



CITIZEN'S GUIDE

LAW ON STATE BUDGET
2020



CITIZEN'S GUIDE LAW ON STATE BUDGET



MINISTRY OF FINANCE OF GEORGIA
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About the Guide

The state's priority is to protect its own population, promote their social integration, achieve economic stability and competitiveness on the world market for each citizen, as well as explain to the citizens where the money comes from and where it goes in the state budget. This priority can only be implemented through active citizens. That is why a Citizen's Guide is being prepared on an annual basis, which would help enabling community members become more active.

The purpose of the Guide is to provide the wider public with the key issues envisaged by the law of Georgia on State Budget. Using the Guide, all interested persons will learn what the term budget means, what components the budget system consists of, become familiar with the budget process steps, the legal basis for managing the budget process, reforms implemented in recent years in the field of public finance management and the results achieved, get an idea about priority areas of the state budget 2020, as well as the activities planned by the state budget, on the amount of revenues to be received by the state during the year and the costs to be born in achieving the objectives set.

A brief guide to the State Budget of Georgia 2020, the budget and other additional information related to the budget/budgetary process is available to the public through the official website¹ of the Ministry of Finance of Georgia.



¹ www.mof.ge

Family budget

What is a budget? This is the knowledge of how to manage your income. Budgeting is beneficial for individuals and families as well as for business people and governments.

All family members should be involved in budgeting so that everyone feels obliged to follow the plan drafted. A budget drafted jointly will help each family member better manage their family income. Needs and costs increase along with revenue and, usually, always exceed it. In fact, a joint budget involves managing finances in a way that allows for thinking about the future.

When determining a family budget, expected income and expenses such as food, utilities, transportation, vacation, necessary family disbursements such as home, car and other consumer loan repayments and bank interest payments are to be considered, as well as the possibility of saving some money. It is important to assess the costs to be born during the year with regard to the family income. If the family income appears to be insufficient to cover the planned costs, priorities should be identified to reduce costs, or alternatives should be considered to increase revenues, e.g.: overtime working hours, transfer to a new job or finding an additional job. If the family believes that their situation is temporary, or if they wish to start a new business and do not have sufficient funds, its members may consider obtaining a loan, but, at the same time, they should also consider and find sources of the loan repayment.

If family income exceeds daily expenses, savings can be made to make long-term plans. Alternatively, such amount may be spent on improving the current situation; for example, they may buy a new car, appliances or improve living conditions.

In some ways, the family is a small model of the state, and the process of drafting the state budget by the government runs in some cases similar to the process described above. The government and parliament determine the government's expected revenues, sources of revenue, and expected spending by programs. Examples include programs of defense, foreign affairs, social security, education, law enforcement entities, regional infrastructure, agriculture etc. In cases where expected revenues are less than expenses, the government considers the possibility of obtaining external debt under certain conditions if it is beneficial to the country and it is possible to find the sources of its repayment.

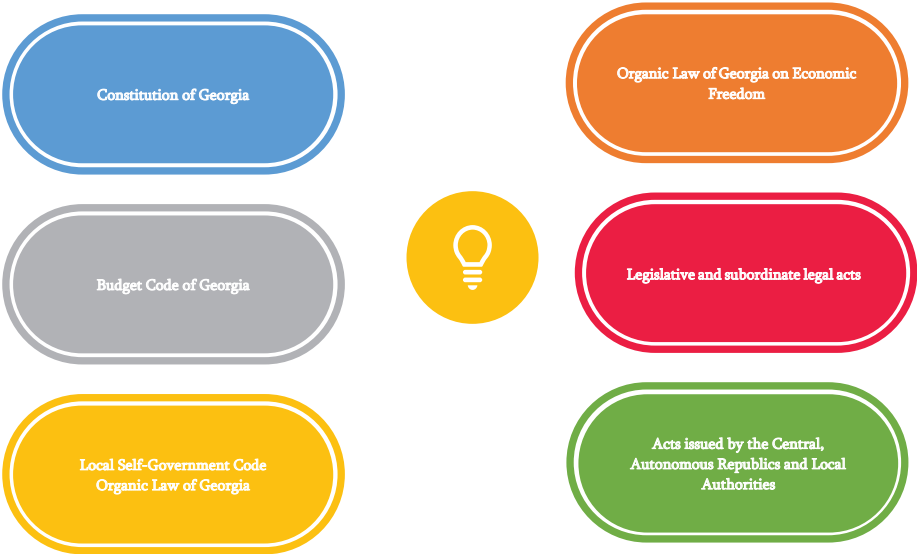
What does the term “budget” mean?

The term “budget” is derived from the English word “Budget” which means sack. When the Government asked the House of Commons for money in the English Parliament, the Chancellor of the Treasury opened a portfolio (sack) containing a draft State Income-Expense Account. This was called opening the budget.

In a modern sense, a budget is a list of the income and expenses of a specified person (family, business, organization, state, etc.), which is determined for a specific period of time, usually one year. More specifically, the budget is a combination of revenue and expenditure.

All receipts and payments of the state budget of Georgia are accomplished through the State Treasury System. It is one of the key components of public finances. State finances, in turn, are a key part of the country’s financial system, which is an instrument to implement economic, political and social functions of the state.

Legal Basis of Budget System



State Budget

The state budget is the most important financial document of the state. It is a combination of programs, sub-programs and activities to be implemented by all agencies. The state budget of Georgia is approved by the Parliament of Georgia.

Budgeting is a transparent planning in which the government and spending agencies and budgetary organizations reach a sort of agreement on the allocation of state resources according to strategic priorities. In the process of refining and improving the formulation of the budget process, it is important to incorporate this process into the established fiscal framework and to allocate resources effectively to achieve the goals set.



The budget has a multifaceted function, namely:

- ❖ The budget is a plan developed by central governments for how the government will seek funding to meet its commitments. What kind and amount of money should be mobilized for this purpose from various taxes such as value added tax, excise tax, profits and other taxes.
- ❖ The budget is a plan for how the government should spend the funds it mobilizes. What measures should be funded and how the revenue should be distributed to different areas. Namely, education, defense, health, social protection, etc. to other areas.
- ❖ The budget determines limits of state debt and loans to be obtained by the government. If spending exceeds revenue, the government has to contract a certain debt to cover the cost of services provided to its population and pay off debts of previous years.
- ❖ The budget affects the development of the national economy. Some costs (such as education and science, as well as the introduction of new technologies) may increase productivity, which also will lead to an increase in the population income in future. On the other hand, taxes reduce the income of the population and leave them less money to spend. Therefore, the budget (receipts and payments) should be balanced so that it becomes a powerful lever for the country's development.
- ❖ The budget itself is influenced by national economic processes. In particular, in conditions of high economic growth, business becomes more active, employment volumes increases, and consequently, the income of both the citizens and the country's budget increases, especially tax revenue. Under these conditions, the government obtains the opportunity to finance more activities. However, the need to contract debts becomes reduced.
- ❖ The budget is a strategic document. In addition, the budget includes information on funds raised and spent by the government in previous years, as well as forecast information with regard to future spending of the funds.

Basic terms:

Budget - a set of receipts to be received, payments to be made and changes in balances in fulfilling the functions and obligations of the Central, Autonomous Republics and local authorities of Georgia that are approved by the relevant central, autonomous republics and local authorities of Georgia.

Program Budget - allocations are made in accordance with spending agencies and programs/sub-programs to be implemented by them. The basic principle of a program budget is to direct public funds to achieve predetermined results, and, with that in mind, program budgets are often referred to as results-oriented budgets; the purpose of a program budget is to increase the efficiency of public spending, to strengthen the link between funding for public sector institutions and the results they achieve.

Besides the programs and sub-programs to be implemented by spending agencies, the Budget Code defines payments of general state importance².

Program - is a set of activities to be carried out by a budget organization(s) to achieve the priority goals set by the budget, grouped by similar content and implemented to achieve a single final outcome.

Subprogram - is a set of activities to be carried out by a budget organization(s) within the spending agency program.

Surplus - if the planned budget revenue exceeds the expenditure share, we may speak of a budget surplus.

Deficit - if the planned budget expenses exceed the revenue share, we may speak of a budget deficit.

Spending Institution - a budget organization envisaged under the first rank in the budget program classification.

² The Law of Georgia on the "Budget Code of Georgia" establishes what these types of payments may be, which also implies reserve funds and the limit set for reserve funds (no more than 2% of the total budget).

A vibrant illustration of a workspace. In the foreground, a person's hands are shown typing on a keyboard connected to a large monitor, and another person's hands are using a laptop. Two cups of coffee sit on the desk. The background is filled with numerous floating icons: lightbulbs, speech bubbles, a paperclip, an atom, an apple, a cloud, a paper airplane, a notepad, a calendar, a bar chart, a pie chart, a calculator, a musical note, a lightbulb, a speech bubble, a paperclip, an atom, an apple, a cloud, a paper airplane, a notepad, a calendar, a bar chart, a pie chart, a calculator, a musical note, a lightbulb, a speech bubble, a paperclip, an atom, an apple, a cloud, a paper airplane, a notepad, a calendar, a bar chart, a pie chart, a calculator, a musical note.

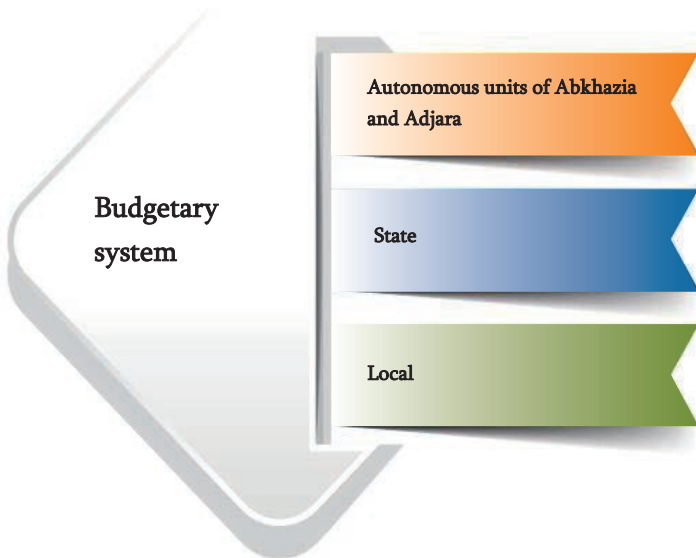
Budgetary System of Georgia

Budgets may be of different levels, the unity of which creates the budgetary system. The budgetary system of Georgia comprises the state budget of Georgia, the budgets of the autonomous units of Abkhazia and Adjara, and the local budgets.

In addition, the terms “consolidated budget” and “unified state budget” are used when formulating financial policies.

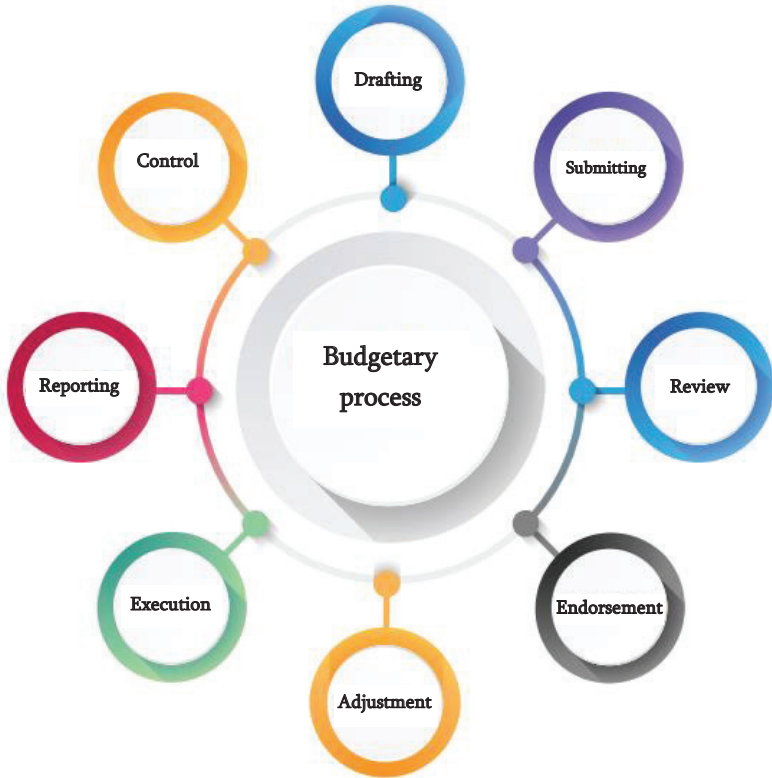
Consolidated budget incorporates existing budgets and is not a normative act, thus, it shall not be approved by the Parliament of Georgia.

Unified State Budget is a consolidated budget of the central budget, unified republican budgets of the autonomous republics, and the unified municipal budgets of the self-governing units, which shall not be endorsed by any governmental representative body.



Budgeting Process

A state's action on budget formation, review, approval, adjustment, execution, reporting and control is called a budgeting process.



Basic Principles of the Budgetary System of Georgia



Comprehensiveness

Complete reflection of all budget receipts, payments and balance changes in the budget

Accountability

Responsibility of all participants for their activities and information submitted

Unity

Being guided by unified classification, unified accounting system, unified Principles of state financial control for budget of all levels

Consolidation

Unified state treasury account system

Transparency

Publicity of review procedures in representative bodies, publication of the budget and its execution reports, access to information

Independence

Budget independence at all levels

Universality

Directing all budget receipts to fund common payments

Responsibility of State Budget Participants

- The **Government of Georgia** is responsible for drafting the state budget, executing the budget and reporting on it;
- The **Parliament of Georgia** is authorized to discuss and approve the draft state budget and control the budget;
- The **Ministry of Finance of Georgia** is responsible for the unified state budget, consolidated budget of Georgia and central budget;

Country's Basic Data and Directions Document (BDD)

The process of development of a draft annual budget begins with the work on the country's Basic Data and Directions Document (BDD).

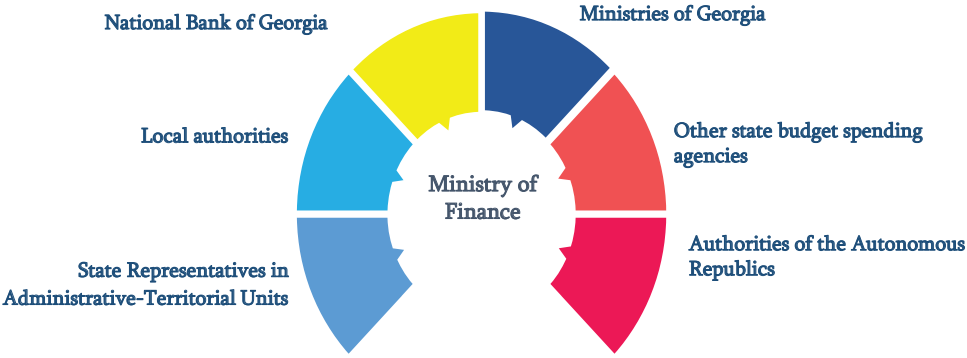
The country's Basic Data and Directions Document is the basic plan of the country's development that outlines information on medium-term macroeconomic and fiscal forecasts, as well as information on basic development directions for Georgia's central, autonomous republics and local governments.

The document covers a period of 4 years and is an annually updated document.

Preparation of the annual budget begins with the drafting of the BDD document. The Budget Code of Georgia defines the stages of development of the country's Basic Data and Directions Document, what information should be included in it, and the timeframes for submitting its initial, revised and final versions to the Government and Parliament of Georgia.

The Government of Georgia shall endorse the initial version of the country's Basic Data and Directions Document for the budget year to be planned +3 years.

