

Annual Report on
2020 Public Finance Management Reform Action Plan

I - Budgeting

1. Improvement of Budget Management

1.1 Development of law of Annual budget project

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

Performance indicator: 2021 state budget draft law is prepared and submitted to the Parliament of Georgia within the period prescribed by law

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

Period: January - December

Progress: “Draft 2021 State Budget of Georgia” (first, second and third submissions), the processed document of 2021-2024 data of the country and its directions and the appendices of budget code were submitted to Georgian government within the period prescribed by law. The parliament has approved “Draft 2021 State Budget of Georgia” and it is available on the Ministry of Finance web-page¹.

Additionally, it is of note, that the new coronavirus (COVID 19) pandemic has shifted the global economic development trends. The pandemic and associated economic recession have also had impact on the forecasting of Georgian economic parameters and budget, both income and expenditure parts of it. Due to the state of emergency active in the country from March 21st of 2020 to May 22nd of 2020, a number of economic activities have been limited and along with the expenditures for healthcare and treatment/diagnosis of those infected a list of measures had to be taken to support the welfare of the population and support businesses. According to the organic law of Georgia on “Economic freedom” and due to declaration of state of emergency, the Georgian government was able to act outside of the financial parameters defined by law, in order to finance aforementioned measures.

Starting at early March, the Ministry of Finance of Georgia has started working on reducing existing budgetary programs and mobilization of additional resources from international partners.

Expenditure parts of the budget have been reduced significantly (representative and business trip costs, fuel costs aside from those for specialized institutions, filling vacancies and resources for bonuses), in order to mobilize resources and direct them towards COVID-19 relief measures. Budgets for programs, cancellation and/or postponing of which would not significantly damage the appropriate sector, have been cut, among them cultural, sport and tourism events were restricted, keeping in mind the natural factors (restrictions imposed due to the pandemic). Additionally, several directions of the education reform were reviewed for the year of 2020. As a result, the expenditure part of compounded budget has been reduced by approximately 600 million GEL.

Spread of the pandemic has had a significant negative impact on both the private sector and the population. Thus, it became necessary to seek additional resources for direct relief of both the business and the population, as well as prevention of epidemic spread and treatment of the infected. Additional necessary expenditure for aforementioned goals has amounted to approximately 3.4 billion GEL.

¹ <https://www.mof.ge/5355>

The macroeconomic stability and financial discipline, along with the successful program with the Monetary Fund, were the necessary prerequisites that gave us the chance to secure an agreement with international institutions within shortest terms on issuing an additional 1.5 billion USD for Georgia.

It is important to note, that the public finance management framework and the flexibility of budgetary system served as an important factor in efficiency of planned measures during the crisis stage. The organic law of Georgia “On economic freedom” provides for specific regulations related to financial limits, in case of declaration of the state of emergency. Additionally, specification mechanisms of the annual budget code have allowed for redistribution of allocations for mobilization of necessary resources, so that the budgetary process would proceed smoothly, until amendments were added to the code.

Considering the aforementioned, the agenda was to implement changes to the state budget, which reflected updated macroeconomic and financial parameters, as well as the allocations that were necessary for further funding of planned measures by the anti-crisis plan of the Government of Georgia.

Unfortunately, in 2020, due to the spread of new coronavirus (COVID-19) pandemic a state of emergency was called in Georgia, which triggered the condition of sub-paragraph “a” (state of emergency) of paragraph 7 of article 2 of the organic law of Georgia “On Economic freedom”. Thus, a plan was developed for returning to the limiting parameters defined by the legislation, that was attached to the state budget reform project and was presented to the Georgian Parliament.

The changes to the 2020 state budget code, with any attached documents is available on the Ministry of Finances web-page (N6407-IIS, 29.06.2020)², as well as on the web-page of the Legislative Herald of Georgia³.

Due to the pandemic forcing changes to the base parameters, it has also impacted the 2021-2024 parameters and has shifted the limiting volumes of spending agencies’ allocations.

1.2 Increasing efficiency of mid-term spending (MTEF)

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

Performance indicator: Final draft of the country’s basic data and directions document for the years of 2020-2023 has been developed and presented to the financial-budgetary committee of the Georgian Parliament.

Primary and reworked versions of the country’s basic data and directions document for years of 2021-2024 have been developed and presented to the Government of Georgia and the Georgian Parliament, within the term prescribed by the law and is in compliance with the requirements of the legislation.

Forecasts for mid-term incomes and payables of the government has been developed for current policy and in case of change to policy and aforementioned information is reflected in the country’s basic data and directions document for years of 2021-2024 for following directions: education, science, culture and sports, environmental protection and agriculture, internally displaces persons issues, labor, healthcare and welfare.

² <https://www.mof.ge/5261>

³ <https://matsne.gov.ge/document/view/4906166?publication=0>

Information on reasons for deviation from the previous period mid-term parameters has been developed and is attaches to the 2021 budget project, that will be presented to the Georgian Parliament.

A concept was developed for implementation of information drafted by the spending agencies during the process of development of the country's basic data and directions document, that will be included in the public financial management system (ePFMS).

Period: January - July

Progress: Document on the country's basic data and directions for 2020-2023 was filled in with the information received from municipalities and autonomous republics and a final version of the document was drafted, that was presented to the finance-budgetary committee of the Parliament. Document on the country's basic data and directions for 2020-2023 (final draft) is published on the page of the Ministry of Finances of Georgia⁴.

Resolution of the government of Georgia "on Measures realized for development of the Document on the country's basic data and directions for 2021-2024" and was approved on February 28th of year 2020 by resolution N137. The resolution defines appendix forms, using which the spending agencies must gradually present information to the Ministry of Finance of Georgia, for development of the document on the country's basic data and directions. Aforementioned resolution is available both on the web-page⁵ of the Ministry of Finance of Georgia, as well as on the web-page of LEPL Legislative Herald⁶.

In the 2018-2021 public finance management strategy and action plan, on which the EU budgetary aid program "EU for Economic Management and Financial Responsibility" is based upon, considers that the information provided in the country's basic data and directions (BDD) for years 2021-2024 reflects on how the current and new policies impact the budget. It is worth noting, that within the public finance management reform, mid-term planning has significantly improved over the past years. In order to develop the BDD document by March 1st of each year, a new appendix was added to the resolution adopted by the Georgian government, in order to differentiate between the existing (base) and new policy directions, which implies separation of existing liabilities in the legislation (which will become active in a mid-term period) and new initiatives, that are not yet represented in the legislation.

It is also worth noting, that due to the spread of new coronavirus (COVID-19) pandemic, all the efforts were aimed towards realization of existing liabilities, while of course maintaining active work towards mobilizing resources to fund healthcare measures and aid for businesses. Keeping the aforementioned in mind, it could be said that there were almost no remaining resources to fund the new policy directions, thus five directions were outlined in the budgetary documentation.

