT project management methodology;
- ✓ IT project management methodology has been implemented in the information technology center.

Period: January- December

7. Bringing the information security system into compliance with modern standards

7.1 Updating the information security system

Responsible body: Revenue Service

Performance Indicator:

- ✓ Compliance with the main requirements of the Law of Georgia on Information Security has been fully achieved;
- ✓ Security tools are implemented;
- ✓ The recommendations issued by the evaluators of the data security and privacy component for the automatic exchange of tax information project have been implemented and the automatic exchange of data has started.

Period: January- December

7.2 Implementation of data loss prevention solution

Responsible body: Revenue Service

Performance Indicator:

- ✓ The implementation of the data loss prevention decision was successfully implemented;
- ✓ Data monitoring in the system has been started.

Period: January- March

8. Development of organizational risk management system

8.1 Implementation of operational risks system

Responsible body: Revenue Service

Performance Indicator:

- ✓ The register of operational risks of at least 5 departments of the service has been developed.

Period: January- December

9. Support of integration processes with the European Union

9.1 Implementation of the New Computerized Transit System (NCTS) at the international level

Responsible body: Revenue Service

Performance Indicator:

- ✓ In order to operate the transit system at the international level, the relevant legislative/sub-legislative acts of the common transit convention have been developed;
- ✓ At least 50 employees of the customs department have been trained;
- ✓ Awareness-raising measures have been implemented with persons involved in international trade;
- ✓ The transit system is used with at least one contracting party to the CTC Convention;
- ✓ Georgia has joined the Conventions on "Common Transit Procedures" (Common Transit Convention / CTC) and "Simplification of Formalities in Trade in Goods" (Single Administrative Document / SAD);
- ✓ The transit application has been implemented at the international level.

Period: January- December

9.2 Participation in the EU tax and customs program

Responsible body: Revenue Service

Performance Indicator:

- ✓ Within the framework of tax and customs programs, at least 7 activities are carried out in the following directions: sharing of experience between different countries, improvement of cooperation, development of human resources, development of information technologies and others.

Period: January- December

V - Macroeconomic Analysis and Fiscal Policy

1.1 Development of a quarterly forecasting model

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Work on the Quarterly Forecasting Model (QPM), advanced analytical products of economic activity, improved forecasting, macroeconomic analysis results, advanced centralized data processing system

Period: January- December

Progress:

1.2 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- December

Progress:

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

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

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

Period: January- December

1.4 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:

1.5 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

1.6 Stress-Test analysis

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: DSGE model usage for different stress-tests

Period: January - December

Progress:

1.7 Creation of medium-term fiscal policy and creation of respective recommendations

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Medium Fiscal Policy Document, Medium Term Revenue Strategy (MTRS) development, Economic Reform Programs (ERP) document preparation

Period: January - December

Progress:

1.8 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:

1.9 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:

1.10 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, development of a tax expenditure impact assessment report

Period: January - December

Progress:

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Improved prognosis, alternative methodology

Period: January - December

Progress:

2.2 Organizaing work on statistics of state finances and dissemination of data in accordance with the statistical methodology adopted in the country and taking into account the recommendations of the International Monetary Fund and other international organizations. Familiarization with the European Accounting Standard (ESA) and the specifics of the work of European statistical structures and raising human capacity and awareness in these directions.

Responsible body Department of Macroeconomic Analysis and Fiscal Policy Planning

Performance Indicator: Published reports

Period: January – December

Progress:

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 2024, it will be presented to the Parliament of Georgia as a legislative initiative.

Period: January - December

Progress:

1.2 Piloting the role of the shareholder of state enterprises in the Ministry of Finance of Georgia

Responsible Body: Fiscal Risk Management Department

Performance Indicator: Management of 50% share of pilot enterprises. Fulfilling the role of a shareholder in accordance with the legislation of Georgia. Identifying and eliminating deficiencies in corporate management.

Period: January - December

Progress:

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 2024 state budget project. The document will at least maintain the 2023 standard. In addition, the direction of long-term fiscal risk analysis will be improved.