The following are involved in the development of the Basic data and directions document (BDD):



Structure of the Country's Basic Data and Directions Document (BDD)

The Country's Basic Data and Directions Document (BDD) begins with a government program, based on which the document is drafted according to the following structure:



Brief Description of the Budgetary Process

- The Ministries formulate their priorities for the development of the draft state budget;
- The Government agrees priorities and budgetary parameters with the Parliament;
- In line with Parliament's remarks and suggestions, the Ministries endorse medium-term priorities and their implementation strategies;
- Based on the priorities of the ministries, the BDD document is developed, outlining among other things the estimated funding capacities for programs of spending agencies and the budgetary thresholds of the ministries;
- Taking into account the BDD document, spending agencies fill in budget applications; on the basis of budget applications, the Ministry of Finance develops the draft state budget;
- The Government of Georgia submits the draft budget to the Parliament of Georgia, which, after deliberations, approves the law on the annual budget.



1. **Formulation of the priorities by the ministries**
2. **Agreement of the priorities and budgetary parameters with the parliament on**
3. **Approval of action plans by the ministries**
4. **Development of the BDD document and approval of thresholds**
5. **Filling in budget applications**
6. **Development of the draft budget**

Description of the Public Finance Management Reform

The public finance management reform began in 2004, implying the introduction of medium-term planning of expenditures, general improvement of the budgetary process, alignment of budgetary classification with international standards GFSM 2001 for budgets of all levels, and transition to program budgeting.

Georgia has developed a legislative framework that ensures existence of a sound budgetary system. New regulations recently adopted in relation to the budgetary process were reflected in the new Budget Code, which was approved in 2009 and has been in force since 2010. As a result, all legislative acts of the budgeting system at the state, autonomous and local levels were combined in one law, the BDD Document was improved, the program budget was introduced for the central government, municipalities and autonomous budgets, the Parliament approved the organic law on economic freedom, which is in force since 2014. It sets out fiscal discipline rules for public finance management, as well as mandatory fiscal rules and exclusions.

Based on the aforementioned laws, the management of public finances of Georgia is governed by several by-laws, of which the following are worth noting: the budget classification approved by the order of the



Minister of Finance, based on IMF Public Sector Financial Statistics Guidelines 2014; the methodology for drafting program budgets approved by the order of the Minister of Finance, and the guidelines and methodology for managing investment projects approved by the Government Decree and the order of the Minister of Finance, etc.

Electronic systems (ePFMs) have been developed fully harmonized with eBudget and eTreasury systems. Creation and introduction of the integrated, Internet-based, electronic public finance management system is one of the major successes within the country's public finance management reform. It currently has about 4,500 domestic users.

Along with the budgeting process and procedures of the central government, the **local government budgeting process** and procedures **were developed** and a comprehensive and well-implemented system was established, which facilitated the inclusion of local self-government units in the eTreasury system.

Medium-term budget planning has improved. Links between the documents covering the governmental program, the mid-term fiscal framework, individual mid-term action plans of sectoral ministries and the annual state budget approved by parliament were strengthened. **Since 2012, software budgeting and results-oriented budgeting were introduced.** Introduction of the results-oriented budgeting requires additional work and is implied within the reform agenda. *PEFA*³ (Cost and Financial Accountability

Assessment), is an assessment tool for public finance management. The assessment methodology provides a thorough, consistent and evidence-based analysis of the performance of public finance management over a specific period of time. This methodology includes 31 indicators that enable assessing budget reliability, public finance transparency, asset and liability management, policy-based strategy and budgeting, budget execution forecasting and control, accounting and reporting, as well as external analysis and audit systems. The assessment and report obtained enables all stakeholders to get an insight into the strengths and weaknesses of the country's public finance management. According to **PEFA's** assessment of the year **2017**, Georgia has managed to make significant progress by eliminating the gaps identified in 2012. A number of activities have been implemented by the Ministry of Finance of Georgia. Among them, in 2015, the program budget methodology was updated, which helped to regulate both contextual and procedural issues when developing industry, sectoral and other types of strategies and action plans. In 2018, the program budgeting methodology was updated for the Autonomous Republics and Municipalities, and the format for drafting budget documents by them has significantly improved, and the process of drafting these documents were also regulated.

As a result of the reforms implemented, the **link between the main areas of the country and the budget has strengthened**. Countrywide industry and sectoral action plans include relevant cost estimates and are consistent with the law on annual budget and the parameters set out in the country's BDD document for a 4-year period.

As a result of the implemented reforms, in accordance with the results of the Open Budget Survey 2017 published by the International Budget Partnership, Georgia was ranked 5th out of 115 countries of the world with 82 scores, and Georgia has appeared among the completely transparent countries. Georgia has significantly improved its position compared to a similar survey in 2015, and has demonstrated significant progress, given the increased complexity of the research methodology. According to the index of 2015, Georgia appeared in the group of "significantly transparent" countries among 102 states, and was ranked 16th with 66 scores. The overall average score for the 2017 assessment decreased from 45 points to 42 points compared to 2015, while Georgia's indicator rose from 66 points to 82 scores.



Significant steps were taken towards the improvement of capital budgeting. Efforts are being made both to refine the budget documentation on capital expenditures in terms of content and to introduce a unified approach aimed at increasing the overall efficiency and effectiveness of public sector investment. A guide

and methodology for managing investment/capital projects was developed, on the basis of which a process of gradual introduction of this reform was launched. The government's efforts to fully introduce the public investment management system in the country in line with international practice are aimed at the implementation of further stages of the reform. Among the commitments jointly agreed with the European Union within the framework of financial assistance, as well as in accordance with the Public Finance Management Strategy and Action Plan 2018-2021, further stages of implementation of the investment project management reform in the medium term are envisaged, which is a complex and laborious process. As part of the commitments already made, 14 investment projects were evaluated in 2019 in accordance with the investment project management methodology and attached to the budget of 2020. In 2020, preliminary selection and evaluation will be done for at least 50% of the total value of new investment/capital projects in accordance with the Investment Projects Guide and Methodology.

Significant progress is being observed in introducing the reform of international accounting standards in the public sector. In accordance with the Action Plan for the implementation of international accounting standards in the public sector, key stages were identified for the transition to international accounting standards using the accrual method by 2020.

The area of the unified account of the Treasury was expanded and currently includes local authorities and public agencies, except for schools and kindergartens. Thus, consolidated reports on the budget execution and information of both central and local governments and public agencies are available in real time, by days, months and years. The State Treasury developed necessary regulations for managing cash resources on treasury accounts and started placing free cash funds in commercial banks through auctions held in Bloomberg.

Within the framework of the EU-funded technical assistance, a book titled "Public Finance Management Reform in Georgia"³ was prepared and published, describing reforms implemented during the 10-year cooperation with the EU, as well as future plans. All state institutions involved in the public finance management reform were involved in the preparation of the book.



³ http://mof.ge/images/File/bijeteti/European_Union_Finish_14_09_2017.pdf



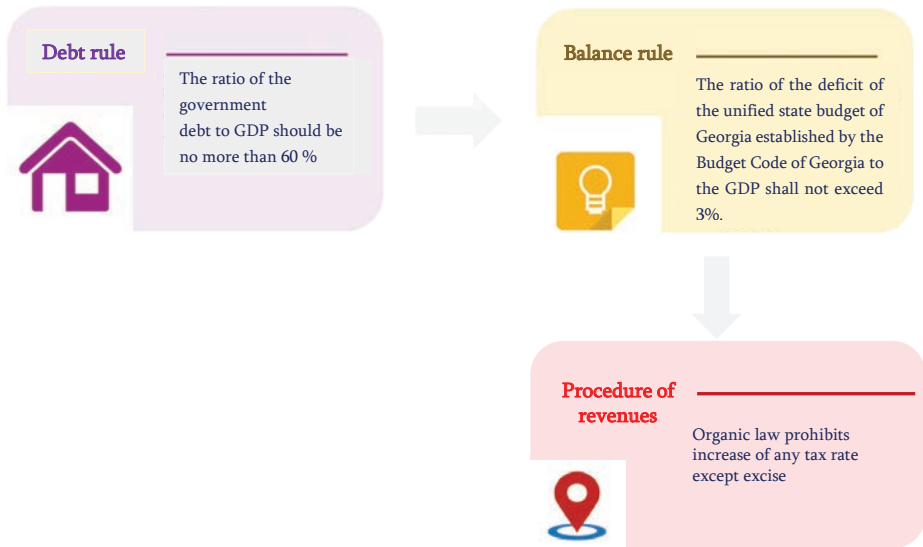
Fiscal rules in Georgia

In 2011, Georgia adopted the Organic Law of Georgia⁴ ***"On Economic Freedom"*** establishing guaranties for economic rights and freedoms. Through this law, the state provides economic rights and freedoms that are designed to form the basis for society development, welfare of people, and the long-term, sustainable growth of the economy. Freedom is the basic principle of economic policy, manifested in a small size of government, responsible macroeconomic policy and low taxes.

Introduction of a new type of national tax, other than excise tax, or an increase in the upper limit of the existing rate according to the national tax, excluding excise tax, is possible only through a referendum.

The following maximal thresholds of macroeconomic parameters are set to provide long-term and sustainable economic growth, population welfare, macroeconomic and fiscal stability:

⁴ <https://matsne.gov.ge/document/view/1405264?publication=2>



Government debt includes:

- State debt provided for by the Law of Georgia on State Debt, except for the obligations assumed by the National Bank of Georgia;
- Debt of budget organizations in the form of loan, except for debt taken from budget organizations.

If the budget approved by the Parliament of Georgia does not comply with the limit or limits established by law, the Government of Georgia shall be obliged to develop and submit to the Parliament of Georgia for approval a plan of return within the prescribed limits, the duration of which shall not exceed 3 years.

It is possible to plan beyond the limits of the unified state budget and/or implement the planned parameters:

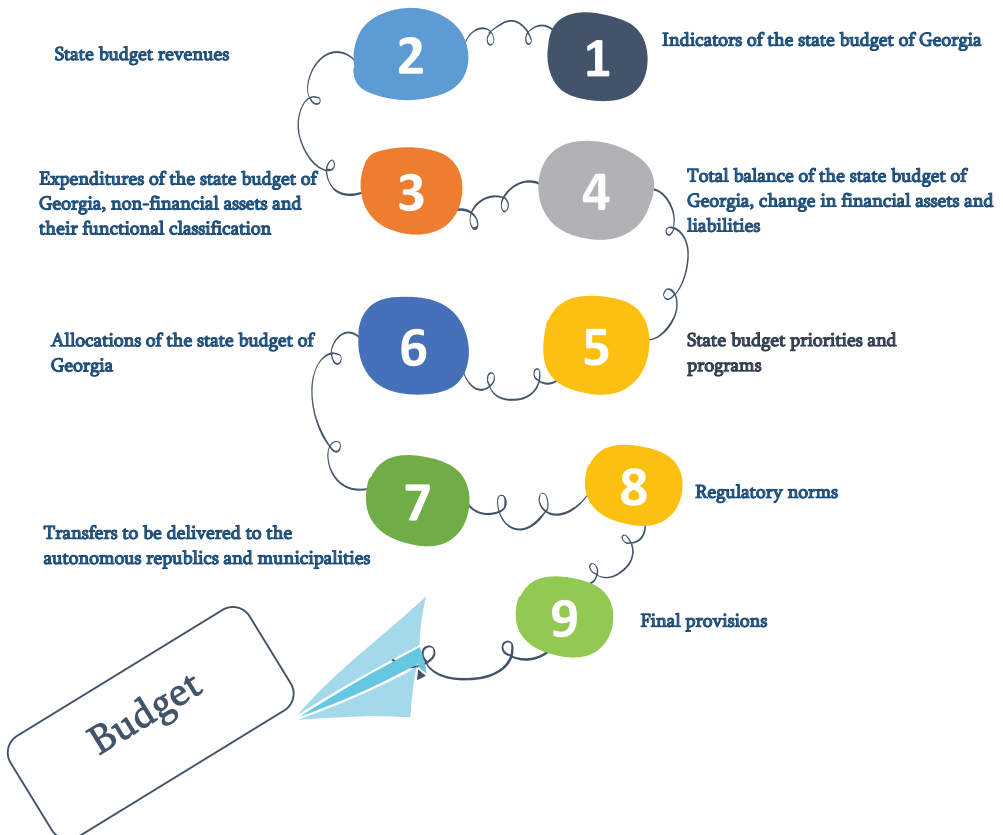
- ✓ In case if a state of emergency or martial law have been declared according to the procedure established by the legislation of Georgia, and if it is necessary to finance measures aimed at eliminating damage resulting from such a state;
- ✓ In case of slowdown of economic growth/recession - if, according to data published by the Legal Entity of Public Law - National Statistics Office of Georgia, the real economic growth rate of the last 2 quarters in a row is 2 percentage points lower than the average real economic growth rate of the last 10 years.

Determination of fiscal parameters for a medium-term period is based on general rules established by the legislation, as well as the analysis of the macroeconomic situation in the country and region.

Structure of state budget

The structure of the law on state budget includes the following types of information:

- ❖ The first four chapters outline main parameters of the state budget, including a breakdown of receipts and payments by economic and functional classifications, the size of deficit and its sources of financing, the forecasted amount of state debt, etc.;
- ❖ Chapter 5 presents the priorities set by the budget and provides a description and purpose of programs and sub-programs planned within them (programs are grouped by priorities);
- ❖ In Chapter 6, the programs are grouped by the spending agencies that implement them, and amounts of appropriations allocated to each program are presented. The same chapter also specifies the amount of payments of general state importance;
- ❖ Chapter 7 provides a detailed breakdown of transfers provided for autonomous republics and municipalities;
- ❖ Chapter 8 provides regulatory and transitional provisions of the budget law.



When submitted to the Parliament, the *State Budget Law* shall be accompanied by informative annexes for greater transparency, providing more detailed information related to the programs and capital projects, in particular:

- ❖ The State Budget Law shall be accompanied by an explanatory note of the State Budget Law, containing information on forecasts of basic macroeconomic indicators (nominal and real GDP, economic growth, inflation, investments, etc.), as well as a brief overview of execution of the current year's state budget.
- ❖ The country's Basic Data and Directions Document (2020-2023);
- ❖ Basic economic and financial indicators for 2016-2023 (baseline, as well as optimistic and pessimistic scenarios). This information presents fiscal indicators of the unified state budget;
- ❖ Comparison of updated mid-term forecasts of basic economic and financial indicators with previous forecasts;
- ❖ Annex of the program budget providing a description of each program and sub-program, their expected results and result evaluation indicators (baseline and target indicator, error probability and possible risks);
- ❖ Annex of the capital budget providing information on capital projects planned within the budget (including the total cost of a project, sources of its funding, completion deadlines, etc.);
- ❖ Detailed breakdown of the programs specified in the budget, and information on budgetary organizations disposing the appropriations allocated within each program;
- ❖ Information on the activities planned under the chapter "Other Expenses" envisaged by the budget;
- ❖ Information on fiscal risks, where macroeconomic risks and their possible impact on the budget are analyzed. Information on state-owned companies and possible contingent liabilities arising from them, the audited findings of the companies were available after October 1, and the analysis of the situation within the companies, began along with the IMF technical mission following the obtainment of the above findings.
- ❖ Information on government debt;
- ❖ Analysis of sustainability of government debt (2020-2029);
- ❖ Information on the central budget, which includes information on budgetary organizations disposing the state budget programs envisaged by the budget, as well as information on own revenues of legal entities of public law;
- ❖ Comparison of medium-term forecasts;

- ❖ Pilot analysis of the preliminary selection of investment projects within the reform of introduction of investment project management, and the annex to investment projects.

In the state budget, receipts and payments shall be accounted for through budget classification, which allows budget revenues and expenditures to be grouped by economic nature, functional measures, organizational structure, and other characteristics.

Budget receipts are the combination of cash funds received in the budget during the reporting period.



Budget expenditures are the aggregate monetary resources to be allotted from the budget in a given accounting period



General Overview of the Law on State Budget 2020

The draft law defines the set of revenues, expenditures and adjusted balance for the execution of functions and duties of the Central Authorities of Georgia in 2020 to be approved by the Parliament of Georgia. 2020 State Budget is fully aimed at the implementation of the state program, all parameters required for economic stability are retained and, at the same time, it is oriented on citizens as much as possible.