The new policy directions for current year were first described in the 2021 state budget project package (in the BDD document and program budget appendix), that was presented to the Georgian Parliament. The Budget project provides definitions on new policy directions for following directions:

- **Education direction, within the education reform (Within the pre-school and general education program – 32 02):**
 - ✓ Professional education and career growth plan for teachers and salary increase;
 - ✓ Implementation of the "New school" model.
- **Welfare direction (Within the population welfare program – 27 02):**

⁴ <https://mof.ge/images/File/2019-monacemebi-mimartulebebi/31-01-2020/20-23%20BDD%20saboloo.docx>

⁵ <https://mof.ge/images/File/kanonebi-brdzanebebi/137.pdf>

⁶ <https://matsne.gov.ge/ka/document/view/4814565?publication=0>

- ✓ New pension policy direction – Pension indexation;
- **Healthcare direction (Within the population healthcare program – 27 03):**
 - ✓ New direction for provision of first aid and emergency care – co-financing medical insurance for the ambulance team members and doctors/nurses.
- **New directions for Labor and Employment system reforms (Within the labor and employment systems reform program 27 05):**
 - ✓ New direction for labor safety policy;
 - ✓ New direction for employment policy.
- **New direction for economic aid policy for fight against the new coronavirus (COVID-19) (within the entrepreneurship development program 24 07):**
 - ✓ Credit-security plan;
 - ✓ Aid for the construction sector.

Additionally, within the context of commitment towards EU, a second analysis document was developed for mid-term forecast deviations, with participation from the macroeconomic analysis and fiscal policy planning department and the government debt departments. The document consists of three parts and encompasses comparisons of macroeconomic forecasts, financial forecasts and the government debt. It must be noted, that, in 2020, due to the spread of new coronavirus (COVID-19) pandemic a state of emergency was called in Georgia, which triggered the condition of sub-paragraph “a” (state of emergency) of paragraph 7 of article 2 of the organic law of Georgia “On Economic freedom”. Keeping in mind, that due to the global economic crisis causes by the pandemic, according to preliminary data, there was a 12.3% decrease of GDP in the second quarter of 2020 and 3.8% decrease in the third quarter, a condition to activate sub-paragraph “b” (recession) of paragraph 7 of article 2 was also triggered. Due to these conditions, a plan to revert to the limiting parameters in accordance with the legislation has been developed, that was added to the 2021 state budget code and is available on the web-page of the Ministry of Finance of Georgia⁷. By the end of year 2020, ratio of deficit to the GDP was defined at 9%. Additionally, the mid-term financial framework for years 2021-2024 provides for return to the 3% indicator for the GDP by the year 2023 (the legislation provides for 3-year period to revert to the limiting parameters).

Within the commitment to the EU, in order to fulfil such obligations, information (as an appendix) was prepared on macroeconomic and financial forecast deviation analysis and new policy directions, that is available on the web-page of the Ministry of Finance of Georgia⁸.

Reworked version of the BDD document for years 2021-2025 has been drafted and presented to the Georgian Government and the parliament, within the terms prescribed by the legislation and is in accordance with its requirements. This document is available on the web-page of the Ministry of Finances of Georgia⁹.

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

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

Performance indicator:

⁷ <https://www.mof.ge/images/File/2021-biujeti/30-11-2020/danartebi/21.%20prognosebis%20shedareba%2030.11.2020.docx>

⁸ [https://www.mof.ge/images/File/2021-biujeti/15-12-2020/NewFolder/Explanatory%20Note%20on%20Medium-term%20Forecast%20Reconciliation%20and%20New%20Policy%20\(ENG\)1.docx](https://www.mof.ge/images/File/2021-biujeti/15-12-2020/NewFolder/Explanatory%20Note%20on%20Medium-term%20Forecast%20Reconciliation%20and%20New%20Policy%20(ENG)1.docx)

⁹ <https://www.mof.ge/5355>

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

Update of the program budget development methodology.

Period: January - December

Progress: Due to the restrictions imposed in response to the spread of new coronavirus (COVID 19) pandemic, the training and work meetings could not have been conducted. Yet despite this, some results and indicators within the program budget appendices added to the 2021 state budget were refined and new policy directions were added within corresponding programs in the program budget.

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

Responsible Body: Budgetary department (The parties involved: State budget spending agencies, Government of Georgia, Georgian parliament)

Performance indicator:

Reflection of detailed definitions of correspondence with the financial discipline within the performance information in the country's BDD document and budgetary documentation.

Period: January - December

Progress: As mentioned above, in 2020, due to the spread of new coronavirus (COVID-19) pandemic a state of emergency was called in Georgia, which triggered the condition of sub-paragraph "a" (state of emergency) of paragraph 7 of article 2 of the organic law of Georgia "On Economic freedom". Keeping in mind, that due to the global economic crisis causes by the pandemic, according to preliminary data, there was a 12.3% decrease of GDP in the second quarter of 2020 and 3.8% decrease in the third quarter, a condition to activate sub-paragraph "b" (recession) of paragraph 7 of article 2 was also triggered. Due to these conditions, a plan to revert to the limiting parameters in accordance with the legislation has been developed, that was added to the 2021 state budget code and is available on the web-page of the Ministry of Finance of Georgia¹⁰. Mid-term financial framework added to the 2021-2024 budget also provides for reverting to 3% GDP indicator by the year 2023 (the legislation provides for 3-year period to revert to the limiting parameters).

1.5 Capital/Investment project management unified cycle development

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

¹⁰ <https://www.mof.ge/images/File/2021-bijeti/30-11-2020/danartebi/21.%20prognozebis%20shedareba%2030.11.2020.docx>

Performance indicator: Review and presentation for interagency review of new investment projects, presented by the spending agencies, in accordance with the investment project management guideline and methodologies, developed by the task-group of the Ministry of Finance of Georgia, with goal of reviewing investment projects.

Preliminary selection and review of no less than 50% of total cost of new capital/investment projects, in accordance with the investment project guideline and methodology.

Training for corresponding employees of the spending agencies and municipalities, with aid of international partners.

Collaborative work process with LEPL Financial Analytical Service is in an active phase, with goal to integrate the information of investment project management e-portal into the ePFMS system.

Period: January - December

Progress: A coordinated meeting between the investment project management interagency commission and the task-group was conducted in Batumi on July 25th-26th, organized by the Ministry of Finance of Georgia, with support from the United States Agency for International Development (USAID). On this meeting, members of the interagency commission and the task-group discussed the progress of the investment project management reform and existing obstacles, talked about the timely topics, implementation of which would aid the effective conduct of the reform.

The new coronavirus (COVID-19) pandemic of 2020 and the related economic recession have also had impact on the forecasting of Georgian economic parameters and budget, both income and expenditure parts of it. A number of economic activities have been limited and along with the expenditures for healthcare and treatment/diagnosis of those infected a list of measures had to be taken to support the welfare of the population and support businesses. Spending portion of the budget was significantly limited. Budgets for programs, cancellation and/or postponing of which would not significantly damage the appropriate sector, have been cut, among them cultural, sport and tourism events were restricted, keeping in mind the natural factors (restrictions imposed due to the pandemic). Within the capital projects, tourist infrastructure was also faced with significant limitations.