Period: July - December

Progress:

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:

VII - Development of Public Internal Control System

1.1 Development of financial management and control system

Responsible Institution: Harmonization Center

Performance indicator:

1. The 2025-2028 strategy for the development of the state internal financial control system and the 2025-2026 action plan have been developed and submitted to the Government of Georgia.
2. A consolidated annual report on the development of the state internal financial control system was developed and submitted to the Government of Georgia.
3. Risk management policy documents have been developed in all central ministries.
4. All central ministries have signed an agreement on the provision of services within the framework of the budget program with at least one subordinate budget organization.

Period: January - December

Progress:

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. 2 information technology (IT) audit pilot projects have been implemented.
3. 2 efficiency audit pilot projects have been implemented.

Period: January - December

Progress:

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;

2022 and 2023 reports of more than 70,000 enterprises made public through the report submission tab (Reportal.ge | SARAS) on the service portal (Reportal.ge);

Period: January-December

Progress

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:

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 36 audit firms.

Period: January - December

Progress:

3.2. Verification of compliance with legal requirements (survey)

Responsible Body: Accounting, reporting and audit supervision service

Performance Indicator: 3 audit firm/auditor investigation to verify compliance with legal requirement.

Period: January - December

Progress:

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: The service manages the registers in accordance with the legal framework. In accordance with the need arising during the course of the reform, the registration production process has been refined/developed.

Period: January - December

Progress:

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:

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 persons responsible for the issued legal acts, in the profession, within the framework of Article 11 and Article 13¹ of the Law of Georgia "On Accounting, Reporting and Auditing", at least three (3) continuing education courses have been held in the direction of promoting the prevention of money laundering and terrorism financing. training course/training

Period: January - December.

Progress:

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: Implementation of the investment project evaluation system and integration with the budget system; creation of functionality for modeling changes in the law; Functional perfection of the budget transparency and charting system; Modernization of system functionality and relevant modules or addition of new ones within current tasks.

Period: January - December

Progress:

1.2 eTreasury - System development and addition of new functionality

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: Improving the functionality of conversions and accounting of foreign exchange requirements in the treasury's main book; implementation of the process of adding and processing transactions in an independent module; optimization of the treasury's general ledger; Modernization of system functionality and relevant modules or addition of new ones within current tasks.

Period: January - December

Progress:

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

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Integrating the full functionality of the DMNAT system, reporting documents into the eDMS system; Establishing an automated connection with the budget (eBudget) and the treasury (eTreasury) for the future development of the system - monitoring the execution of the budget plan according to the projects; creation of appropriate reporting for monitoring; Modernization of system functionality and relevant modules or addition of new ones within current tasks.

Period: January - December

Progress:

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

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: Technical support and improvement/development/modification of modules in the system: evaluation module, professional development module, report constructor and self-service portal in accordance with new requirements; Addition of intern and intern module; Change of messaging functionality in the evaluation module; Realization of new requirements in the system and continuous customer support; Continuing the process of introducing the system in public organizations.

Period: January - December

Progress:

1.5 Ensure the sustainability of ICT infrastructure of Ministry of Finance

Responsible Body: LEPL Financial-Analytical Service

Performance Indicator: Effective functioning of the IT infrastructure of the Ministry of Finance of Georgia and its structural units, ensuring business continuity, development and technical support.

Period: January - December

Costing of public finance management reform 2024 action plan activities

#	Filed/Action	Full Funding/Funding Source (GEL)
	I - Budgeting	23 01 – Public finance management
		3,830,000
1	<u>Improvement of Budget Management</u>	3,830,000
1.1	Development of law of Annual budget project	450,000
1.2	Increasing efficiency of mid-term spending (MTEF)	450,000
1.3	Improvement of the Program Budgeting on National and Local Municipalities level	450,000
1.4	Evaluating the effectiveness of programs (Spending Review)	200,000
1.5	Ensure the accordance of budgetary documentation with the fiscal management principles	200,000
1.6	Capital/Investment project management unified cycle development	700,000
1.7	Reporting on annual and quarterly budget performance, reinforcement of accountability to the supervising entity	300,000
1.8	Ensure the Transparency of the Budget Process	230,000
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	200,000
	II - Public Debt Management	23 01 – Public finance management