In developing the major parameters of the law, the main principles of the program of the International Monetary Fund (EFF – Extended Fund Facility) are considered, which imply limiting current expenses, low indicator of budget deficit and directing existing resources at funding infrastructural projects.

The medium-term fiscal framework envisages the expenses of educational reform as well as the increase of pension payments and some social payments; financing important infrastructural projects will continue.

State Budget Priorities



1. Affordable, Quality Healthcare and Social Security



2. Defense, Public Order and Security



3. Regional Development, Infrastructure and Tourism



4. Education, Science and Vocational Training



5. Macroeconomic Stability and Improvement of the Investment Environment



6. Institutional Development and Legal Support of the Country's Interests



7. State Support of Internally Displaced Persons (IDPs) and Migrants and Facilitating their Reintegration



8. Culture, Religion, Youth Promotion and Sport



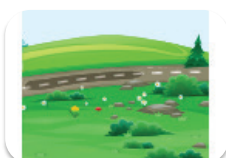
9. International Relations and Euro-Atlantic Integration



10. Agriculture



11. Judiciary



12. Environment Protection and Management of Natural Resources

1. Affordable, Quality Healthcare and Social Security

- ❖ Primary Healthcare financing mechanisms will be improved and the role and importance of the family doctor will increase. As a result, the expenses of both the state and the population will decrease.
- ❖ The focus will shift from response to prevention, as well as timely detection of diseases and prevention of complications.
- ❖ All patients will be eligible for hepatitis C elimination program in future as well
- ❖ The quality of mental health program will be improved at the level of inpatient, outpatient and community-based services;
- ❖ Special attention will be paid to maternal and child health – the plan for regionalization of perinatal medical centers will be implemented throughout Georgia;
- ❖ children's immunization in accordance with national calendar and provision of pregnant women and newborns with preparations, essential for healthy development will continue;
- ❖ Modern and highly effective methods of cancer treatment will be established;
- ❖ The existing standardized basic universal healthcare package will be improved;
- ❖ to recover the fees of service, payment systems based on diagnosis-related groups and global budgets will be used, which will ensure more efficient and predictable costing of the program;
- ❖ Implementation of electronic medical records system will start all over the country facilitating improvement of healthcare quality.
- ❖ Conditions of technical regulations of the license, permission and high risk outpatient medical activities will become compliant with existing challenges;
- ❖ Medical postgraduate education system will be improved, which, on the one hand, will improve results for successful prevention and treatment process for patients, and, on the other hand, will decrease the expenses of medical institutions.
- ❖ The requirements of labor market will be studied and close coordination between job seekers and employers will be promoted.

2. Defense, Public Order and Security

- ❖ In order to develop strong and effective defense system, the government of Georgia will approve and implement a four-year program, which will become a strategic plan for implementation of a new vision of the defense of the country and provide grounds for transformation and modernization of military forces.
- ❖ For the purpose of further improvement of the penitentiary system, vocational education will become accessible to more convicts;
- ❖ psychological rehabilitation of convicts, including rehabilitation programs for addicted individuals will become stronger;
- ❖ New type of non-custodial sentence – house arrest for adult convicts will be implemented; the control of the execution will be carried out through the electronic monitoring;

- ❖ New penitentiary facility will be established, which will prepare low and medium-risk convicts for release;
- ❖ Phased rehabilitation and modernization of penitentiary facilities will continue;
- ❖ Life convicts release mechanism will be refined;
- ❖ The mechanism of release for sick and elderly convicts;
- ❖ To ensure independence of prosecutors, the system of appointment, incentives (including promotion), disciplinary responsibility and dismissal of prosecutors will be improved;
- ❖ To ensure maximum efficiency in combatting crime and police operation in the system of the Ministry of Internal Affairs, analysis-based police system will be implemented;
- ❖ The role of technology in policy activities will increase, which will promote crime prevention, significantly improve the quality of investigation and build capacity of the police;
- ❖ The program of traffic safety will be implemented, which will increase the safety level of pedestrians, passengers and drivers and will decrease the number of accidents on the roads;
- ❖ Border management system reform will be finalized within planned timeframe, which will ensure modernization, standardization and unification of the border police. Unified Emergency Management System will be finalized, which will ensure effective coordination and rapid response;
- ❖ Special attention will be paid to illegal migration and management of the related risks, capacity building of the Ministry of Internal Affairs in this respect, and improved coordination with other agencies.
- ❖ Cooperation will be strengthened with international police structures, especially with EUROPOL;
- ❖ Independent and effective operation State Security Service will be ensured.

3. Regional Development, Infrastructure and Tourism

- ❖ The construction of new highways, reconstruction of the existing roads and upgrading and modernization of road infrastructure will continue in fast pace within the framework of special planning component of the government's four-point plan;
- ❖ International transit roads and secondary roads connecting the regions will be constructed throughout country;
- ❖ The project of the century – Construction of Anaklia Deep Sea Port was initiated;
- ❖ By 2020, 24-hour water supply will be available for additional 360 thousand people;
- ❖ The projects on construction -rehabilitation of water supply – sewage and treatment facilities will actively continue in several cities and villages;
- ❖ Special attention is paid to construction and installation works on water supply systems in the Pankisi Gorge and border villages of Kaspi and Kareli municipalities. The works will be finalized shortly and, as a result, about 20 thousand of people will benefit from the improved quality of potable water supply.

- ❖ Municipal waste collection services will improve throughout the entire country; existing landfills will be brought into compliance with the requirements of the national legislation and will be closed gradually;
- ❖ Within the framework of the internet access Project, 8000km infrastructure will be provided, resulting in additional 800,000 people and over 90% of the country's population with internet access.
- ❖ The process of electrification and installation of meters will continue. In this process special attention will be paid to rural and mountainous regions without electricity.
- ❖ Road infrastructure will be improved and developed, the roads providing access to cultural monuments and other sights will be improved, marketing activities on target and potential markets will become more active, protected areas will be expended and ecotourism will be promoted;
- ❖ Winter resorts will be developed in accordance with well thought development plans, summer potential of the resorts also will be taken into consideration
- ❖ Cooperation between public and private sectors will be promoted with regard to development of tourism products and marketing;
- ❖ the government will continue provision of social-economic support to highland areas, promotion of local production, improvement of demographic situation in highland areas and improving welfare level of the inhabitants.

4. Education, Science and Vocational Training

- ❖ Improvement of the infrastructure of pre-school education facilities and establishment of new facilities will continue.
- ❖ Functioning of school readiness groups consisting of preschool age children will be supported at kindergarten and school levels;
- ❖ In order to achieve high quality standards of general education, new standards of authorization will be implemented with the focus on high results of teaching and learning;
- ❖ To improve education quality, new education plans, curricula and textbooks will be developed, with the focus on high standards and in compliance with modern requirements;
- ❖ The system of Unified National Examinations will be developed. The role of modern technologies will increase in the process of conducting exams;
- ❖ The state will promote career development for teachers, through their continuous professional development. Development of reimbursement system and motivation packages will continue;
- ❖ The state will support a variety of student activities and projects, that will assist them with developing their analytical, creative, innovative and creative thinking, teamwork, leadership and entrepreneurial skills, as well as civil and social competencies, will promote healthy lifestyle and sport activities;
- ❖ Scientific-technological capabilities of schools will be significantly reinforced.

- ❖ E-learning platform will be established to introduce geography, history and the Georgian language lessons for Diaspora representatives;
- ❖ Besides, within the framework of the programme funded by the EU and the Council of Europe, rehabilitation works with the focus on improving energy efficiency will be carried out in some of schools of Tbilisi;
- ❖ Based on the surveys of the labor market, the state determines certain priority directions of vocational education areas and ensures full involvement of employers in professional program development and implementation, as well as in the selection and evaluation processes of students.
- ❖ In cooperation with private sector, adult education system will be established;
- ❖ Infrastructure of vocational education institutions will be developed, and geographical area of the existing institutions will be enhanced under the framework of public-private partnership
- ❖ New efficient higher education funding models will be introduced;
- ❖ Integrated undergraduate and graduate education program will be implemented to improve teacher training system;
- ❖ accredited 60-credit teacher training programs will be introduced in public and private higher education institutions; the programs will be funded by the state and they will facilitate recruitment of new staff at schools;
- ❖ The state will support the internationalization of higher education and sharing the best international experience;
- ❖ Scientific cooperation with the centers and universities of other countries and implementation of joint projects, research of foreign scholars in Georgia and research of Georgian scholars at scientific centers abroad will be promoted.

5. Macroeconomic Stability and Improvement of Investment Environment

- ❖ Permanent process of optimization of expenses will continue, which will be focused on release of resources and their distribution to priorities;
- ❖ Administrative expenses will be reduced and their increase in the future will be limited
- ❖ Perfection of program budget principles will be ensured;
- ❖ Transparency of the budget will be improved;
- ❖ State debt-to-GDP will be maintained on the level to ensure stable credit rating and positive investment image of the country;
- ❖ Effective coordination of fiscal and monetary policy will be ensured;
- ❖ Increase of lending in GEL will be promoted;
- ❖ Seizures of business accounts will never happen without the Court decision. The period of audit for companies will be regulated and the use of pre-trial detention for economic crimes will be eliminated, except for extraordinary cases;
- ❖ With regard to improving access to finances, existing programmes for promoting entrepreneurship will be improved and optimized in terms of improving efficiency;

- ❖ To promote effective relations between the government and business, entire space – “Business House” will be established, where all respective agencies will provide services to business based on the principle one stop shop;
- ❖ Regulatory Impact Assessment (RIA) tool will be widely implemented to analyze in advance impact of each decision on the business, protecting the business from possible negative effects;
- ❖ Supporting competitive industries by the state will be strengthened, in order to ensure the increase in both local and export production potential;
- ❖ For the purpose of stimulation of economic growth in Georgia, in addition to improvement of business climate, the government of Georgia plans implementation of large scale reforms, in particular: Capital market reform, Pension Reform and Land reform;
- ❖ Signing EU – Georgia Association Agreement, in particular DCFTA, Georgia gained important opportunities for its economy, in terms of increase in export, attracting investments and improving productivity in the country;
- ❖ Work for development of liberal trade regimes will continue with priority countries. Consequently, export potential of Georgian products and diversification of export markets will be improved;
- ❖ The policy of the Government’s of Georgia will be focused on strengthening economic component of diplomatic representations of Georgia abroad and implementation of the system of commercial attaches

6. Institutional Development and Legal Support of the Country’s Interests

- ❖ Gradually, career model of public service will be developed, which will ensure recruitment and promotion of the servants in accordance with objective criteria.
- ❖ Implementation of the entire system for policy planning and monitoring will continue throughout Georgia, which is based on the idea of development of transparent, result-focused public engagement principle and accountability
- ❖ Within the framework of public administration reform, active work will continue for the purpose of strengthening public finance management, accountability and management capabilities of local self-government;
- ❖ In order to ensure improvement of criminal policy, the criminal justice system reform will continue with the participation of civil society, in accordance with international standards and best practices;
- ❖ The process of justice restoration will continue. Within the framework of the constitution and in accordance with international obligations, the Government of Georgia will apply all legal mechanisms in order to restore rights of each individual infringed during the previous government;

- ❖ Effective coordination of steps made for combatting corruption, public engagement, raising public awareness in this regard, implementation and strengthening of anti-corruption mechanisms will be insured
- ❖ Effective measures will be carried out to raise public awareness of inalienability of private life and personal data protection;
- ❖ Georgia, as the recognized leader in the region in fight against corruption and the co-chair of Open Government Partnership (OGP), will continue work in order to make its achievements even more impressive in the field of fight against corruption;
- ❖ The existing practice of issuing public information will be improved.

7. *State Support of Internally Displaced Persons (IDPs) and Migrants and Facilitating their Re-integration*

- ❖ Construction of multi-apartment residential houses will continue for IDPs;
- ❖ Houses for IDPs will be procured within the framework of the project “House in the village”;
- ❖ Redemption of those residential spaces from private owners will continue, which are occupied by IDPs;
- ❖ Work is ongoing with donors, on the one hand, and with investors, on the other hand, in order to build new accommodations for IDPs at both rural and urban areas within the framework of public-private partnership;
- ❖ Promotion by the government of the cooperation between small entrepreneurs and IDPs will be significantly strengthened;
- ❖ The process of legalization of residential houses and land parcels for eco-migrant families will continue;
- ❖ Various policy directions focused on the elderly will be strengthened;
- ❖ The role of different social workers will increase with regard to families having social problems.

8. *Culture, Religion, Youth Promotion and Sports*

- ❖ The legislation related to culture and protection of monuments will be improved;
- ❖ Cultural Heritage Code will be prepared, which will create a proper legal basis for the protection of cultural heritage;
- ❖ Searching for alternative ways for financing and diversification of cultural sector will continue;
- ❖ Infrastructural projects will be implemented for maintenance of heritage in the fields of culture and monuments protection;
- ❖ Culture will be promoted in broad society. Media potential will be used for promotion and development of culture and creative sector.
- ❖ The development of art education, further training of specialists of the sector will continue;

- ❖ Combined football and rugby pitches will be constructed in accordance with international standards;
- ❖ New sport palaces in compliance with international standards will be built in regional centers;
- ❖ Efficient model for management of sport infrastructure will be developed, which will be based on public-private partnership;
- ❖ Transfer of football teams in private ownership, development of women's and children's football, as well as age teams (including national team) will be promoted;
- ❖ Promotion by the state of youth activities, including informal education programs, hobby education and financing recreational projects will continue.

9. International Relations and Euro-Atlantic Integration

- ❖ The work will be continued for promotion of full implementation of the only international mechanism available in Georgia – EUMM mandate – across the occupied territories of Georgia.
- ❖ In the framework of peaceful conflict resolution policy, special attention will be paid to the reconciliation of the communities divided by the war and occupied lines and building confidence between them, through direct dialogue, encouraging reconciliation process, specific confidence-building projects, responding to humanitarian needs of conflict-affected population, public diplomacy and supporting partnership based on common interests;
- ❖ Facilitation of the development of international cultural and humanitarian cooperation and joint international projects will be insured in bilateral as well as in multilateral format;
- ❖ Supporting popularization of the cultural and intellectual potential of Georgia will continue with active cooperation with UNESCO;
- ❖ Effective legal and consultation mechanisms as well as on spot support will be provided to the representatives of diaspora;
- ❖ The government of Georgia will continue strategic cooperation with the USA, as its key partner;
- ❖ Cooperation with civil society will be continued, which will enable the successful implementation of the Association Agreement between Georgia and the EU, consolidation of public opinion about European integration in the country, as well as mobilization of existing knowledge and experience.

10. Agriculture

- ❖ The main attention will be paid to implementation of measures focused on the capacity development of agricultural cooperatives;
- ❖ Special attention will be paid to the research of degraded soils and the measures for their restoration and improvement;
- ❖ Entire rural development policy will be elaborated, with the focus on improvement of living standard and increased economic activity in rural areas;

- ❖ The state will promote implementation of post-harvest technologies, as well as development of storing, sorting, packing, processing and distribution sectors, that will ensure integration of the entire cycle of components for added value;
- ❖ The project of agricultural insurance will be improved, which will facilitate protection of the farmers' interests;
- ❖ Meliorated (irrigated and drained) land areas will be increased;
- ❖ Irrigation and drainage systems will be developed and improved;
- ❖ Tariff methodology will be approved;
- ❖ Work will continue to ensure farmers' access to finances;
- ❖ Key indicators will be defined and respective methodology will be elaborated with the purpose of providing monitoring of food safety in the country;
- ❖ Food safety, veterinary and phytosanitary fields will be approximated with respective EU legislation, envisaged by DCFTA, which will be implemented within the timeframe under the Association Agreement,
- ❖ Information system of agricultural market will be refined;
- ❖ Significant attention will be paid to promotion of agricultural products on local and international markets.