Thus, implementation of existing investment projects has partially declined, as well as the funds necessary to finance new projects. Despite this, 11 new capital projects were reviewed, which have been initiated by the Ministry of Regional Development and Infrastructure of Georgia, Ministry of Economy and Sustainable Development of Georgia, Ministry of Education, Science, Culture and Sports and the Office of the Public Defender of Georgia.

Investment project registry has been prepared for aforementioned 11 projects, among which funding of 8 projects is planned for the mid-term period, 2 projects require additional discussion and 1 project does not qualify the project selection and review criteria. The aforementioned measure was planned within the commitment to the EU and the economic analysis, project registry and summary information on selection and review process for these projects is a part of the 2021 state budget code. In total, economic analyses were developed for more than 75% of investment/capital projects of the total cost and the corresponding information was added to the 2021 state budget project, that was presented to the Georgian Parliament.

Corresponding information is available on the web-page of the Ministry of Finance of Georgia¹¹.

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

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

Performance indicator:

Annual report on the 2019 state budget performance has been developed and presented to the Government of Georgia and the Georgian Parliament, within the prescribed terms. Performance report encompasses definitions on fiscal rules, planned and achieved goals and elaborations on any discrepancies. Along with the performance on the annual budget, information was prepared on previous year's performance, on keeping in line with the State Audit Service's recommendations and on performance on the action plan approved by the resolution of the Government of Georgia.

Quarterly reports on 2020 state budget have been presented to the Georgian Parliament within the prescribed terms and is in accordance with the Georgian Legislation's requirements;

Along with the 6 month performance report, information was drafted on intermediate performance review and presented to the Georgian Parliament.

Action plan for keeping in line with the State Audit Service's recommendations for the state budget performance report was developed. Retrospective review and recommendation analysis based on this action plan.

Period: January - December

Progress: state budget performance annual report was developed within the terms defined by the legislation. Performance report encompasses definitions on the fiscal rules, planned and achieved goals and elaborations on any discrepancies. Along with the performance on the annual budget, information was prepared on previous year's performance, on keeping in line with the State Audit Service's recommendations and on performance on the action plan approved by the resolution of the Government of Georgia. The 2019 state budget performance report is available on the web-page of the Ministry of Finance of Georgia, in an editable format (contains both MC Word and MC Excel files)¹².

Quarterly reports on 2020 state budget performance (3, 6 and 9 months) were presented to the Georgian Government and the Georgian Parliament, within the prescribed terms. There are available on the web-page of the Ministry of Finance of Georgia, in an editable format¹³.

¹¹ <https://www.mof.ge/5355>.

¹² <https://mof.ge/5303>

¹³ <https://www.mof.ge/5307>

1.7 Ensure the Transparency of the Budget Process

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

Performance indicators:

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

Citizens Guide for 2021 state budget is published on the website; BDD document and Performance report guides are created and are available on the Ministry of Finance's website.

The platform to engage citizens in budget development process (eBTPS.mof.ge) is functioning on the Ministry of Finance's website, which will allow the citizens to take part in the planning of 2021 state budget.

Sharing in international experience and cooperation with the international partners on issues of budget transparency and citizen engagement.

Period: January - December

Progress: Based on Open Budget Survey, all necessary budget documents were available for every person on the Ministry of Finance's website (www.mof.ge) within the period prescribed by law

According to the results of “Open Budget Survey 2019”, published by the International Budget Partnership, Georgia takes 5th places among the 117 countries with a score of 81 and has secured its position among the fully transparent countries.

The platform to engage citizens in budget development process (eBTPS.mof.ge) is functioning on the Ministry of Finance's website, which will allow the citizens to take part in the planning of 2021 state budget. With help from USAID and cooperation from the Public Relations Service of the Ministry of Finance a communication strategy for this platform and an action plan were developed. Education and regional development and infrastructure were chosen as pilot directions.

Citizens Guide for 2021 state budget is published on the website; BDD document and Performance report guides are created and are available on the Ministry of Finance's website¹⁴.

1.8 Improvement of finance management by municipalities

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

Performance indicator: Support for municipalities within the 2018-2021 strategy for public finance management reform between the Ministry of Finance and the municipalities for fulfillment of terms envisioned by the

¹⁴ https://www.mof.ge/mokalakis_gzamklevi

collaboration memorandum during the year of 2020, with aid from international partners. Monitoring of fulfillment of these terms.

Analysis of research into the Public Expenditure and Financial Accountability Assessment at sub-national level (PEFA) in at least 10 additional municipalities.

Period: January - December

Progress: In accordance with the Georgian Government's December 30th 2019 Resolution N2735 "On measures taken to support finance management for some municipalities within the 2018-2021 strategy for public finance management reform" and within the USAID project, support will be granted to Batumi, Kutaisi, Akhaltsikhe, Dusheti and Dedoplistskaro municipalities, including with the drafting of budget documentation, in accordance with the program budget methodology. A meeting was held with the municipality representatives on this matter and basic cooperation directions and future plans were agreed upon.

With the goal to implement measures in accordance with the Georgian Government's December 30th 2019 Resolution N2735 "On measures taken to support finance management for some municipalities within the 2018-2021 strategy for public finance management reform" and with aid from donor organizations (GIZ and USAID), 11 municipalities were given support on development of 2021 budget project and financial reports: Batumi, Kutaisi, Akhatsikhe, Dusheti and Dedoplistskaro, Marneuli and Tskaltubo municipalities (mid-term planning and program budgeting directions), Rustavi, Gardabani, Marneuli, Poti and Khashuri municipalities (financial reporting).

Memorandums of collaboration were formed with 27 municipalities in 2019 (Kutaisi, Rustavi, Poti, Zestaponi, Oni, Dusheti, Khashuri, Gurjaani, Lanchkhuti, Akhalkalaki, Martvili, Lagodekhi, Mtskheta, Marneuli, Terjola, Kareli, Khobi, Tskaltubo, Kaspi, Sagarejo, Kazbegi, Senaki, Dedoplistskaro, Signagi, Samtredia, Borjomi, Gardabani), where during 2017-2019 a survey was conducted using PEFA indicators.

Due to the spread of new coronavirus (COVID-19) and the situation present in the country, performance on the goal indicators set by the referendum was partially halted. Yet despite this, based on the goal indicator performance during the year of 2020, 7 municipalities were awarded with capital grant of 1 530 000 GEL.

Additionally, during the year reviews of 12 municipalities were developed in accordance with the PEFA 2016 methodology: GIZ – Aspindza, Bolnisi, Chiatura, Kobuleti, Mestia, Sachkhere, Kvareli; USAID – Akhaltsikhe, Gori, Ozurgeti, Zugdidi and Telavi. It is of note, that reviews for these municipalities were conducted using the methodologies designed by PEFA secretariat, within context of gender and using PFM review indicators.