		4,015,000
1	Update the government's medium-term debt management strategy	1,430,000
2	Development of government securities market	2,585,000
2.1	Introduction of new tools within the scope of liability management operations	1,000,000
2.2	Expansion of Primary Dealers Pilot Program	900,000
2.3	Preparation of Government Debt Management Report	685,000
III - Accounting and reporting		23 01 – Public finance management
		3,407,500
1	<u>Implementation of appropriate IPSAS standards for the accrual method</u>	1,450,000
1.1	Refinement and improvement of accounting regulations in the public sector in order to comply with the requirements of IPSAS standards	100,000
1.2	Additional introduction of accrual-based IPSAS standards in the public sector	200,000
1.3	Conducting workshops, seminars, trainings, etc. for public sector accountants	900,000
1.4	Preparation of consolidated financial statements of the government based on IPSAS standards introduced into action	250,000
2	<u>Development of Integrated Public Financial Management Information System (PFMS)</u>	1,957,500
2.1	Elaboration/development of the functionalities of the electronic treasury system (E-treasury) in the integrated information system of state finance management (PFMS) and improvement/simplification of existing business processes	300,000
2.2	Integrating public schools and kindergartens into the state management integrated information system (PFMS)	800,000
2.3	Integrating state-owned enterprises into the integrated state management information system (PFMS)	200,000
2.4	Training of state budget and local self-government representatives regarding the use/changes of the electronic treasury system (E-treasury)	478,750
2.5	სამთავრობო Training of representatives of state enterprises belonging to the government sector regarding the use/changes of the electronic treasury system (E-treasury)	178,750
IV - Tax and Custom Issues		23 01 - Public finance management 23 02 - Mobilizing

		income and improving taxpayer service
		20,937,000
1	<u>Improvement of Legislative Base</u>	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	<u>Strengthen the tax risk management process in the field of compliance with the law</u>	7,830,000
2.1	Implementation of targeted measures in the priority directions defined by the law compliance	5,480,000
2.2	Support and development of the data warehouse	955,000
2.3	Determination of the rating of the taxpayer's conduct	90,000
2.4	Modernization of existing processes in the revenue service during entity liquidation/reorganization	620,000
2.5	Modernization of primary tax documents	145,000
2.6	Improving procedures for tax registration of non-citizens and dual citizens of Georgia and for payment of money to the state budget of Georgia	540,000
3	<u>Development of customs risk management and preliminary information exchange system</u>	1,095,000
3.1	Modernization of customs risk management system	435,000
3.2	Implementation of customs information exchange system	160,000
3.3	Implementation of the eTIR system	500,000
4	Improving the tax debt management system	1,100,000
4.1	Implementation of the measures envisaged by the 2022-2024 debt management strategy	1,100,000
5	<u>Development of services tailored to the needs of interested parties</u>	3,835,000
5.1	Development of feedback system	295,000
5.2	Development of mechanisms to optimize service business processes and increase availability	785,000
5.3	Changes to the structure and design of the authorized user page	900,000
5.4	Simplification of the procedure for refunding overpaid amounts for natural persons entitled to benefits on income received from the source of payment	755,000
5.5	Technical retooling of the telephone center of the Consulting and Information Division	1,100,000
6	<u>Modernization of the Tax Administration Information System (TAS) of the Revenue Service</u>	1,800,000