11. Judiciary

- ❖ Third wave of justice system reform will continue and will be finalized, which will complete the court system reform for ensuring independence of Court at institutional level as well as independence and impartiality of individual judges;
- ❖ Procedure for selection and appointment of judges and disciplinary procedures will be refined as a result of the implementation of the third stage of the judicial system reform;
- ❖ Cases will be randomly, electronically distributed;
- ❖ Reform of the Supreme Council of Justice of Georgia will be implemented;
- ❖ Commercial panels and chambers will be established in common court system, which will be specialized at considering commercial and tax cases.

12. Environment Protection and Management of Natural Resources

- ❖ In accordance with requirements of EU-Georgia Association Agreement, gradual implementation of modern environmental principles and standards will continue;
- ❖ Environmental impact assessment system, will be developed based on transparent procedures;
- ❖ The list of the activities subject to environmental risk assessment will be refined;
- ❖ Strategic environmental assessment will be conducted for national spatial arrangement and urban development plans, as well as plans and programs in a variety of sectors;
- ❖ For the purpose of prevention and elimination (compensation) of damage to the environment, efficient system for environmental responsibility will be developed;

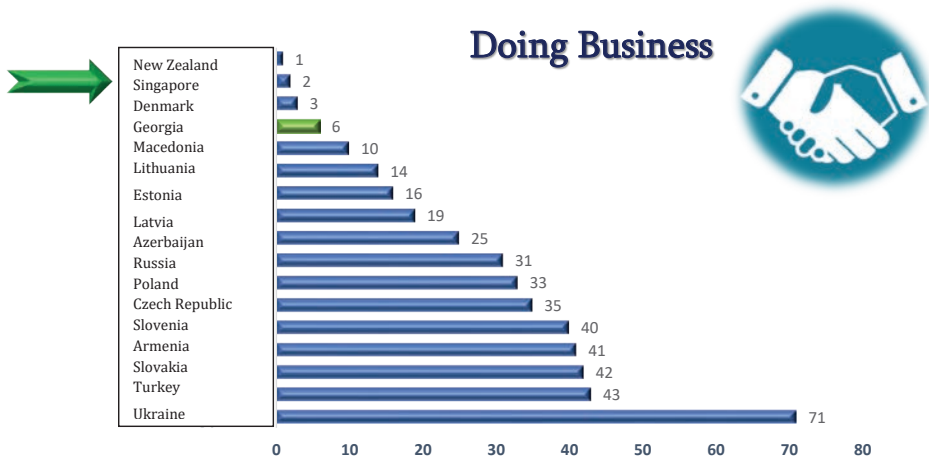
- ❖ Issues related to exploration and extraction of minerals will be organized to stimulate the interest of the private sector in this field. Ecological aspects will be taken into consideration in licensing process;
- ❖ The state will ensure expansion of protected areas and promotion of ecotourism;
- ❖ To reduce the risks related to natural disasters due to climate change, hydrometeorology observation network will be extended, modelling capacities will be strengthened and national early response system will be implemented;
- ❖ Transferring into integrated water resources management system will continue;
- ❖ The quality of Nuclear and radiation safety will be improved;
- ❖ A new system for management of radioactive waste will be developed, ensuring protection of the population and the environment from possible harmful impact of radiation;
- ❖ Chemical management and control mechanisms will be improved;
- ❖ The activities for promotion of environmental education and environmental awareness will continue and will be extended.

Ratings

The implemented reforms for improvement of business environment brought significant results demonstrated by international ratings.

✓ **Doing Business**

In 2018 Doing Business ratings were published by one of the most authoritative World Bank. Georgia significantly improved its position and moved to 6th position. The 6th position is an elite position making Georgia an important center of interest on the map of international investors. Georgia ranks second in Europe after Denmark.

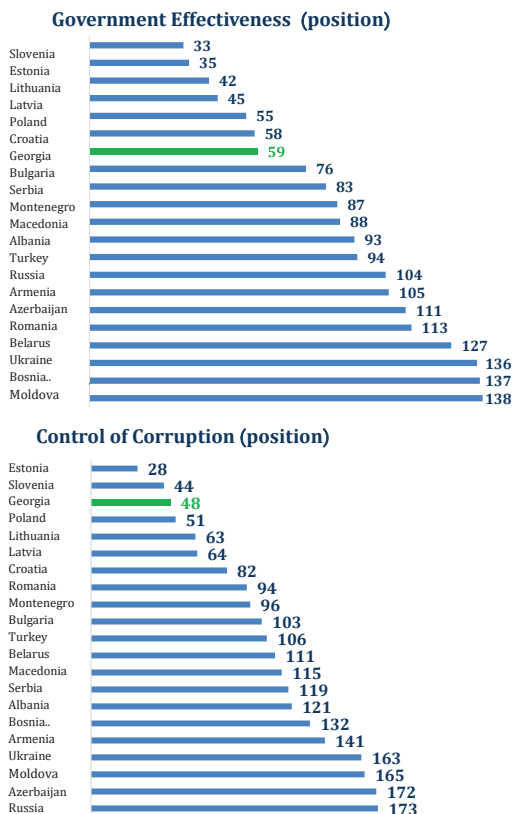


✓ Governance Indicators

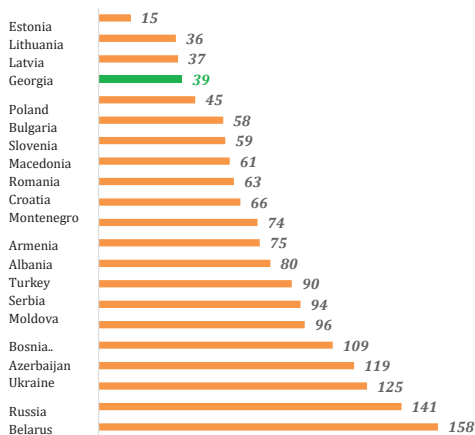
Success of the reforms is demonstrated by the Governance Indicators of the World Bank. Georgia has significant progress in recent period. It is the leader in the region according to all indicators. With the qualitative indicators of governance it clearly establishes itself among European countries:

- **In Government Effectiveness dimension** Georgia is ahead of all countries in the region and some European countries as well (Serbia, Romania, Bulgaria, Montenegro);
- **In Control of Corruption dimension** Georgia is ahead of such countries as Poland, Latvia, Lithuania, Croatia and Romania;
- **Regulatory Quality dimension** Georgia is ranked 39 and ahead of such countries as Poland, Bulgaria, Slovenia, Romania and Croatia.

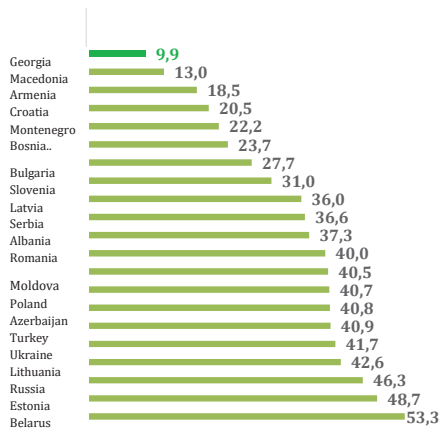
Another important rating is that **Georgia occupies the 3rd lowest position in the low amount of taxes**. The amount of taxes is measured by WB Total Tax rate. In these rankings two microstates: Brunei and Vanuatu are ahead of Georgia. If we don't count these two microstates, it can be concluded that Georgia occupies the first position worldwide. This is the result of the reforms carried out recently by the Government of Georgia.



Regulatory Quality (position)



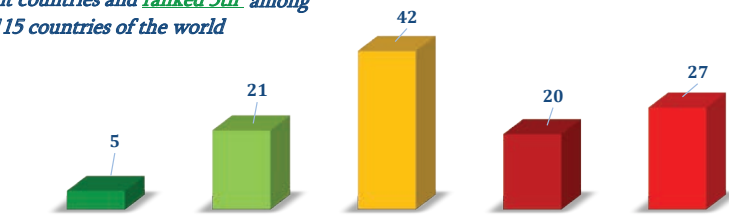
Tax Burden (position)



✓ Open Budget Index (OBI)

Another recognition of Georgia and the reform undertaken is OBI. Investors pay a lot of attention to transparency of financial management by the government. In this direction OBI was published early this year where Georgia has significantly improved its position and ranked 5th among world countries with 82 points. From European countries only Sweden and Norway have better rankings.

*2017 - With **82 points** Georgia joined fully transparent countries and **ranked 5th** among 115 countries of the world*



81 - 100	61 - 80	41 - 60	21 - 40	0 - 20
Extensive Information Available	Substantial Information Available	Limited Information Available	Minimal Information Available	Scant or No Information Available

Transparency
(Open Budget Index)

Public Participation

Budget Oversight

Planned Activities

In the process of development of the state budget 2020, the country's economic growth indicator was taken into consideration for the past period of the current year and for next year forecasts by various international financial institutions of economic trends for Georgian as well as the world economy and countries of the region.

The State Budget 2020 is fully aimed at implementation of the state program, all properties required for economic stability are maintained and, at the same time, it maximally focuses on citizens, which is reflected in the following activities:

➤ **Improvement of the social system**

- *Inc. Pricing of all medical services will take place, significantly reducing amount of copayments by citizens;*
- *Inc. for improvement of primary healthcare, emergency medical assistance and village doctor institution will be united under the single management throughout the entire country.*

➤ **Education system**

- *Inc. Salary supplements for senior, leading and mentor teachers (UP TO 43,000 citizens) will increase by 150 GEL from October 1, 2019 and by additional 150 GEL in 2020 from the start of a new school year. From September 1, 2020, kindergarten employees will also receive a pay rise of 100 GEL;*

➤ **Police and Army**

- *Inc. in 2020 salaries of soldiers, fire-righters and rescuers, policemen and persons of equal status.*

In 2020, the process of returning taxes (mostly VAT) paid in excess will continue and it is expected that over 600.0 million GEL will be returned in 2020.

Current costs of the budget are significantly affected by increase in social payments (300.0 million GEL), as well as planned increase in salaries of public school and nursery school teachers, village doctors, policemen and soldiers. Current costs by 2020 will be 21,5% of GDP. During the following years, the costs will be retained low (<22%).

The share of capital costs in relation to GDP will be 7,3% by 2020 and will be retained at 7,0% during the following years.

In 2019, education system reform actively started. It involves systematic improvement of both social guarantees and quality of teaching delivered by general education school teachers. Based on the

amendments to the State Budget 2019 submitted to the Parliament, general education budget increased by 95.0 million GEL. The mentioned resources are considered for the compensations of pensioner practitioner teachers (in the amount remuneration for 2 years) leaving the system, as well as the costs of 150 GEL rise for senior, leading and mentor teachers and funding remuneration in compliance with rising the status of a teacher. Therefore, 2020 budget envisages the costs of the reform initiated this year as well as the costs for implementation of the next stage of the reform.

Budget Transparency

Budget documents (including state budget and implementation reports) are uploaded on the website of the Ministry of Finance of Georgia (www.mof.ge). However, introduction of various tools are required to facilitate easier understanding of the large amount of information. Citizen's Guide is such a tool.

In addition, it is important for each citizen to have an opportunity to participate in the process of planning the budget, to allocate financial resources to planned programs based on their point of view, express their opinions and receive feedback on whether their opinions are considered in the budget.

To ensure the above-mentioned, in 2018, a concept was developed with active participation of the Budget



Department of the Ministry of Finance of Georgia and with the support of USAID, to develop an electronic portal/module for public involvement in the process of planning the budget - eBTPS – Electronic Budget Transparency and Participation System. Based on the mentioned concept, Legal Entity under Public Law of the Ministry of Finance of Georgia - Financial Analytical Service prepared terms of reference of eBTPS, based on which implementation of the mentioned system is planned this year.

In accordance with the terms of reference a new electronic system (eBTPS) was developed. With the mentioned system, citizens will be able to plan the budget and express their opinions.

Major Macroeconomic Indicators

2019 Budget was planned for 4,5% real growth of GDP. Based on preliminary indicators of 9 months real economic growth is 5%. Considering the above-mentioned, 2019 economic growth forecast was adjusted

and defined as 4.8%. GDP deflator was adjusted and defined as 5,0% considering inflation indicators this year. In November this year, GDP and other national account aggregates were also specified due to transferring to a new methodology of National Accounts system (SNA 2008) and nominal GDP of 2018 significantly changed, in particular it was defined as 44599.3 million GEL instead of 41077.5 million GEL.

Based on 2018 indicators and economic growth forecast change, nominal GDP for 2019 is 49,1 billion GEL based on updated forecast.

As a result of consultations with International Monetary Fund, forecast for real GDP growth falls from 5,0% to 4,5% by 2020, increases gradually during the following years and is forecast within 5,5% for 2023.

GDP deflator forecast is 5,0% in 2019, is forecast approximately 3,5% in 2020 and 3,0% for following years. As for inflation indicator, forecasts envisage target inflation indicator of the National Bank of Georgia equaling 3,0%.

Based on macroeconomic indicators, nominal GDP of 2020 is 53,1 billion GEL which is forecast to rise to 67,5 billion GEL by 2023.

It should be considered that macroeconomic indicators in relation to GDP were affected by nominal GDP indicator adjusted by National Statistics Office of Georgia based on a new methodology.

Deficit under the legislation of Georgia (which is based on GFSM 2014 classification) is 2,4% in relation to GDP for consolidated budget 2020; within the program with International Monetary Fund, modified deficit is used for fiscal framework indicator, which, unlike GFSM 2014, includes operations carried out with financial assets as a source of deficit. Based on the mentioned methodology, 2019 deficit is defined as 2,5% in relation to GDP.

In accordance with the organic law of Georgia on “Economic Freedom” - negative total balance of the Consolidated State Budget is 1333,4 million GEL which is 2,5% of GDP (the limit under the law is 3,0%). The mentioned indicator with consolidated budget also envisages the result of operations carried out by LEPLs and N(N)LPs established by state bodies from the revenues considered by law.

As for the limit of the state debt for the end of 2020, it is defined as 23 434,9 million GEL, including external state debt – 17 968,1 million GEL and internal state debt – 5 466,9 million GEL.

Item	Actual 2017	Actual 2018	Expected 2019	Forecast 2020	Forecast 2021	Forecast 2022	Forecast 2023
Real GDP Growth	4.8%	4.8%	4.8%	4.5%	5.0%	5.0%	5.5%
Nominal GDP (million GEL)	40,761.7	44,599.3	49,077.1	53,080.6	57,406.6	62,085.3	67,465.0
GDP per capita (USD)	4,358.5	4,722.0	4,670.1	4,779.8	5,169.4	5,590.7	6,075.10
Consumer Price Index, medium term (average annual inflation)	6.0%	2.6%	4.0%	3.0%	3.0%	3.0%	3.0%
Consumer Price Index, for the end of the period (inflation at the end of the year)	6.7%	1.5%	4.5%	3.0%	3.0%	3.0%	3.0%
Current account (% in relation to GDP)	-8.0%	-6.8%	-4.1%	-3.5%	-3.3%	-3.2%	-3.2%
GDP deflator	8.5%	4.4%	5.0%	3.5%	3.0%	3.0%	3.0%
State debt % in relation to GDP	39.4%	38.9%	40.9%	42.5%	42.3%	42.2%	42.0%



State Budget Receipts

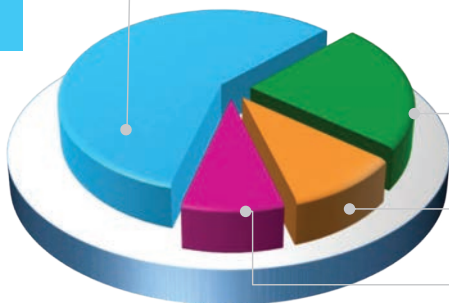
2020 State Budget receipts have been defined as 14,554.2 mln GEL, which exceeds 2019 indicator - 1,597.7 mln GEL and amounts to 27.4% of GDP. Compared to 2019, increase in receipts is basically linked to increase in tax receipts.

Structure of State Budget Receipts

Million GEL

Revenues

11,226.9



Increase in liabilities

3,067.3

Decrease in financial assets

130.0

Decrease in nonfinancial assets

130.0

State Budget Revenues

78.6% of 2020 State budget receipts come from revenues that total 11,226.9 million GEL, which is 21.2% of GDP.