1.9 Support for the budget process by refinement of corresponding legislation

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

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

Period: January - December

II – Public Debt Management

1. Implementation of the primary dealers system

Responsible bodies: Department of Public Debt Management

Performance indicators: Development of system regulation legislative framework; Development of the system efficiency review methodology; Implementation of the primary dealers pilot system

Period: January - December

Fourth quarter progress: Within the technical help from the International Monetary Fund and the World Bank, the department of debt management in cooperation with the National Bank of Georgia has developed a primary dealers pilot program regulation framework, which describes processes of selecting the program participants, rules for granting/pausing/cancellation of status, terms of reference and issues of information exchange and reporting. Additionally, system efficiency review methodology directions are being refined using best international practices. Due to the widespread obstacles caused by the pandemic, the pilot program was launched in November of 2020.

2. Improving communication with investors

Responsible Body: Public Debt Department

Performance indicators: Creation of communication strategy with investors. Development of the investor database and drafting periodic reports and presentations for diversification of government securities trends.

Period: January - December

Fourth Quarter progress: Work is underway on the strategy for communicating with the investors, in accordance with the best international practices. The strategy will be aimed towards increasing recognizability of the securities and development of investor databases. Periodic reporting format for reflecting on the government's securities has been developed: Investor presentation, monthly reports on macro and debt topics, quarterly in-depth review of government debt.

Portfolio of the treasury's securities was published on the web-page, September of current year. The report is being updated weekly and contains characteristics of the securities within the portfolio and target volume, type and status of each security.

III – Accounting and reporting

1. Development of IPSAS standards related to the accrual concept

1.1 Inclusion of IPSAS implementation detailed action plan for 2020 standard requirements into accounting and financial reporting instructions for state budget organizations

Responsible bodies: State Treasury Service

Performance indicator: Analysis of 2020 standards defined by the IPSAS implementation detailed action plan has been conducted and an instruction project for Accounting and Reporting has been developed.

Period: January - December

Progress: In order to improve public finance management and to bring it in correspondence with the best international practices, within IPSAS implementation action plan and in accordance with the International Monetary Fund (IMF) recommendations a project plan was developed for accounting reports, based on the corresponding IPSAS standards, that was approved by Order N17 of January 15 of 2020 of the Minister of Finance of Georgia, according to which the organizations that are being financed from the state budget will conduct accounting for a period starting on January 1st of 2020. Additionally, an instruction project based on corresponding IPSAS standards for using accrual method has been developed, refined and approved based on the order N108 of May 5th of 2020 of Minister of Finance of Georgia. Additionally, an instruction project for reflection of depreciation in accounting and financial reporting, in accordance with the IPSAS standards, that was approved based on the order N289 of December 2nd of 2020.

Note: Finalized

1.2 Refinement and improvement of financial reporting for organizations funded from the state budget, for further correspondence with the IPSAS standard requirements.

Responsible bodies: State Treasury Service

Performance indicators: Financial reporting forms for organizations funded from the state budget have been refined/improved and are in correspondence with IPSAS standard requirements.

Period: January - December

First quarter progress: Within technical support from the IMF, in order to further increase correspondence with IPSAS standard requirements, the Finance Minister order project “On rules for development and presentation of financial reports for budgetary organizations” for organizations funded from state budget and was approved in February of 2021.

Note: Finalized

1.3 Conducting work meetings, seminars, trainings, etc. for introduction of accounting and financial reporting IPSAS standard requirements implemented in 2019-2020 for organizations funded from state treasury.

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

Performance indicator: Accountants of organizations funded from the state treasury are introduced and apply the knowledge received during work meetings, seminars, trainings, etc. on IPSAS standard requirements.

Period: January - December

Progress: Trainings were conducted for accountants of organizations funded from state treasury, within cooperation with the Academy of the Ministry of Finance, including public school accountants, which encompassed teaching the accounting and reporting methodologies for public sector accounting, based on the IPSAS.

Note: Finalized

1.4 Development of joint financial reports by the piloting municipalities in 2019, in accordance with the accounting-reporting methodology based on IPSAS standard requirements

Responsible bodies: State Treasury Service

Performance indicator: Pilot municipalities have developed 2019 financial reports, keeping in mind local budgetary specifics, in accordance with the accounting-reporting methodologies based on IPSAS standards.

Period: January - December

Progress:

Note: Has not been implemented. Municipalities and autonomic republics, as well as their controlled units will develop financial reports in accordance with the accounting-reporting methodologies based on IPSAS standards starting from January 1st, 2021.

1.5 Conducting work meetings, seminars, trainings, etc. in order to raise awareness about IPSAS standards for local self-governing units

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

Performance indicators: Representatives of self-governing units will be introduced to IPSAS standard requirements during seminars, work meetings, trainings, etc.; Accountants of self-governing units will apply accounting and reporting knowledge received during conducted trainings.

Period: January - December

Progress: With help from GIZ and collaboration with the Academy of Ministry of Finance, trainings were held for the accountants of municipalities and autonomic republics on state budget financing, which encompassed teaching of reporting and accounting methodologies based on the IPSAS standards.

Note: Finalized.

1.6 Development of financial reporting forms for self-governing units, based on IPSAS standard requirements, to be presented to the Treasury Service

Responsible bodies: State Treasury Service

Performance indicator: Financial reporting form (to be presented to the State Treasury Service) project has been developed for self-governing units, based on IPSAS standard requirements.

Period: January - December

Progress:

Note: Has not been implemented. The municipalities and autonomic republics, including their controlled units will conduct reporting for year 2021 based on the the methodologies that are used by the organization on state budget financing.

2. Development of PFMS System

2.1. Development/improvement of main functionals of treasury book based on PFMS method

Responsible bodies: State Treasury Service

Performance indicator: Relevant business process analysis is conducted; Appropriate software has been developed

Period: January - December

Progress: In order to improve the efficiency of fiscal decisions, the Integrated Public Financial Management Information System (PFMS) has been continuously refined, business processes simplified and the existing information system modernized.

Note: Completed

2.2 Trainings for using eTreasury system for state budget and local self-government representatives

Responsible bodies: State Treasury Service

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

Period: January - December

Progress:

Note: Not started

IV - Tax and Custom Issues

1. Improvement of Legislative Base

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

Responsible Body: Tax and Customs Policy Department

Performance indicators: Creation of changes project in Georgian Tax Code with the aim of harmonizing code with the Council directive 2003/96/EC of 27th of October 2003, on restructuring of taxing energy products and electric power

Period: January - December

Progress: Analysis was conducted on differences between aforementioned directive and the Georgian legislation, with aid of the experts invited with EU help (taix program). Work is being conducted towards harmonization of the directive with the Georgian legislation.

1.2 Further refinement of the tax code

Responsible Body: Tax and Customs Policy Department

Performance indicator: Continued work on refining the legislation regulating Georgian customs field, in order to achieve maximum harmonization with the EU customs legislation and implement normative act projects.

Period: January - December

Progress: A bill project was developed on implementing changes to the customs code. The necessity to develop the project was caused by the need to postpone activation of transitional and conclusive regulations within the Georgian customs code.

1.3 Refinement of international tax policy

Responsible bodies: Tax and Customs Policy Department

Performance indicators: Implementing procedures to renew agreements/make new agreements to avoid double taxation on income and capital with priority countries;

Implementation and improvement of international tax standards, developed within The Global Forum on Transparency and Exchange of Information for Tax Purposes. Based on Global forum new 2016 methodology, implementation of new legislative changes within the 2nd stage of information exchange assessment;

Implementation of 4 minimal standards within BEPS plan of Erosion of taxed base and profit shifting, developed within OECD and G20 and further monitoring. Initiating legislative changes within CbC.