6.1	Modernization of the Tax Administration Information System (TAS) of the Revenue Service	950,000
6.2	Implementation of IT project management methodology in the information technology center	850,000
7	<u>Bringing the information security system into compliance with modern standards</u>	102,000
7.1	Updating the information security system	51,000
7.2	Implementation of data loss prevention solution	51,000
8	<u>Development of organizational risk management system</u>	1,930,000
8.1	Implementation of operational risks system	2,930,000
9	<u>Support of integration processes with the European Union</u>	645,000
9.1	Implementation of the New Computerized Transit System (NCTS) at the international level	485,000
9.2	Participation in the EU tax and customs program	160,000
	V - Macroeconomic Analysis and Fiscal Policy	23 01 - Public finance management
		2,100,000
1	<u>Improving macroeconomic forecast analysis and increasing analytical information</u>	1,130,000
1.1	Development of a quarterly forecasting model	100,000
1.2	Improving macroeconomic forecast analysis and increasing analytical information Preparation of analytic information about economic development tendencies of the country	160,000
1.3	Preparation of analytic information about economic development tendencies of the country Publication of macroeconomic research papers	120,000
1.4	Publication of macroeconomic research papers Analysis of shocks affecting the development of the economy, creation of scenarios and assessment of macroeconomic risks	65,000
1.5	Analysis of shocks affecting the development of the economy, creation of scenarios and assessment of macroeconomic risks	150,000
1.6	Press-test Analysis	110,000
1.7	Development of medium-term fiscal policy and preparation of relevant recommendations	110,000
1.8	Participation in the evaluation of socio-economic decisions and the development of strategies in terms of macroeconomic forecasting	105,000
1.9	Coordination of strategy development and coordination of relations with international rating companies in order to improve the country's credit rating	100,000
1.10	Processing and analysis of data for assessment of tax expenditures, increase of assessment area	110,000
2	<u>Improving revenue forecasting and analysis</u>	970,000
2.1	Creation of unified and state budget revenue forecast, improvement budget revenue forecast methodology and creation of alternative methodology	600,000

2.2	Organizaing work on statistics of state finances and dissemination of data in accordance with the statistical methodology adopted in the country and taking into account the recommendations of the International Monetary Fund and other international organizations. Familiarization with the European Accounting Standard (ESA) and the specifics of the work of European statistical structures and raising human capacity and awareness in these directions.	370,000
VI - Fiscal Risks		23 01 - Public finance management
		770,000
1	Development of a comprehensive legal framework for state enterprises	208,000
2	Piloting the role of the shareholder of state enterprises in the Ministry of Finance of Georgia	168,000
3	Preparation of fiscal risk analysis document	265,000
4	Financial supervision of state enterprises	129,000
VII - Development of Public Internal Control System		23 01 - Public finance management
		660,000
1	<u>Development of Public Internal Control System</u>	660,000
1.1	Development of financial management and control system	460,000
1.2	Development of internal audit	200,000
VIII - <u>Accounting, Reporting and Auditing Supervision</u>		23 06 - Supervision of accounting, reporting and audit
		2,071,000
<u>Accounting, Reporting and Auditing Supervision</u>		2,071,000
1	Effective functioning of Reporting Portal	301,000
1.1	Development of Reporting Portal	301,000
2	Promoting the growth of reporting quality	340,000
2.1	Review of compliance of reports with international financial reporting standards (IFSR, IFRS for SMEs)	340,000
3	Promoting the growth of audit service quality	1,100,000
3.1	Increasing the quality of audit services	550,000
3.2	Verification of compliance with legal requirements (survey)	550,000
4	Oversight of money laundering and terrorist financing	330,000

4.1	Production of the register of accountable persons	110,000
4.2	Improving the legal framework	110,000
4.3	Raising the awareness of accountable persons	110,000
IX - Informational Technologies		23 04 - Electronic and analytical support of financial management
		4,971,841
1	<u>Development and Support of the Public Finance Management Integrated Information System</u>	4,971,841
1.1	eBudget – System development and addition of new features	598,839
1.2	eTreasury - System development and addition of new functionality	1,713,388
1.3	eDMS - Improvement of the system and addition of new features	331,747
1.4	eHRMS - Improvement of the system and addition of new features	724,936
1.5	Ensure the sustainability of ICT infrastructure of Ministry of Finance	1,602,931