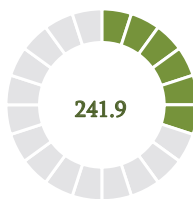
Structure of State Budget Revenues

Million GEL

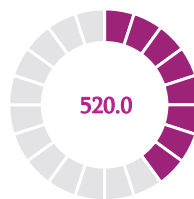
Item	Actual 2018	2019 Plan	2020 Plan	Deviation (2020-2019)
Revenues	10,595.6	10,540.4	11,226.9	686.5
Taxes	9,695.9	9,645.0	10,465.0	820.0
Grants	404.0	390.4	241.9	-148.5
Other Revenues	495.7	505.0	520.0	15.0



Taxes



Grants



Other Revenues

Taxes

According to draft 2020 State budget, 10,465.0 million GEL is expected to be collected through taxes, including:

- Income tax forecast indicator was determined by 3,415.0 million GEL;
- Profit tax forecast indicator was determined by 970.0 million GEL;
- VAT tax forecast indicator was determined by 4,398.3million GEL, which is 8.3 of GDP;
- Excise forecast indicator was determined by 1,400.0 million GEL, which is 2.6% of GDP;
- Import tax forecast indicator was determined by 80.0 million GEL, which is 0,2% of GDP;
- Other tax forecast parameters were defined by 201.7 million GEL, which is 0,4% of GDP.

2020 state budget tax forecast indicator exceeds the planned indicator for 2019 by 820.0 million GEL. The tax revenues comprise 93.2% of the State Budget revenues and 19.7% of the GDP

Grants

In 2020 state budget, the grants forecast indicator is 241.9 million GEL, including:

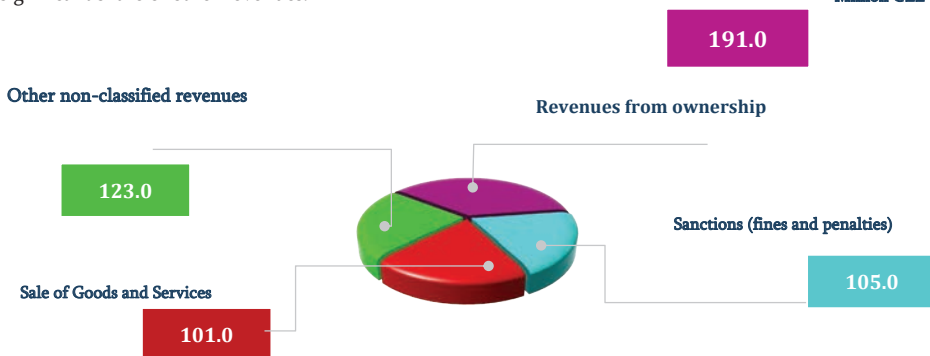
- Budget grants - 130.0 million GEL;
- Investment (expense-linked) grants - 46.9 million GEL;
- Grants to be transferred to the state budget by LEPLs from revenues received in accordance with article 35 of the Law of Georgia on Budget - 65.0 million GEL;

Forecast indicator of grants in the law of Georgia on State Budget is 2,2% of budget revenues and 0,5% of GDP.

Other Revenues

In accordance with 2020 Budget, other revenues forecast exceeds planned indicator for 2019 by 15,0 million GEL and is 520,0 million GEL, which is 4,6% of the state budget revenues and 1,0% of GDP. Revenues from ownership (dividends and interest of the State-owned enterprises or those under shared ownership, lease), administrative fees (licenses, permits, registration fees, State Duty, Consular service fees, Fee on the deference of recruitment to military army) and fines and expenditures make up a significant share of other revenues.

Million GEL



Decrease in nonfinancial assets

130.0 million GEL is estimated to be collected through nonfinancial assets, which is 50.0 million GEL more than the corresponding indicator for 2019.

Decrease in Financial Assets

Decrease in financial assets has been defined as 130.0 mln GEL which is 10.0 million GEL more than corresponding indicator for 2019 and represents return of loans issued from the state budget in previous years.

Increase in liabilities

GEL 1,986.8 million has been mobilized in the 2018 State budget through taking a loan by the State. These are:

- Increase in liabilities by issuing state securities – 1,200,000.0 thousand GEL;
- As part of GSE corporatization and energy market reform program - Asian Development Bank (ADB) receivables – 105,000.0 thousand GEL;
- As part of Development Policy Operations (DPO-2019) program – World Bank (WB) receivables – 150,000.0 thousand GEL;
- Receivables from the Macrofinance Assistance Program (MFA) (EU) – 65,000.0 thousand GEL;
- Within Georgia Energy Sector Reform receivables from French Development Agency (AFD) – 126,500.0 thousand GEL;
- Within Georgia Energy Sector Reform receivables from German Reconstruction Bank (KfW) – 189,750.0 thousand GEL;
- Within Social Welfare Program – stage III receivables from French Development Agency (AFD) – 48,750.0 thousand GEL;
- Long-term investment, preferential credits to be provided to the Government of Georgia by international financial organizations and foreign governments – 1,182,300.00 thousand GEL.

The plan for receivables in the form of **increase in internal liabilities** is defined in the amount of 1,200.0 million GEL. Attracting additional resources is related to creation of financial reserves (so-called buffers) in the country. It should be noted, that Eurobonds issued in 2011 expire in 2021 and they will need to be refinanced or redeemed. In both cases existing free reserves are important, which have certain effect on the process of redemption and refinancing;

The plan for receivables in the form of **increase in external liabilities** is defined as 1,867.3 million GEL, including:

- Budget support credits related to sectoral reforms – - 685.0 million GEL;
- Investment (allocated to projects) credits – 1,182.3 million GEL;

State Budget Expenditures

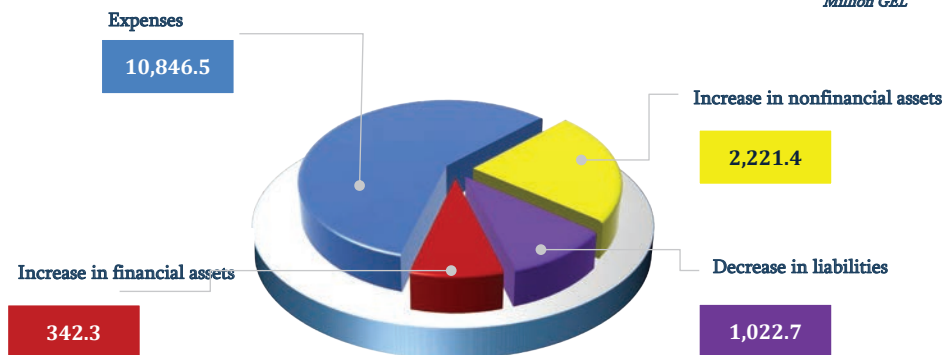
According to 2020 State budget, the total volume of planned expenditures is 14,432.9 mln. GEL. It is 119.7 mln GEL more compared to the 2019 approved budget and amounts to 27.2% of GDP. Among them are: Budgetary funds – 13,203.7 mln GEL, 46.9 mln GEL for grants and 1,182.3 million GEL for credits. State budget receipts represent the source of funding of State budget expenditures. It is not planned to use the free funds (balance) existing on the state budget account.

Million GEL

Item	Actual 2018	2019 Plan	2020 Plan
Expenditures	12,590.2	13,313.2	14,432.9
Expenses	9,543.7	9,999.1	10,846.5
Increase in nonfinancial assets	1,912.2	2,137.6	2,221.4
Increase in financial assets (excluding balance)	381.1	209.4	342.3
Decrease in liabilities	753.2	967.1	1,022.7

Structure of Expenditures

Million GEL

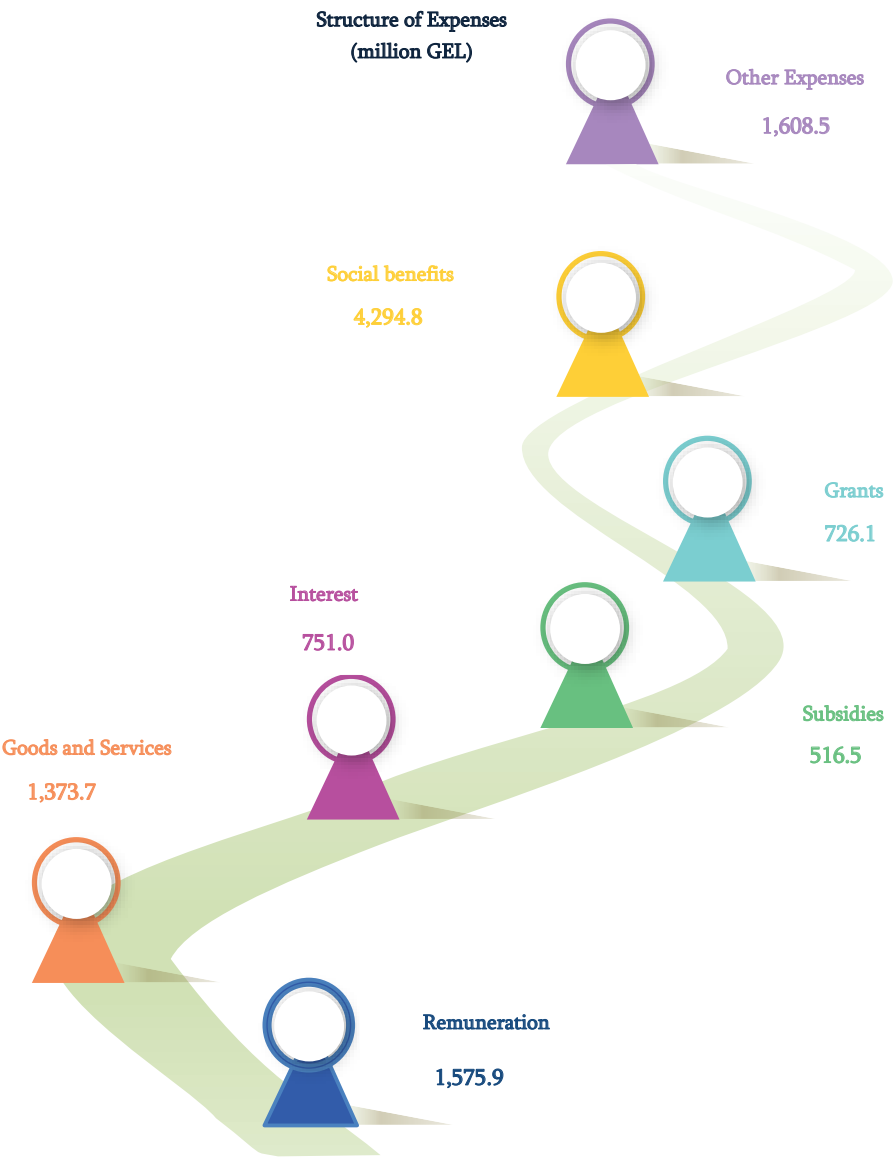


State Budget Expenditures (million GEL)



Expenses

In 2020, total amount of expenses in the Law of Georgia on State Budget is 10,846.5 million GEL. In addition to increase in nonfinancial and financial assets, 421.8 million GEL is considered for capital expenditures in other expenses and 182.4 million GEL in grants.



Increase in nonfinancial assets

In 2020, the item of increase in nonfinancial assets in the Law of Georgia on State Budget is defined as 2,221.4 million GEL, which is 83,3 million GEL more than a similar indicator for 2019. Increase in nonfinancial assets is 4,2% of GDP.

Increase in financial assets

In 2020 the item of increase in financial assets was defined as 342.3 million GEL. Increase in financial assets is 0.6% of GDP.

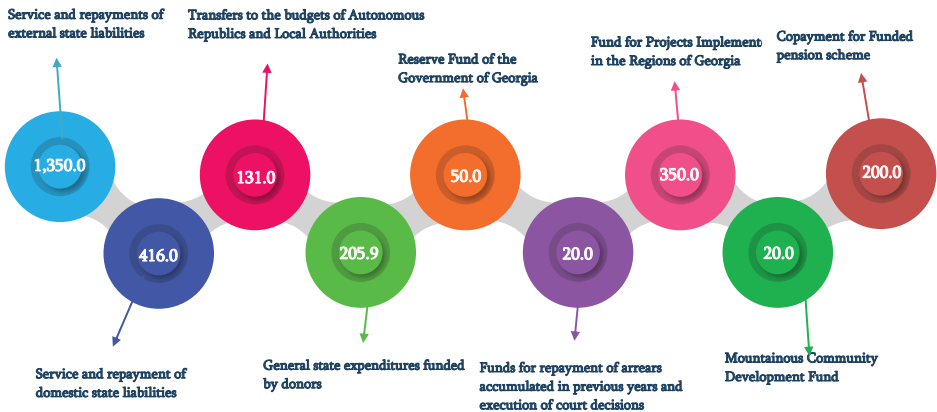
Decrease in liabilities

In 2020, reduction of liabilities in the Law of Georgia on State Budget is 1,022.7 million GEL, from which 978.7 million GEL will be directed at covering state external liabilities and 44.0 million GEL – at covering internal liabilities and debt. Reduction of liabilities is 1,9% of GDP.

Expenditures of General State Importance

In the Law of Georgia on State Budget 2020 the amount of expenditures of general state importance is 2,766.8 million GEL, including:

Million GEL



2020 State Budget Receipts, Expenditures and Changes in Balance

Thousand GEL

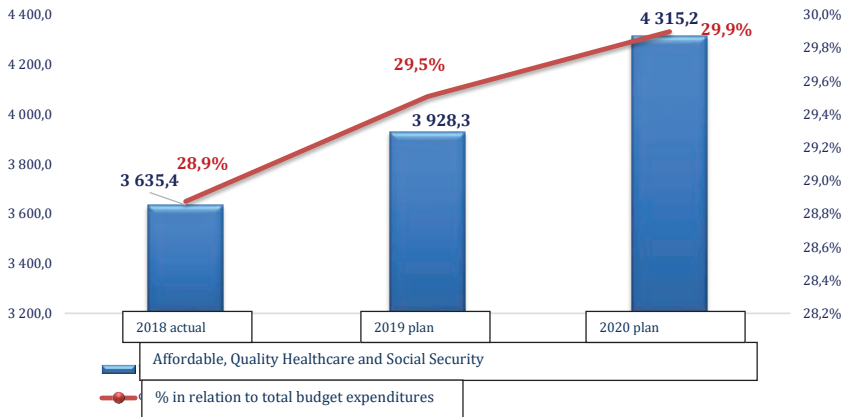
Item	Actual 2018	2019 Plan	2020 Plan	Deviation
Receipts	12,693,422.2	12,956,525.0	14,554,200.0	1,597,675.0
Revenues	10,595,649.4	10,540,400.0	11,226,900.0	686,500.0
Taxes	9,695,962.2	9,645,000.0	10,465,000.0	820,000.0
Income tax	2,877,895.1	3,150,000.0	3,415,000.0	265,000.0
Profit tax	736,624.4	855,000.0	970,000.0	115,000.0
VAT tax	4,426,909.8	4,071,000.0	4,398,300.0	327,300.0
Excise	1,465,726.6	1,287,000.0	1,400,000.0	113,000.0
Import tax	73,416.9	75,000.0	80,000.0	5,000.0
Other taxes	115,389.4	207,000.0	201,700.0	-5,300.0
Grants	404,014.7	390,400.0	241,900.0	-148,500.0
Other Revenues	495,672.5	505,000.0	520,000.0	15,000.0
Decrease in nonfinancial assets	101,005.3	80,000.0	130,000.0	50,000.0
Decrease in financial assets (Excluding balance)	119,150.3	120,000.0	130,000.0	10,000.0
Loans	94,131.8	120,000.0	130,000.0	10,000.0
Stocks and other capital	25,013.7	0.0	0	0.0
Other Accounts Receivable	4.8	0.0	0.0	0.0
Increase in liabilities	1,877,617.2	2,216,125.0	3,067,300.0	851,175.0
Domestic	422,310.4	900,000.0	1,200,000.0	300,000.0
External	1,455,306.8	1,316,125.0	1,867,300.0	551,175.0
Expenditures	12,590,181.7	13,313,115.0	14,432,865.7	1,119,750.7
Expenses	9,543,712.7	9,999,052.9	10,846,529.2	847,476.3
Remuneration	1,407,624.2	1,469,483.7	1,575,965.0	106,481.3
Goods and Services	1,288,263.2	1,246,432.1	1,373,690.5	127,258.4
Interest	513,043.8	624,041.0	751,031.0	126,990.0
Subsidies	419,453.0	435,087.0	516,463.0	81,376.0
Grants	1,331,957.4	787,932.1	726,074.5	-61,857.6
Social benefits	3,501,326.9	3,886,912.0	4,294,821.3	407,909.3
Other expenses	1,082,044.2	1,549,165.0	1,608,483.9	59,318.9
Increase in nonfinancial assets	1,912,171.3	2,137,593.1	2,221,365.5	83,772.4
Increase in financial assets (excluding balance)	381,098.4	209,390.0	342,240.0	132,850.0
Loans	237,642.2	209,390.0	342,240.0	132,850.0
Stocks and other capital	143,456.2	0.0	0.0	0.0
Decrease in liabilities	753,199.3	967,079.0	1,022,731.0	55,652.0
Domestic	35,082.0	40,079.0	44,006.0	3,927.0
External	718,117.3	927,000.0	978,725.0	51,725.0
Changes in balance	103,240.5	-356,590.0	121,334.3	477,924.3