Implementation of convention developed within OECD and G20 BEPS Action Plan 15th Event about Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting and monitoring of implementation.

Period: January - December

Progress: Agreement “On avoidance of double taxation and elimination of tax avoidance between Georgia and Special Administrative Region of the People’s republic of China – Hong Kong” was signed.

Agreement “On avoidance of double taxation and elimination of tax avoidance between Georgia and Japan” was initialized.

Authorization to sign was published on the renewed project of initialized agreement “On avoidance of double taxation on income and elimination of tax avoidance between Georgia and Republic of Poland”

An intermediate questionnaire to be presented by Georgia has been provided for the Global Forum’s new 2016 methodology on 2nd round of information exchange.

1.4 Base Erosion and Profit Shifting (BEPS) project

Responsible bodies: Tax and Customs Policy Department

Period: January - December

Implementation of legislative changes and further monitoring for implementation of 4 minimal standards developed within the BEPS action plan by the OECD and G20

- 13th event (agreement evaluation documentation and country-by-country reporting) – Enacting legislative changes within the “country-by-country reporting” (CbC): corresponding change project has been approved by the parliament and came into force;
- 14th event (Increasing the efficiency of conflict resolution mechanism): comments were received on the Minister of Finance order project “On approval of a mutual agreement procedure rule defined by the international agreement on avoidance of double-taxation” and after they were reviewed, it was sent to the Legal Department of the Ministry of Finance.

Development and performance monitoring of synthesis texts in correspondence with the multilateral convention on “Implementation of measures related to tax agreements for base erosion and profit shifting” developed within the 15th event of OECD and G20: synthesis texts with Ireland, Luxembourg, Iceland, Slovenia

and Finland were added to the synthesis texts already present on the web-page of the Ministry of Finance (UK, Serbia and India).

2. Implementation of Risk-based methods

2.1 Management of Customs risks

Responsible Institution: Revenue Service

Performance Indicator: Customs value procedural guide is implemented in practice; GPS seals monitoring distant system of risky cargo is implemented; Georgia and Amernia have developed united electronic seals system.

Time Period: January- December

Progress: Partly completed

- There are no new developments in implementing GPS seal monitoring system, due to People's Republic of China not providing programming system.
- Due to pandemic, the unified system between Georgia and Amernia has not been developed yet.

2.2 Managing institutional risks

Responsible Institution: Revenue Service

Performance Indicator: Internal audit is functioning well; there is a plan for improving management system of institutional risks of operational direction.

Time Period: January- December

Progress: Completed

3. Support of voluntary compliance

3.1 development of services

Responsible Institution: Revenue Service

Performance Indicator: United methodological base is created; service web-pages is renewed; phone call center has a programming support and new infrastructure; concept of feedback is developed

Time Period: January- December

Progress: Mostly completed

Donor for creating unified methodological base is found, appropriate works have begun (taking inventory of informational assets and identification of content).

4. Support of precision of declaration data

4.1 Tax control

Responsible Institution: Revenue Service

Performance Indicator: Concept of controlling precision of declaration is developed and approved; new tax audit program is implemented; electronic management system of audit process is implemented.

Time Period: January- December

Progress: Mostly completed

The project of implementing audit electronic system is finished and is being tested. 24 employees of audit department have had training for trainers. 6 were chosen to train all other auditors. The electronic system will be released for actual use in 2021.

V - Macroeconomic Analysis and Fiscal Policy

1.1 Improving macroeconomic forecast analysis and analytical information

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

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

Time Period: January - December

Progress: Centralized system of data analysis is created and works with support of MATLAB program. The system increased speed of getting and processing information. In 2020 different working files were improved, where it is possible to get analytic data, process it and create graphical analysis. Field based turnover is analyzed for VAT paying entities. Assessment methodology for economic activity is improved. Customs data analysis is being used to assess foreign trade trends.

The information is broader; together with monthly presentations and a brochure, analytical information is being prepared, directed for specific groups, including credit rating agencies, investors, etc.; existing account and external debt analysis directions are broader; external susceptibility analysis is being worked on. 2018 models of economic analysis/forecasting are improved. Fiscal multipliers are assessed, which created the bases of assessing potential results of fiscal reform.

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

Responsible Body: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Information about economic situation is periodically published on the Ministry of Finance's website.

Time Period: January - December

Progress: The information is broader; together with monthly presentations and a brochure, analytical information is being prepared, directed for specific groups, including credit rating agencies, investors, etc.; improvement of national accounts, current accounts and foreign debt analysis is ongoing and implements different analytical and visual data.

1.3 Analysis of shocks impacting economic development, creation of scenarios and macroeconomic risk assessment

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Research materials published on MoF web-page

Time Period: January - December

Progress: Monthly publications' design was improved and its informationality has increased. Once every quarter publication is being published and gives a sustainable analysis option, different from monthly brochure. DSGE model description and monthly plot analysis have been implemented. Final version of budget has been prepared together with tax expense analysis, where quantitative VAT expenses are assessed as well as their distribution for social effects. On the MoF web-page, research study "Macroeconomics during pandemic: Consumer behavior and optimal politics of stabilization" has been published, which will encourage discussion and comments.

1.4 Analysis of shocks impacting economic development, creation of scenarios and macroeconomic risk assessment

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

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

Time Period: January - December

Progress: From 2019, Ministry of Finance started operating by using DSGE model, which includes analyzing scenarios of fiscal policy and different shocks. This model is also used to simulate political reform results on economy. DSGE was used to simulate COVID-19 effects based on different suggestions.

As for the Macroeconomic risks, yearly document on fiscal risks is developed, which includes foreign macroeconomic risks, results of their realization and policy answers, as well as risks from public-private agreements and governmental enterprises. The document, together with optimistic and pessimistic scenarios, was annexed to 2021 budget.

1.5 Stress-Test analysis

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: DSGE model usage for different stress-tests

Time Period: January - December

Progress: From Spring of 2020, based on the circumstances, stress-scenarios were created in intensive method, especially for months of July-August, where 3 scenarios were developed of epidemiological and regional risks. These were used as a foundation of 2021 budget first hearing.

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Document of medium term fiscal policy

Time Period: January - December

Progress: Document of basic data and directions was created (2021-2024 BDD), which is a medium length framework for budget. This document is published on the Ministry of Finance's website together with 2021 budget.

1.7 Creation of technical specifications for DSGE and its implementation for political analysis

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Technical specifications for DSGE model

Time Period: January - December

Progress: Activities were held in the beginning of 2020 according to the action plan developed with IMF. DSGE model already has main characteristics of Georgian economy included, which is necessary to assess policy influence. In the third quarter of 2020, prognosis part of the model was improved in content and technical fields. Model includes effects of pandemic. DSGE model was used for creating prognosis for the budget hearing.

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

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

Time Period: January - December

Progress: Assessment of different political decisions/reforms is ongoing in different scenarios. For example, education reform results were assessed with DSGE model.

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Final version of strategy

Time Period: January - December

Progress: Active cooperation with international companies, such as Fitch, Moody's and S&P is ongoing. During the year, delegations from these companies visited Georgia several times. They had meetings with Georgian Ministry of Finance and representatives of different public and private institutions. Ministry of Finance was organizing these meetings. These meetings were hosted by MoF this year. Active communication is ongoing with email and phone too, where the rating companies are introduced to the main economic tendencies of the country. In February 2020, meeting was held with Fitch. In August – meetings were held virtually with representatives of Fitch and S&P. Phone calls were held with Moody's.

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Improved prognosis, alternative methodology

Time Period: January - December

Progress: Whole tax and independent tax (including VAT, excise, customs, income, profit and property taxes) elasticities were studied for GDP in short- and long-term periods. In 2021 budget revenue forecast was based on DSGE model. During forecasting, 2020 realised foreign shocks were included in analysis.

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

Responsible Institution: Department of Macroeconomic Analysis and Fiscal Policy Projection

Performance Indicator: Published reports

Time Period: January - December

Progress: Every year, reporting of public finances is improved and closer to international standards. This information is published on Ministry of Finance's website on a yearly, quarterly and monthly basis. Ministry of Finances also creates analytical data about economic and financial indicators, published with the state budget projects.

VI - Fiscal Risks

1. 1. Identification, management and assessment of fiscal risks

1.1 Identification and assessment of governmental entity conditional obligations

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Improvement of methodology/system to gather information from state enterprises; update of conditional obligations of state enterprises; analysis of state enterprises work and assessment of fiscal risks.

Time Period: January - December

Progress: With the aim of assessing financial risks of state enterprises, information about financial indicators, conditional obligations and ongoing and forecast indicators of state enterprises was gathered from government structures.

Based on the information, register of state enterprises was updated and 352 of them was chosen for the importance of fiscal risk analysis, including all which were created by partial inclusion of central government. For the analysis of their influence on state economy, financial data from 130 of enterprises were analyzed. The results are shown in risk analysis document, annexed to 2021 budget project first, second and third hearings.

1.2 Quasi fiscal activity identification, assessment and analysis

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Update of the quasi-fiscal activity register; assessment of quasi-fiscal activity fiscal risks; assessment of quasi-fiscal activity advisability

Time Period: January - December

Progress: Complete. For assessing the advisability of quasi-fiscal activity and limiting its risks, with the use of best international practices, MoF created the methodology of “identifying, analyzing and financing quasi-fiscal activities with best practice mechanisms”. Based on this, forms of quasi-fiscal activities were identified.

Using methodology, the influence of quasi-fiscal activity on financial data was assessed. The methodology, as well as information about several bigger entities’ quasi-fiscal activities were annexed to 2021 fiscal risks analysis document.

1.3 Sensitivity analysis of state enterprises and stress-test conduction to assess fiscal risks

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Use of sensitivity analysis and stress test methodology based on large state enterprises data; use of modelled shocks and their influence of enterprises’ financial situation

Time Period: January - December

Progress: Complete. For the model of sensitivity analysis of government enterprises, based on their financial importance, 6 major state enterprises were chosen, aggregated gross assets of which in 2018 is 67% of all state enterprises, reviewed in fiscal risk analysis. For the chosen enterprises, 3-year historical (2017-2019) and five-year pro-form (2020-2024) financial forecasts were created. Sensitivity (stress-tests) were included in the model, based on different economic factors, acute economic shocks and modelled scenarios, for example, increase of GDP, currency rates and interest rates. The results are published in fiscal risk document.

1.4 Gathering data on ongoing projects of public and private sector partnership and its assessment

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Creation of register of private and public partnership; Use of e.g. PFRAM 2.0 model to assess and analyze private and public cooperation projects.

Time Period: January - December

Progress: Completed. Ministry of Finance of Georgia has created a full register for PPP Projects.

Based on best international practices and public sector accounting international standard IPSAS 32, in 2019, an assessment of PPP projects and government obligations was held. The ongoing conditional obligations/fiscal risk assessment of electric energy agreement were also assessed. These projects are a form of PPP.

1.5 Creation of methodological-practical handbook for PPP together with international partners, based on ordinance N426 of August 17 2018, about development and implementation of rules of PPP projects

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Creation and implementation of methodological-practical handbook for PPP

Time Period: January - December

Progress: Completed

Based on the ordinance N100 of 28th of April 2020 of Minister of Finance of Georgia, “Methodological-practical handbook for PPP” was approved. MoF was supported by Asian Development Bank and USAID Good Governance Initiative.

1.6 Sectorization of state enterprises

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Classification of state enterprises in public corporations and state governed enterprises. Assessment of influence of state enterprises on fiscal data, including budget incomes, assets and liabilities

Time Period: January - December

Progress: Completed

According to GFSM 2014 methodology, sectorization was developed. The “List of public enterprises sectorization” was approved by the ordinance N96 of Minister of Finance of Georgia on 24th of April 2020.

The influence of government sector enterprises and state corporations of 2019 fiscal parameters of the country was created.

1.7. Creation of standards of corporate management of state enterprises

Responsible Institution: Division of Fiscal Risk Management

Performance Indicator: Creation of management standards and principles in the enterprises, which are identified to be public interest persons. Definition of the supervisory and analytical function for MoF of Georgia.

Time Period: January - December

Progress: The reform strategy work has begun. Consultations are ongoing with partner international organizations for sharing best practices.

VII - Development of Public Internal Control System over Finances

1.1 Planning, assessment and rising awareness about reform of public internal control over finances

Responsible Institution: Central Harmonization Unit

Performance Indicator: 1. Strategy and action plan of development of state internal financial control system is developed for 2020-2023; 2. At least 20 managers and 50 internal auditors are trained from municipalities in issues of corruption and fraud and/or effectiveness audit; 3. Annual report on Public Internal financial control reform of 2019 is presented on government meeting.

Time Period: January - December

Progress: Central Harmonization Unit, with support of USAID GGI in Georgia created 4 year strategic and 2-year action plans for development of state internal financial control system, which was presented to the government for approval. With support of GIZ, within the project “financial management and control in Georgia”, more than 20 employed managers from 4 ministries of Georgia (Ministry of Finances of Georgia; Ministry of Internal Affairs of Georgia; Ministry of Environment and Natural Resources Protection of Georgia and Ministry of Education, Science, Culture and Sport of Georgia) were retrained; 2019 consolidated annual report of development of the control reform was presented to the Government of Georgia. The report was approved by Georgian government.

1.2 Support of implementation and effective functioning of financial management and control system in public sector

Responsible Institution: Central Harmonization Unit

Performance Indicator: 1. Analysis of existing situation/needs of financial management and control systems are undertaken; 2. Action plan for implementing program is created. 3. Risk management guide for public sector is created/updated.