Funding of 2020 State Budget Priority Directions

Affordable, Quality Healthcare and Social Security

Million GEL

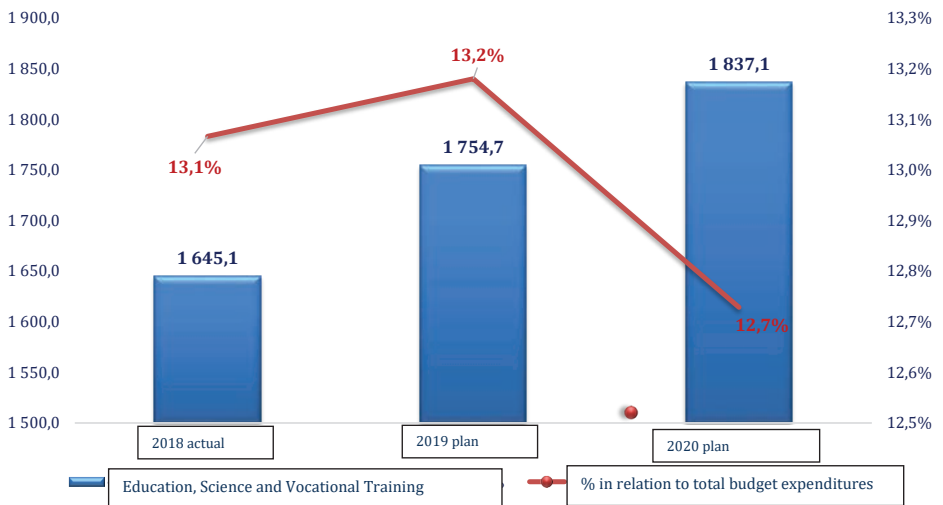
Item	Actual 2018	2019 Plan	2020 Plan
Social Protection of the population	2,439.1	2,783.8	3,126.0
Healthcare of the population	1,031.6	1,044.6	1,078.6
Management of programs on IDPs from occupied territories, labor, health and social protection	123.6	58.9	61.4
Rehabilitation and equipping of medical facilities	23.3	20.0	25.0
LEPL - State Service of Veterans Affairs	6.2	8.4	8.7
The Program of Labor and employment system reform	3.3	4.3	6.0
Provision of health services to the system of the Ministry of Internal Affairs of Georgia and the employees of the State Security Service of Georgia	5.3	4.2	4.2
LEPL – Pension Agency	0.0	3.8	5.0
N(N)LE - Solidarity Foundation of Georgia	3.0	0.3	0.3
Total	3,635.4	3,928.3	4,315.2



Education, Science and Vocational Training

Million GEL

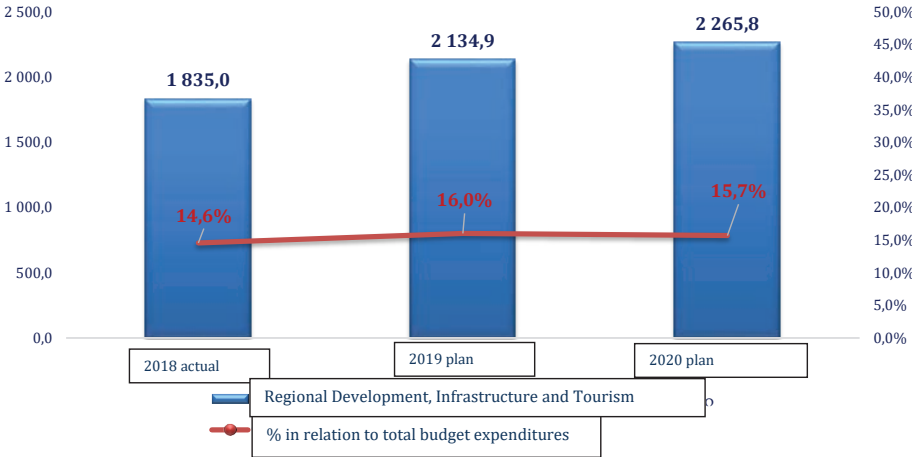
Item	Actual 2018	2019 Plan	2020 Plan
Preschool and general education	682.4	845.5	927.9
Higher Education	449.7	482.1	491.7
Infrastructure development	102.9	135.5	136.8
Promotion of science and scientific research	65.8	67.3	69.7
Vocational Education	49.2	68.0	74.6
Develop state policy and manage programs in fields of education, science, culture and sports	33.7	38.4	40.7
LEPL - Academy of Sciences of Georgia	4.1	4.5	4.7
Inclusive education	4.8	17.7	20.5
Training and retraining of judges and court personnel	1.5	1.9	1.9
Further training of financial sector employees	1.7	1.4	1.5
Promotion of marine vocational education	9.8	7.4	7.6
LEPL – National Intellectual Property Center of Georgia Sakpatenti	7.9	9.7	11.4
Other programs	233.1	75.3	48.1
Total	1,645.1	1,754.7	1,837.1



Regional Development and Infrastructure

Million GEL

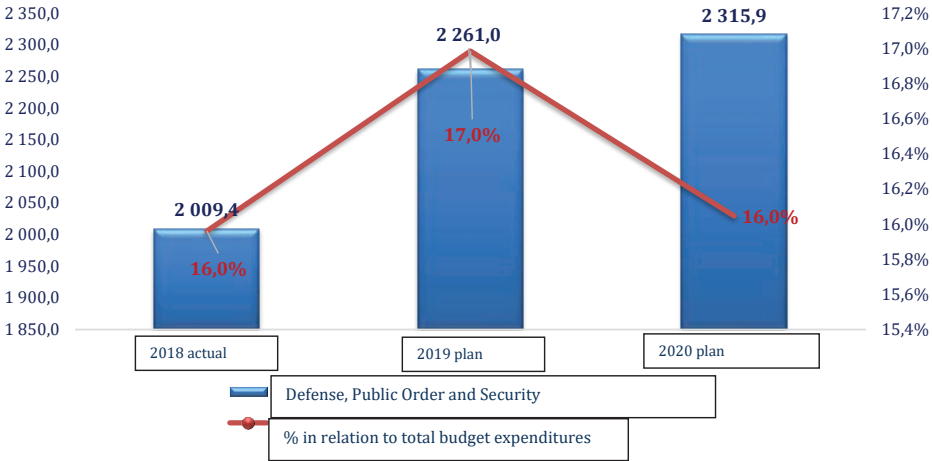
Item	Actual 2018	2019 Plan	2020 Plan
Road Infrastructure Improvement Measures	1,204.3	1,302.1	1,315.3
Rehabilitation of regional and municipal infrastructure	290.2	331.5	290.2
Restoration and rehabilitation of water supply infrastructure	195.2	226.2	256.8
Development of power transmission network of systemic significance	34.3	14.9	41.5
Construction and rehabilitation of general educational infrastructure	0.0	72.5	149.0
Promotion of tourism development	46.5	51.9	31.7
Solid waste management program	9.9	19.4	24.2
Improvement of provision of electricity and natural gas to population	5.1	43.8	62.8
Regulation, management and development of road transport	0.0	15.0	11.5
Other programs	49.5	57.6	82.8
Total	1,835.0	2,134.9	2,265.8



Defense, Public Order and Security

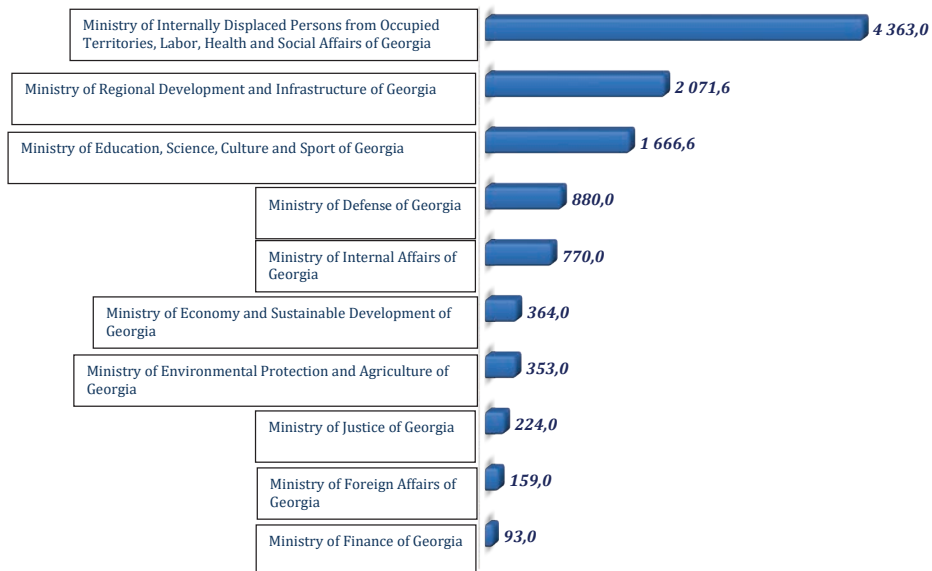
Million GEL

Item	Actual 2018	2019 Plan	2020 Plan
Develop/deepen public order and international cooperation	582.9	528.0	584.8
Management of Defense	307.5	314.3	327.3
Establish penitentiary system in compliance with international standards	143.4	146.7	157.2
Logistic support	140.9	150.0	171.0
Provision of state security	111.7	119.9	119.3
Raising the level of protection and security of natural and legal persons (including property), diplomatic representations and national treasure	130.2	134.4	142.3
Operation of effective system of special and emergency aid	11.8	12.2	11.6
Insure effectiveness of the service of LEPL - Service Agency of the Ministry of Internal Affairs of Georgia and its accessibility to all interested parties	78.0	60.2	73.6
Other programs	503.0	795.3	728.8
Total	2,009.4	2,261.0	2,315.9