Time Period: January - December

Progress: Central Harmonization Unit, with the help of OECD/SIGMA experts, undertook the analysis of existing situation/needs of financial management and control systems, based on which, action plan for implementing program was created. With the connection of SIDA and ESV, two-year project of financial control and management implementation in pilot entities was created. Updates of risk management guide are ongoing by working with international experts.

1.3 Development and support of internal audit activities in public sector

Responsible Institution: Central Harmonization Unit

Performance Indicator: 1. Within the program for certificating internal auditors, methodology is created for each module. 2. Minimum 15 internal audit performers have had external quality assessment; 3. Effectiveness audit methodology and IT audit methodology is created for internal auditors.

Time Period: January - December

Progress: Within the program for certificating internal auditors, Central Harmonization Unit, with the help of GIZ Center of Excellence in Finance, the work is undertaken to create program for each module. External assessment of internal auditors has been created and was used to assess 13 entities. Effectiveness audit methodology is created.

VIII - Accounting, Reporting and Auditing Supervision

1. 1. Effective functioning of Reporting Portal

1.1 Development of Reporting Portal

Responsible Institution: Service for Accounting, Reporting and Auditing Supervision

Performance Indicator:

10 presentations to raise awareness about financial reporting international standards and legal changes are conducted to enterprises;

IFRS standards are translated and published on service's webpage;

Training modules of IFRS for SMEs are translated and published on service's webpage;

IFRS for SMEs trainings are conducted to target audience with support of donors and sponsors;

By reporting presentation (Reportal.ge/SARAS), minimum 3500 enterprise reporting is published on the service portal (Reportal.ge)

Time Period: January-December

Progress 10 presentations to raise awareness about financial reporting international standards and legal changes were conducted to enterprises;

- ✓ Presentation was held to raise awareness about financial reporting standards for the 3rd and 4th category enterprises with participation of 200 accountants;
- ✓ Online meeting with accountants about important issues, with inclusion of 400 accountants;
- ✓ Event held about posting the certified accountant on the unified register of service webpage, with inclusion of more than 200 participants;
- ✓ Online presentation about mistakes in reporting for 3rd category enterprises, with engagement of 150 participants;
- ✓ Distant meeting for small and medium auditory institutions organized by EU Twinning project, with the help of SARAS and professional organizations, where 100 people participated;
- ✓ Online meeting about the topic: "Results of financial transparency – methods of researching corporate sector".

- ✓ Online meeting about the topic on what to include in reporting in 2020. Meeting was attended by 300 people;
- ✓ Online meeting about reporting for 3rd category enterprises (more than 450 people attended);
- ✓ Video instructions about 3rd category enterprise reporting with the aim to increase awareness;
- ✓ Animated video about Reportal.ge to raise awareness, made with the funding of World Bank and EU;
- ✓ Distant meeting with representatives of 4rd category enterprises, with the help of World Bank. Hosts introduced standard changes and answered questions;
- ✓ Service for Accounting, Reporting and Auditing Supervision and National Bank of Georgia supported the webinar “Audit committees – perspectives of future development”.

Trainings, events held for target audiences with the support of donors and sponsors

- ✓ Recommendation instructions for presenting financial and governmental reports have been updated;
- ✓ COVID-19 instructions and guidelines were translated into Georgian and processed;
- ✓ IFRS standards were translated and posted on service webpage;
- ✓ Trainings for IFRS were conducted with the help of World Bank for the 3rd Category enterprises. 55 people were included – 2;
- ✓ Trainings for institutions reporting to national center for education quality enhancement;
- ✓ For the interested parties, online seminar was held about “Ethics code for accountants”. Trainings were held with the support of USAID and G4G and World Bank. 400 people were trained in 2020 due to COVID-19 circumstances.

With the reporting insert Reportal.ge/SARAS, 4062 enterprises posted their reports (561 of them were consolidated) on Reportal.ge. 1710 enterprises of 4th category provided reports.

2. Support of improvement of Audit service quality

2.1 Improving Audit service quality

Responsible Institution: Service for Accounting, Reporting and Auditing Supervision

Performance Indicator: Quality control system monitoring is conducted for up to 30 audit companies.

Time Period: January-December

Progress: Monitoring has been held for 28 audit firms and 2 individuals.

IX - Informational Technologies

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

1.1 eBudget – System development and addition of new features

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Optimization of normative acts functional; creation of function of visualization of VAT distribution on municipalities; optimization of tax plan with the aim of having full historical information; broadening of functional for formula dynamic reports; addition of statistical report ready-made documents, which will take information from different systems.

Time Period: January - December

Progress: Working place for 2021 state, autonomy and local government budget planning has been created. Several reporting documents were optimized. Income, payments, baskets and chain validation functions were optimized and broadened. Creation of combined budget balance checks and automatic balancing functional was started. 28 fixes were made and 43 errors corrected.

1.2 eTreasury - Improvement of the system and addition of new features

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: For the second part of transferring to accrual method – development of technical tasks and analytics of income parts. GPSS integrator development and implementation; optimization of main book of treasury; automatization of encashment; modernizing or adding functions within the ongoing tasks.

Time Period: January - December

Progress: Integration of nonbudget transfer billings was added as well as long-term liability import function, third party payment function and new validations and reports. Integrational module between treasury and National Bank was created and implemented. Encashment process automatization was finished. Processing of primary documents, invoices, liabilities, requests, currency tasks, encashment tasks, accounting reports was developed. Main book of treasury was optimized. Electronic service of treasury was changed and was synchronized with procurement agency, Revenue Service, Pension Agency and Budget system.

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

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Automatization of creation and extraction of different reporting documentation about investment projects; Creation of functional of buying stocks and necessary reporting mechanisms; finishing the first phase of creation of mechanisms of debt management connected to foreign debt credit agreements; optimization of functional of planning the budget supporting programs; optimization of treasury emissions.

Time Period: January - December

Progress: For 2021 budget planning, environment was configured and sent to budget planning system. Most of the projects were uploaded into the system. Automatization task is ongoing. 3 new reporting documents are finished, 4 is ongoing. 15 fixes were made and 12 errors fixed.

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

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Distribution of new version of the system to user organizations; implementation of professional development module; creation of integration service (data export and import into eHRMS from other HR systems); creation/implementation of assessment module (phase 2); building the dynamic constructor of reporting; support of the system and its development.

Time Period: January - December

Progress: Employee approving system was added to the system. Assessment, professional development modules were created, analysis of integration project and report constructor modules are made. Stabilization and development phases for these modules are done. Self-service portal is updated. New modules are ready to be implemented in real environment. At this point cases are identified and their technical solutions are given. Trainings and support for users are intensively held.

1.5 Ensure the sustainability of ICT infrastructure of Ministry of Finance

Responsible Institution: LEPL Financial-Analytical Service

Performance Indicator: Improvement of infrastructural and system sustainability of public finance management electronic system; providing ITIL accordance for business processes, implementation of ISO27001 standards and improvement of IT security level; optimization of databases (document processing, treasury data, division of databases by years and switching older data to low level storage systems); implementation of new hyperconvergent system server and database systems and its broader use; improvement of virtual infrastructure (Vcenter ESX) to 6.7 version and migration of virtual servers to new system; renewal of backup systems; modernization of server infrastructure constant feed and cooling system.