Distribution of State Budget Appropriations by Ministries

Million GEL



Funding of Spending Organizations and Programs in - 2018-2020

Thousand GEL

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
00 00	Grand total	12,590,181.6	13,313,115.0	14,432,865.7	13,203,665.7
01 00	Parliament of Georgia and Institutions Existing at the Parliament	61,154.2	64,736.0	64,736.0	64,736.0
01 01	Legislative activity	51,481.2	54,696.0	53,696.0	53,696.0
01 02	Library activity	9,223.9	9,590.0	9,590.0	9,590.0
01 03	State Regulation of Heraldic Activity	449.1	450.0	450.0	450.0
01 04	Strengthening Analytical and Research Activity of the Parliament of Georgia	0.0	0.0	1,000.0	1,000.0
02 00	Administration of the President of Georgia	13,529.0	8,200.0	7,000.0	7,000.0
03 00	Apparatus of the Business ombudsman of Georgia	562.4	750.0	700.0	700.0
04 00	Administration of the Government of Georgia	20,150.7	16,800.0	16,500.0	16,500.0
05 00	State Audit Office of Georgia	14,123.5	16,170.8	16,455.0	16,455.0
06 00	Central Election Commission of Georgia	77,214.5	27,687.1	72,569.7	72,569.7
06 01	Development of election environment	10,993.8	11,998.9	14,078.3	14,078.3
06 02	Promotion of election institution development and civil education	1,080.7	1,179.5	1,422.0	1,422.0
06 03	Funding of political parties and non-governmental sector	14,324.1	14,308.7	14,308.7	14,308.7
06 04	Measures for holding elections	50,816.0	200.0	42,760.7	42,760.7
07 00	Constitutional Court of Georgia	3,849.5	4,150.0	4,250.0	4,250.0
08 00	Supreme Court of Georgia	8,307.8	9,500.0	12,000.0	12,000.0
09 00	Common Courts of Georgia	66,845.7	77,750.0	84,380.0	84,380.0
09 01	Development and Promotion of Common Courts System	65,375.9	75,880.0	82,510.0	82,510.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
09 02	Training and retraining of judges and court personnel	1,469.7	1,870.0	1,870.0	1,870.0
10 00	High Council of Justice of Georgia	3,456.5	6,050.0	6,620.0	6,620.0
11 00	Administration of the State Representative in Abasha, Zugdidi, Martvili, Mestia, Senaki, Chkhorotskhu, Tsalenjikha, Khobi Municipalities and in the Self-Governing city of Poti	786.2	870.0	890.0	890.0
12 00	Administration of the State Representative in Lanchkhuti, Ozurgeti and Chokhatauri Municipalities	607.5	650.0	680.0	680.0
13 00	Administration of the State Representative in Baghdati, Vani, Zestaponi, Terjola, Samtredia, Sachkhere, Tkibuli, Tskhaltubo, Chiatura, Kharagauli, Khoni Municipalities and in the Self-Governing city of Kutaisi	727.9	780.0	790.0	790.0
14 00	Administration of the State Representative in Akhmeta, Gurjaani, Dedoplistskharo, Telavi, Lagodekhi, Sagarejo, Signaghi and Kvareli Municipalities	695.2	735.0	760.0	760.0
15 00	Administration of the State Representative in Dusheti, Tianeti, Mtskheta and Kazbegi Municipalities	594.6	625.0	650.0	650.0
16 00	Administration of the State Representative in Ambrolauri, Lentekhi, Oni and Tsageri Municipalities	582.7	620.0	640.0	640.0
17 00	Administration of the State Representative in Adigeni, Aspindza, Akhaltsikhe, Akhalkalaki, Borjomi and Ninotsminda Municipalities	536.6	610.0	650.0	650.0
18 00	Administration of the State Representative in Bolnisi, Gardabani, Dmanisi, Tetritskharo, Marneuli, Tsalka Municipalities and in the Self-Governing city of Rustavi	832.9	865.0	880.0	880.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
19 00	Administration of the State Representative in Gori, Kaspi and Khashuri Municipalities	592.4	630.0	660.0	660.0
20 00	State Security Service of Georgia	128,891.5	136,000.0	137,500.0	137,500.0
20 01	Provision of state security	111,660.0	119,920.0	119,300.0	119,300.0
20 02	Provision of operational and technical activities	17,231.5	16,080.0	18,200.0	18,200.0
21 00	LEPL – Pension Agency	377.2	3,800.0	5,000.0	5,000.0
22 00	Office of the State Minister of Georgia for Reconciliation and Civic Equality	2,191.1	2,965.0	2,950.0	2,950.0
23 00	Ministry of Finance of Georgia	76,380.4	91,000.0	93,000.0	93,000.0
23 01	Management of public finances	21,170.5	22,120.0	20,745.0	20,745.0
23 02	Mobilization of revenues and improvement of taxpayer services	26,772.6	37,600.0	40,800.0	40,800.0
23 03	Prevention of economic crime	18,787.1	21,485.0	21,485.0	21,485.0
23 04	Electronic and analytical provision of finance management	7,581.6	7,900.0	7,900.0	7,900.0
23 05	Further training of financial sector employees	1,109.5	895.0	935.0	935.0
23 06	Accounting, reporting and audit supervision	959.2	1,000.0	1,135.0	1,135.0
24 00	Ministry of Economy and Sustainable Development of Georgia	226,442.4	253,050.0	364,000.0	293,000.0
24 01	Development and implementation of economic policy	14,248.6	20,230.0	15,860.0	15,860.0
24 02	Regulation of technical and construction fields	1,234.4	1,900.0	1,600.0	1,600.0
24 03	Development of standardization and metrology	835.6	850.0	980.0	980.0
24 04	Management and Development of Accreditation Process	140.0	140.0	140.0	140.0
24 05	Promotion of tourism development	45,552.5	51,940.0	31,680.0	31,680.0
24 06	State Property Management	60,842.1	28,750.0	91,105.0	91,105.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
24 07	Development of entrepreneurship	39,229.1	52,940.0	57,550.0	57,550.0
24 08	Development of Innovations and Technologies in Georgia	3,841.9	4,820.0	3,680.0	3,680.0
24 09	Regulation and management of oil and gas sector	569.9	580.0	580.0	580.0
24 10	Transfer of liabilities under international agreements in the field of transport and subsidizing transportation costs	6,482.4	13,000.0	8,000.0	8,000.0
24 11	Measures of reimbursement of the cost of natural gas supplied to the residents of Kazbegi municipality and the mountainous villages of Dusheti municipality	7,363.3	8,000.0	8,000.0	8,000.0
24 12	Georgian National Innovations Ecosystem Project (IBRD)	3,301.5	10,000.0	20,000.0	0.0
24 13	Vardnili and Enguri HPPs construction and Rehabilitation project (EBRD, EIB, EU)	2,588.3	500.0	15,000.0	0.0
24 14	Development of power transmission network of systemic significance	34,269.5	14,900.0	41,500.0	5,500.0
24 15	Improvement of provision of electricity and natural gas to population	5,116.1	43,800.0	62,800.0	62,800.0
24 16	Promotion of marine vocational education	741.2	400.0	400.0	400.0
24 17	Land acquisition and compensation for the construction of Baku - Tbilisi - Kars railway line Marabda - Akhalkalaki - Kerchakhi section	86.2	300.0	200.0	200.0
24 18	Measures related to covering liabilities assumed under bilateral agreements	0.0	0.0	3,725.0	3,725.0
24 19	Regulation and implementation measures for market surveillance field	0.0	0.0	1,200.0	1,200.0
25 00	Ministry of Regional Development and Infrastructure of Georgia	1,668,777.2	2,000,000.0	2,071,600.0	1,190,900.0
25 01	Development and management of regional and infrastructure development policies	6,458.0	8,400.0	9,200.0	9,200.0
25 02	Road Infrastructure Improvement Measures	1,204,329.6	1,302,050.0	1,315,250.0	718,070.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
25 03	Rehabilitation of regional and municipal infrastructure	246,977.6	258,200.0	262,130.0	119,130.0
25 04	Restoration and rehabilitation of water supply infrastructure	195,229.0	262,425.0	256,800.0	126,300.0
25 05	Solid waste management program	9,861.0	19,425.0	24,220.0	21,800.0
25 06	Support of IDPs	5,922.0	66,500.0	55,000.0	55,000.0
25 07	Construction and rehabilitation of general educational infrastructure	0.0	83,000.0	149,000.0	141,400.0
26 00	Ministry of Justice of Georgia	200,316.2	191,130.0	224,000.0	210,000.0
26 01	Elaboration and management of state policy for legal support of the country's interests, Including the reform of the criminal justice system	28,686.2	18,490.0	22,835.0	22,835.0
26 02	Establish penitentiary system in compliance with international standards	143,045.6	146,745.0	157,245.0	157,245.0
26 03	Ensure the National Archive Foundation's protection, introduction of modern technologies of service and access to documents	4,853.2	7,450.0	5,900.0	5,900.0
26 04	Training of staff of the Ministry of Justice of Georgia and other interested persons	2,635.8	2,795.0	2,795.0	2,795.0
26 05	E-governance development	2,909.5	2,435.0	2,525.0	2,525.0
26 06	Crime prevention, development of probation system and resocialization of former prisoners	6,830.0	6,685.0	6,685.0	6,685.0
26 07	Development and availability of services of Public Service Hall	4,303.6	4,430.0	7,615.0	7,615.0
26 08	Development and Accessibility of services of LEPL - National Agency of Public Registry	385.5	0.0	4,400.0	4,400.0
26 09	Land market development (WB)	2,700.0	2,100.0	14,000.0	0.0
26 10	Development of unified state information technologies	319.9	0.0	0.0	0.0
26 11	Development and availability of services of the State Services Development Agency	3,646.9	0.0	0.0	0.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
27 00	Ministry of IDPs from Occupied Territories, Labor, Health and Social Affairs of Georgia	3,688,462.4	3,978,400.0	4,363,000.0	4,363,000.0
27 01	Management of programs on IDPs from occupied territories, labor, health and social protection	65,314.7	57,803.0	60,238.0	60,238.0
27 02	Social Protection of the population	2,439,064.9	2,783,892.0	3,126,000.0	3,126,000.0
27 03	Healthcare of the population	1,031,573.0	1,044,565.0	1,078,627.0	1,078,627.0
27 04	Rehabilitation and equipping of medical facilities	23,300.9	20,000.0	25,000.0	25,000.0
27 05	The Program of Labor and employment system reform	3,287.1	4,290.0	6,000.0	6,000.0
27 06	Supporting IDPs and migrants	125,921.7	67,850.0	67,135.0	67,135.0
28 00	Ministry of Foreign Affairs of Georgia	143,707.1	143,500.0	159,000.0	159,000.0
28 01	Implementation of foreign policy	143,140.5	142,955.0	158,150.0	158,150.0
28 02	Further training of civil servants in the field of international relations	566.6	545.0	850.0	850.0
29 00	Ministry of Defense of Georgia	814,737.7	835,000.0	880,000.0	845,000.0
29 01	Management of Defense	307,468.8	314,250.0	327,264.0	327,264.0
29 02	Vocational military education	43,541.3	46,860.0	51,620.0	51,620.0
29 03	Healthcare and Social Insurance	52,555.2	55,450.0	58,380.0	58,380.0
29 04	Management, control, communication and computer systems	14,143.0	9,500.0	9,800.0	9,800.0
29 05	Infrastructure development	20,168.3	26,500.0	100,000.0	100,000.0
29 06	International peacekeeping missions	38,207.3	42,750.0	41,850.0	41,850.0
29 07	Scientific research and development of military industry	50,353.3	33,530.0	33,530.0	33,530.0
29 08	Maintenance / development of defense capabilities	124,550.4	141,200.0	51,600.0	51,600.0
29 09	Logistic support	140,868.9	149,960.0	170,956.0	170,956.0
29 10	Strengthening Capacity of Georgian Armed Forces (SG)	22,881.1	15,000.0	35,000.0	0.0
30 00	Ministry of Internal Affairs of Georgia	690,530.2	766,600.0	770,000.0	770,000.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
30 01	Develop/deepen public order and international cooperation	489,722.6	553,040.0	584,834.0	584,834.0
30 02	Protection of the state border	93,748.9	94,900.0	90,900.0	90,900.0
30 03	Raising the level of protection and security of natural and legal persons (including property), diplomatic representations and national treasure	9,614.5	10,160.0	10,660.0	10,660.0
30 04	Preparation and retraining of qualified personnel for law enforcement agencies, digitalization of archive funds, scientific-research activities and citizen services	6,429.5	6,800.0	6,874.0	6,874.0
30 05	Provision of health services to the system of the Ministry of Internal Affairs of Georgia and the employees of the State Security Service of Georgia	4,827.8	4,100.0	4,123.0	4,123.0
30 06	Raising the level of public security, development and management of material reserves	86,186.9	97,600.0	72,609.0	72,609.0
31 00	Ministry of Environmental Protection and Agriculture of Georgia	263,009.2	340,100.0	353,000.0	317,400.0
31 01	The program of Environmental Protection and Agriculture of Georgia	15,305.7	16,072.0	14,015.0	14,015.0
31 02	Food safety, plant protection and epizootic safety	35,916.4	63,834.0	36,600.0	36,600.0
31 03	Viticulture and winemaking development	9,168.1	13,830.0	12,700.0	12,700.0
31 04	To conduct scientific-research activities in agriculture	6,041.8	5,492.0	7,050.0	7,050.0
31 05	United AgroProject	118,783.7	117,940.0	142,500.0	131,500.0
31 06	Modernization of amelioration systems	28,923.8	64,650.0	75,700.0	55,700.0
31 07	Environmental supervision	11,136.6	19,020.0	20,340.0	20,340.0
31 08	Establishment and management of the protected areas system	8,504.1	11,520.0	13,020.0	8,420.0
31 09	Establishment and management of the forest system	10,195.1	10,395.0	13,780.0	13,780.0
31 10	Establishment and management of national agency of wild nature	815.7	620.0	1,700.0	1,700.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
31 11	Access to agricultural and environmental information and education for sustainable development program	2,090.2	4,641.0	4,870.0	4,870.0
31 12	Nuclear and radiation protection	1,014.4	1,000.0	1,050.0	1,050.0
31 13	Monitoring, forecasting and prevention in the field of environmental protection	210.4	1,350.0	2,600.0	2,600.0
31 14	Diagnostic of food products, animal and plant diseases	3,847.8	3,752.0	4,715.0	4,715.0
31 15	State program of sustainable land management and land use monitoring	0.0	0.0	2,360.0	2,360.0
31 16	Measures for promoting agricultural cooperatives	11,055.4	5,984.0	0.0	0.0
32 00	Ministry of Education, Science, Culture and Sport of Georgia	1,506,703.5	1,634,650.0	1,666,545.0	1,656,345.0
32 01	Develop state policy and manage programs in fields of education, science, culture and sports	37,749.5	35,159.0	35,415.0	35,415.0
32 02	Preschool and general education	702,334.6	845,460.0	927,300.0	927,300.0
32 03	Vocational Education	32,179.0	48,690.0	52,850.0	52,850.0
32 04	Higher Education	170,481.7	168,960.0	145,015.0	145,015.0
32 05	Promotion of science and scientific research	63,800.1	65,470.0	65,540.0	65,540.0
32 06	Inclusive education	4,827.4	17,710.0	20,525.0	20,525.0
32 07	Infrastructure development	85,942.9	135,500.0	136,800.0	136,800.0
32 08	Supporting arts and sports institutions	6,267.2	6,670.0	6,780.0	6,780.0
32 09	Facilitation of culture development	79,257.7	68,702.0	88,699.0	88,699.0
32 10	Protection of cultural heritage and perfection of museum system	27,347.7	21,064.0	25,401.0	25,401.0
32 11	Development and promotion of mass and high-achievement sports	151,877.2	116,200.0	130,400.0	130,400.0
32 12	Measures to promote culture and sports figures	12,888.7	32,170.0	21,120.0	21,120.0
32 13	Innovation, inclusiveness and quality project - Georgia I2Q (IBRD)	0.0	0.0	5,000.0	0.0
32 14	Vocational Education I (KfW)	0.0	0.0	3,700.0	500.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
32 15	Applied research grants program (IBRD)	0.0	0.0	2,000.0	0.0
32 16	State promotion activities in the field of youth	366.8	2,550.0	0.0	0.0
32 17	Millennium Challenge Second Project Georgia	111,357.9	70,345.0	0.0	0.0
32 18	Construction of Hydraulic Research Laboratory in the Structure of Georgian Technical University (Unicredit Bank)	20,025.2	0.0	0.0	0.0
33 00	Prosecutor's Office of Georgia	36,581.2	37,270.0	41,300.0	41,300.0
34 00	Georgian Intelligence Service	13,491.2	13,500.0	13,500.0	13,500.0
35 00	LEPL Public Service Bureau	1,483.2	1,600.0	1,600.0	1,600.0
36 00	LEPL – Legal Aid Service	5,347.7	6,400.0	6,800.0	6,800.0
37 00	LEPL - State Service of Veterans Affairs	5,657.3	8,000.0	8,300.0	8,300.0
38 00	LEPL – Financial Monitoring Service of Georgia	1,623.5	2,150.0	2,150.0	2,150.0
39 00	N(N)LE - Solidarity Foundation of Georgia	237.0	260.0	260.0	260.0
40 00	Special State Protection Service of Georgia	59,773.5	58,300.0	58,500.0	58,500.0
40 01	Ensure security of persons and objects protected	48,956.7	50,000.0	50,500.0	50,500.0
40 02	Maintenance of state facilities	10,705.6	8,300.0	8,000.0	8,000.0
40 03	LEPL - Governmental Special Communications Agency	111.2	0.0	0.0	0.0
41 00	Office of the Public Defender of Georgia	7,375.6	6,400.0	8,000.0	8,000.0
42 00	LEPL – Public Broadcaster	53,124.6	58,200.0	68,700.0	68,700.0
43 00	LEPL – Competition Agency	1,861.5	2,200.0	2,200.0	2,200.0
44 00	Administration of the temporary administrative-territorial unit on the territory of the former South Ossetian Autonomous District - South Ossetia Administration	2,431.6	2,460.0	2,460.0	2,460.0
45 00	Patriarchate of Georgia	25,535.4	25,000.0	25,000.0	25,000.0
45 01	Grant of Faculty of Religious Education	15,273.5	14,738.0	14,738.0	14,738.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
45 02	N(N)LE - St Svimon Kananeli Theological Center for the Patriarchate of Georgia	645.0	645.0	645.0	645.0
45 03	N(N)LE - Grant to the educational center of Batumi and Lazeti Eparchy	1,767.9	1,768.0	1,768.0	1,768.0
45 04	N(N)LE – Javakheti St Nino Orphanage of Homeless Children of the Patriarchate of Georgia	959.0	685.0	685.0	685.0
45 05	Grant to be transferred to N(N)E Batumi St. Martyr Catherine's shelter	261.0	261.0	261.0	261.0
45 06	N(N)LE St. Andrew the First Theological Center of the Patriarchate of Georgia	447.0	870.0	870.0	870.0
45 07	Grant to be transferred to N(N)LE Rehabilitation Center at St. George Mtatsmindeli Monastery	230.0	230.0	230.0	230.0
45 08	Grant to be transferred to N(N)LE St. Andrew the First Called Georgian University of Georgian Patriarchate	1,945.0	1,945.0	1,945.0	1,945.0
45 09	Grant to be transferred to N(N)LE St. Tbel Abuseridze Teaching University of the Patriarchate of Georgia	1,954.0	1,805.0	1,805.0	1,805.0
45 10	Grant to be transferred to N(N)LE – rehabilitation and adaptation center for the children with hearing impairment	100.0	100.0	100.0	100.0
45 11	Subsidizing measures of Georgian Patriarchate TV	800.0	800.0	800.0	800.0
45 12	Grant to the N(N)LE – Training Center of Akhalkalaki and Kumudo Diocese	500.0	500.0	500.0	500.0
45 13	N(N)LE Poti Educational and Cultural Improvement Center	653.0	653.0	653.0	653.0
46 00	LEPL – Levan Samkharauli National Forensic Bureau	4,199.7	8,700.0	7,000.0	7,000.0
47 00	LEPL –National Statistics Office of Georgia - GeoStat	9,328.7	10,000.0	10,580.0	10,580.0
47 01	Planning and management of statistical work	4,836.0	5,500.0	5,730.0	5,730.0
47 02	State Program for Statistical Work	4,492.7	4,500.0	4,850.0	4,850.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
48 00	LEPL - Academy of Sciences of Georgia	3,796.4	4,050.0	4,250.0	4,250.0
49 00	Georgian Chamber of Commerce and Industry	1,356.8	1,180.0	1,530.0	1,530.0
50 00	LEPL - State Agency for Religious Issues	5,180.1	5,330.0	5,330.0	5,330.0
51 00	State Inspector's Service	1,880.4	4,400.0	8,000.0	8,000.0
52 00	LEPL - Department of State Language	492.6	500.0	500.0	500.0
53 00	LEPL - Public-Private Partnership Agency	0.0	500.0	500.0	500.0
54 00	LEPL - Youth Agency	5,076.7	4,850.0	5,000.0	5,000.0
55 00	Apparatus of National Security Council	0.0	0.0	3,200.0	3,200.0
56 00	Expenditures of General State Importance	2,656,227.0	2,437,491.1	2,766,800.0	2,584,100.0
56 01	Service and repayments of external state liabilities	983,556.2	1,273,000.0	1,350,000.0	1,350,000.0
56 02	Service and repayment of domestic state liabilities	279,334.3	318,000.0	416,000.0	416,000.0
56 03	Obligations under cooperation with international financial organizations	17,192.0	10,215.0	10,000.0	10,000.0
56 04	Transfers to the budgets of Autonomous Republics and Local Authorities	1,241,708.1	180,600.0	131,000.0	131,000.0
56 05	Reserve Fund of the Government of Georgia	0.0	50,000.0	50,000.0	50,000.0
56 06	Funds for repayment of arrears accumulated in previous years and execution of court decisions	5,011.7	20,000.0	20,000.0	20,000.0
56 07	Fund for Projects Implemented in the Regions of Georgia	0.0	410,000.0	350,000.0	350,000.0
56 08	Mountainous Community Development Fund	0.0	20,000.0	20,000.0	20,000.0
56 09	Financial provision for issuing simultaneous cash bonuses set for Georgia state awards	180.4	200.0	200.0	200.0
56 10	Co-financing operating expenses and other liabilities based on international agreements	681.1	670.0	700.0	700.0
56 11	Copayment for Funded pension scheme	79,601.7	110,000.0	200,000.0	200,000.0

Code	Item	Actual 2018	2019 Plan	2020 Plan	
				Total	Including Budget Funds
56 12	Financial support of the reforms planned in municipalities in cooperation with international partners	0.0	0.0	13,000.0	13,000.0
56 13	General state expenditures funded by donors	45,728.9	44,806.1	205,900.0	23,200.0
56 14	Measures related to covering liabilities under bilateral agreements	3,232.6	0.0	0.0	0.0
57 00	Apparatus of the National Security Council of Georgia	1,847.1	0.0	0.0	0.0
58 00	LEPL – Kutaisi International University	597.1	0.0	0.0	0.0



Amount of Transfers to the Autonomous Republics and Municipalities from the State Budget 2020

Thousand GEL

Name of Autonomous Republics and Local Self-Governing units	Total transfers	Targeted transfer to carry out delegated competences	Special transfer
Autonomous Republic of Abkhazia	8 000,0		8 000,0
Tbilisi city Municipality	90 460,0	460,0	90 000,0
Adjara Municipality	1 110,0	30,0	1 080,0
Shuakhevi Municipality	2 400,0		2 400,0
Khulo Municipality	2 000,0		2 000,0
Akhmeta Municipality	150,0	150,0	
Gurjaani Municipality	220,0	220,0	
Dedoplistskaro Municipality	185,0	185,0	
Telavi Municipality	280,0	280,0	
Lagodekhi Municipality	230,0	230,0	
Sagarejo Municipality	220,0	220,0	
Sighnaghi Municipality	145,0	145,0	
Kvareli Municipality	160,0	160,0	
Kutaisi City Municipality	250,0	250,0	
Chiatura Municipality	230,0	230,0	
Tkibuli Municipality	1 870,0	170,0	1 700,0
Tskaltubo Municipality	170,0	170,0	
Bagdati Municipality	130,0	130,0	
Vani Municipality	145,0	145,0	
Zestaponi Municipality	240,0	240,0	
Terjola Municipality	160,0	160,0	
Samtredia Municipality	190,0	190,0	
Sachkhere Municipality	190,0	190,0	
Kharagauli Municipality	140,0	140,0	
Khoni Municipality	160,0	160,0	
Poti City Municipality	260,0	260,0	
Zugdidi Municipality	350,0	350,0	
Abasha Municipality	150,0	150,0	

Name of Autonomous Republics and Local Self-Governing units	Total transfers	Targeted transfer to carry out delegated competences	Special transfer
Martvili Municipality	155,0	155,0	
Mestia Municipality	125,0	125,0	
Senaki Municipality	195,0	195,0	
Chkhorotsku Municipality	175,0	175,0	
Tsalenjikha Municipality	200,0	200,0	
Khobi Municipality	210,0	210,0	
Gori Municipality	300,0	300,0	
Kurta Municipality	2 170,0	90,0	2 080,0
Eredvi Municipality	2 015,0	45,0	1 970,0
Kaspi Municipality	175,0	175,0	
Kareli Municipality	215,0	215,0	
Tighvi Municipality	1 680,0	30,0	1 650,0
Khashuri Municipality	225,0	225,0	
Rustavi City Municipality	500,0	500,0	
Bolnisi Municipality	305,0	305,0	
Gardabani Municipality	260,0	260,0	
Dmanisi Municipality	130,0	130,0	
Tetritskaro Municipality	215,0	215,0	
Marneuli Municipality	250,0	250,0	
Tsalka Municipality	110,0	110,0	
Lanchkhuti Municipality	220,0	220,0	
Ozurgeti Municipality	250,0	250,0	
Chokhatauri Municipality	185,0	185,0	
Adigeni Municipality	140,0	140,0	
Aspindza Municipality	880,0	130,0	750,0
Akhalkalaki Municipality	215,0	215,0	
Akhalsikhe Municipality	670,0	270,0	400,0
Borjomi Municipality	200,0	200,0	
Ninotsminda Municipality	180,0	180,0	
Akhalgori Municipality	2 660,0	90,0	2 570,0
Dusheti Municipality	110,0	110,0	

Name of Autonomous Republics and Local Self-Governing units	Total transfers	Targeted transfer to carry out delegated competences	Special transfer
Tianeti Municipality	135,0	135,0	
Mtskheta Municipality	365,0	365,0	
Kazbegi Municipality	85,0	85,0	
Ambrolauri Municipality	135,0	135,0	
Lentekhi Municipality	105,0	105,0	
Oni Municipality	105,0	105,0	
Tsageri Municipality	155,0	155,0	
Various municipalities	4 400,0	4 400,0	
Total	131,000.0	16,400.0	114,600.0

Note():The delegated competences include funding of measures under the Laws of Georgia “On Public Health”, “On Military Duty and Military Service”, “On Military Duties and Military Service”, “On the Reserve of the Defence Forces and Military Reserve Service” “On Internally Displaced Persons - Refugees”, “On Commemorating soldiers who died in Defending the Homeland and the Soldiers who died after the war”, “On Development of Mountainous Regions”, “On Children’s Code”, and other laws of Georgia. In addition to competences delegated under this article, in 2020, competences of procuring goods, services and works for improvement of public school infrastructure (25 07 – Construction and rehabilitation of general educational infrastructure) and providing transport to school pupils (32 02 11 – Provision of transport to public school students) may also be delegated.*

4.400.0 thousand GEL defined as a targeted transfer for various municipalities will be disposed of in accordance with a decision made by the Government of Georgia

Distribution of value added tax owned by municipality

In 2020, revenues to be received by municipalities in the form of VAT are forecast in the amount of 1,031.7 million GEL (19.0% of VAT) and are distributed in accordance with the procedure defined under the Budget Code of Georgia. Compared to 2019, revenues to be received in the form of VAT have increased to 85.0 million GEL, while in the form of taxes, municipalities and autonomous republics will receive 180.0 million GEL more compared to 2019.

Municipality	Distribution of VAT	
	Distribution of 19% of VAT	Approximate amount of VAT
Tbilisi city Municipality	46,72%	482 009,5
Batumi City Municipality	4,69%	48 400,2
Kobuleti Municipality	1,13%	11 630,0
Khelvachauri Municipality	0,78%	8 013,6
Keda Municipality	0,74%	7 637,8
Shuakhevi Municipality	0,03%	312,5
Khulo Municipality	0,26%	2 712,5
Akhmeta Municipality	0,80%	8 232,0
Gurjaani Municipality	1,04%	10 761,4
Dedoplistskaro Municipality	0,17%	1 731,1
Telavi Municipality	1,42%	14 641,5
Lagodekhi Municipality	1,04%	10 704,5
Sagarejo Municipality	0,95%	9 819,5
Sighnaghi Municipality	0,46%	4 711,7
Kvareli Municipality	0,50%	5 120,3
Kutaisi City Municipality	3,48%	35 897,0
Chiatura Municipality	0,91%	9 367,7
Tkibuli Municipality	0,44%	4 503,4
Tskaltubo Municipality	0,95%	9 851,6
Bagdati Municipality	0,56%	5 769,1
Vani Municipality	0,62%	6 400,2
Zestaponi Municipality	1,06%	10 984,1
Terjola Municipality	0,81%	8 335,8
Samtredia Municipality	0,85%	8 759,5
Sachkhere Municipality	1,18%	12 215,3
Kharagauli Municipality	0,54%	5 598,9
Khoni Municipality	0,64%	6 555,1
Poti City Municipality	0,41%	4 248,1
Zugdidi Municipality	2,42%	24 946,4
Abasha Municipality	0,52%	5 392,4

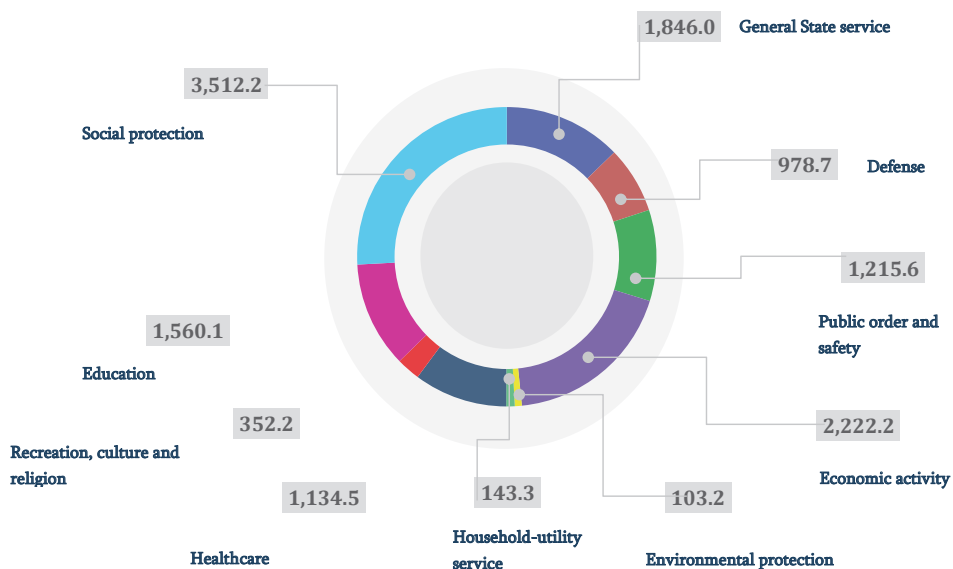
Municipality	Distribution of VAT	
	Distribution of 19% of VAT	Approximate amount of VAT
Martvili Municipality	0,81%	8 311,7
Mestia Municipality	0,41%	4 183,0
Senaki Municipality	0,79%	8 182,2
Chkhorotsku Municipality	0,55%	5 662,2
Tsalenjikha Municipality	0,63%	6 530,5
Khobi Municipality	0,39%	4 062,5
Gori Municipality	3,19%	32 903,6
Kaspi Municipality	0,69%	7 103,1
Kareli Municipality	1,03%	10 641,9
Khashuri Municipality	1,20%	12 329,4
Rustavi City Municipality	2,61%	26 953,6
Bolnisi Municipality	0,11%	1 093,8
Gardabani Municipality	0,23%	2 343,8
Dmanisi Municipality	0,60%	6 173,8
Tetritskaro Municipality	0,60%	6 241,6
Marneuli Municipality	1,41%	14 537,2
Tsalka Municipality	0,17%	1 755,6
Lanchkhuti Municipality	0,74%	7 608,5
Ozurgeti Municipality	1,45%	14 992,5
Chokhatauri Municipality	0,37%	3 777,2
Adigeni Municipality	0,52%	5 375,8
Aspindza Municipality	0,08%	828,1
Akhalkalaki Municipality	0,08%	812,5
Akhaltzikhe Municipality	1,05%	10 798,4
Borjomi Municipality	0,12%	1 218,8
Ninotsminda Municipality	0,34%	3 485,5
Dusheti Municipality	0,58%	6 029,5
Tianeti Municipality	0,50%	5 151,3
Mtskheta Municipality	0,50%	5 164,1
Kazbegi Municipality	0,01%	109,4
Ambrolauri Municipality	0,69%	7 090,1
Lentekhi Municipality	0,38%	3 888,4
Oni Municipality	0,45%	4 644,4
Tsageri Municipality	0,63%	6 453,5

Functional Classification of Expenses and Increase in Nonfinancial Assets of the State Budget of Georgia

Expenses of State Budget of Georgia and increase in nonfinancial assets are recorded by functional classification and are as follows:

Million GEL

Code	Item	Actual 2018	2019 Plan	2020 Plan
7	Total expenditures	11,455.9	12,136.6	13,068.0
7.1	General purpose State service	2,243.9	1,743.5	1,846.0
7.2	Defense	894.0	937.4	978.7
7.3	3 Public order and Safety	1,080.3	1,176.2	1,215.6
7.4	Economic activity	1,776.2	2,090.5	2,222.2
7.5	Environment protection	68.5	91.6	103.2
7.6	Household-utility service	16.4	105.9	143.3
7.7	HealthCare	1,089.1	1,091.3	1,134.5
7.8	Recreation, culture and religion	344.5	311.7	352.2
7.9	education	1,243.5	1,484.6	1,560.1
7.10	social protection	2,699.5	3,103.9	3,512.2



What does this all mean?

What does this all mean?

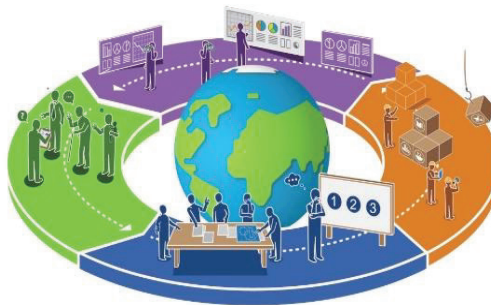
For you as a citizen?

The information available in this Guide provides information to citizens about the Law of Georgia on State Budget 2020.

This Guide informs citizens on the utilization of funds mobilized via taxes and other revenues by the Government.

This Guide helps the Government explain the objectives set by the budget to the public in a simple way and satisfy the interest of citizens who want to receive further information about the budget. It facilitates development of realistic expectations about a specific policy field and mobilization of support of citizens. Overall, this Guide promotes raising awareness of the work carried out by the Government and raises ability of citizens to be involved in the activity of the executive authority at stages of setting priorities, planning and implementation of the budget.

Involvement of citizens is very important in budgeting process because more informed and active society plays important part in development of governance and social and economic advancement of a country. Many countries of the world have developed a tool for active public participation in budgeting process and, ultimately, it is the society, which decides where and how existing budgetary resources should be distributed.



What citizens can do



Citizens will gather financial information and better understand how funds are distributed from the state budget. They will find out about budget news, changes and new and innovational approaches to financing, which they will share with all interesting persons around.



Citizens will be able to participate in budget planning process. They will be able to distribute budget funds as they see fit based by priorities as well as spending institutions via electronic module on the website of the Ministry of Finance of Georgia.



All interested citizens will follow quarterly and annual budget implementation reports on the website of the Ministry of Finance (www.mof.ge). Their participation in this process is particularly important because financial information provided as a result of mutual cooperation will be easily understandable for the population and will be more transparent.



Questions related to transparency of the budget may be sent to the following email address:

Budget.transparency@mof.ge