Time Period: January - December

Progress: Hyper-convergent program apparatus complex VXRAIL was installed and started, where critical virtual machine migration happened, as well as switching off the arbitrator for stable functioning of data storage center.

New backup system was physically installed and was configured to two data processing center backup systems.

Revenue Service servers were installed in our server space. New system of statistics was installed on 5 physical servers. Virtualization program VMWare was configured to Windows 2016 and Linux servers.

For privileged users and distant working employees to connect to VPN new Multi-Factor Authentication system was implemented. This system was activated to for server authentications as well.

For security measures, in network tools new operating systems were installed.

On WIFI access pointers in MoF, operating system was updated and domain authorization function was added.

Virtual machines were migrated to new hyperconvergent environment and virtual platform was updated to 7th version.

For additional nodes in network infrastructure, new connections were added.

Annex: Estimates for public finance management reform 2020 action plan events

Annex

Estimates for public finance management reform 2020 action plan events

#	Field/Event	Full Funding/Funding Source (GEL)
	I – Budgeting	23 01 – Public finance management
		1,800,000
1	Improvement of Budget Management	1,800,000
1.1	Development of law of Annual budget project	290,000
1.2	Increasing efficiency of mid-term spending (MTEF)	160,000
1.3	Improvement of the Program Budgeting on National and Local Municipalities level	400,000
1.4	Ensure the accordance of budgetary documentation with the financial management principles	160,000
1.5	Capital/Investment project management unified cycle development	290,000
1.6	Reporting on annual and quarterly budget performance, reinforcement of accountability to the supervising entity	200,000
1.7	Ensure the Transparency of the Budget Process	80,000

1.8	Improvement of finance management by municipalities	200,000
1.9	Support for the budget process by refinement of corresponding legislation	20,000
II - Public Debt Management		23 01 – Public finance management
		572,000
1	Development of Government Stocks	572,000
1.1	Implementation of the primary dealers' system	313,200
1.2	Improving communication with investors	258,800
III - Accounting and reporting		23 01 – Public finance management
		1,120,000
1	Development of IPSAS standards related to the accrual concept	670,000
1.1	Inclusion of IPSAS implementation detailed action plan for 2019 standard requirements into accounting and financial reporting instructions for state budget organizations	150,000
1.2	Refinement and improvement of financial reporting for organizations funded from the state budget, for further correspondence with the IPSAS standard requirements	150,000
1.3	Conducting work meetings, seminars, trainings, etc. for introduction of accounting and financial reporting IPSAS standard requirements implemented in 2019-2020 for organizations funded from state treasury	250,000
1.4	Development of joint financial reports by the piloting municipalities in 2019, in accordance with the accounting-reporting methodology based on IPSAS standard requirements	120,000
1.5	Conducting work meetings, seminars, trainings, etc. in order to raise awareness about IPSAS standards for local self-governing units	0
1.6	Development of financial reporting forms for self-governing units, based on IPSAS standard requirements, to be presented to the Treasury Service*	0
2	Development of PFMS System	450,000
2.1	Development/improvement of main functionals of treasury book based on PFMS method	250,000

2.2	Trainings for using eTreasury system for state budget and local self-government representatives	200,000
IV - Tax and Custom Issues		
		23 01 - Public finance management 23 02 - Mobilizing income and improving taxpayer service
		8,780,000
1	Improvement of Legislative Base	1,480,000
1.1	Harmonization of tax legislation with EU directives within the Framework of the Association Agreement	300,000
1.2	Further refinement of the tax code	200,000
1.3	Refinement of international tax policy	800,000
1.4	Base Erosion and Profit Shifting (BEPS) project	180,000
2	Implementation of Risk-based methods	2,700,000
2.1	Management of Customs risks	1,200,000
2.2	Managing institutional risks	1,500,000
3	Support of voluntary compliance	1,800,000
3.1	development of services	1,800,000
4	Support of precision of declared data	2,800,000
4.1	Tax control	2,800,000
V - Macroeconomic Analysis and Fiscal Policy		
		23 01 - Public finance management
		1,000,000
1	Improving macroeconomic forecast analysis and analytical information	800,000
1.1	Improving macroeconomic forecast analysis and analytical information	100,000
1.2	Creation of analytic information about economic development tendencies of the country	130,000

1.3	Publishing research studies	50,000
1.4	Analysis of shocks impacting economic development, creation of scenarios and macroeconomic risk assessment	150,000
1.5	Stress-Test analysis	60,000
1.6	Creation of medium-term fiscal policy and creation of recommendations	100,000
1.7	Creation of technical specifications for DSGE and its implementation for political analysis	130,000
1.8	Participation in assessment of socioeconomic decisions and creation of strategies with the framework of macroeconomic forecasting	80,000
1.9	Coordinating strategy and cooperation with international rating companies to improve credit rating of the country	100,000
2	Improving forecasting and analysis of income	200,000
2.1	Creation of unified and state budget revenue forecast, improvement budget revenue forecast methodology and creation of alternative methodology	100,000
2.2	Organizing state finance statistics work and data distribution based on statistical methodology and IMF and other international organization recommendations	100,000
VI - Fiscal Risks		
		23 01 - Public finance management
		571,000
1	Identification, management and assessment of fiscal risks	571,000
1.1	Identification and assessment of governmental entity conditional obligations	141,000
1.2	Quasi fiscal activity identification, assessment and analysis	34,000
1.3	Sensitivity analysis of state enterprises and stress-test conduction to assess fiscal risks	26,000
1.4	Gathering data on ongoing projects of public and private sector partnership and its assessment	122,000
1.5	Creation of methodological-practical handbook for PPP together with international partners, based on ordinance N426 of August 17 2018, about development and implementation of rules of PPP projects	52,000
1.6	Sectorization of state enterprises	87,000

1.7	Creation of standards of corporate management of state enterprises	109,000
VII - Development of Public Internal Control System over Finances		
		23 01 - Public finance management
		872,000
1	Public Internal Control System reform	872,000
1.1	Planning, assessment and rising awareness about reform of public internal control over finances	125,000
1.2	Support of implementation and effective functioning of financial management and control system in public sector	425,000
1.3	Development and support of internal audit activities in public sector	322,000
VIII - Accounting, Reporting and Auditing Supervision		
		23 06 - Supervision of accounting, reporting and audit
		765,000
1	Effective functioning of Reporting Portal	280,000
1.1	Development of Reporting Portal	280,000
2	Support of improvement of Audit service quality	485,000
2.1	Improving Audit service quality	485,000
IX - Informational Technologies		
		23 04 - Electronic and analytical support of financial management
		3,618,500
1	Development and Support of the Public Finance Management Integrated Information System	3,618,500
1.1	eBudget – System development and addition of new features	549,500
1.2	eTreasury - Improvement of the system and addition of new features	1,012,400
1.3	eDMS - Improvement of the system and addition of new features	206,600
1.4	eHRMS - Improvement of the system and addition of new features	447,000
1.5	Ensure the sustainability of ICT infrastructure of Ministry of Finance	1,403,000

