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# Monitoring Covid-19 Related Public Spending During the State of Emergency and After

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## Interim Report







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საქართველოსთვის  
The European Union for Georgia



Institute for Development  
of Freedom of Information

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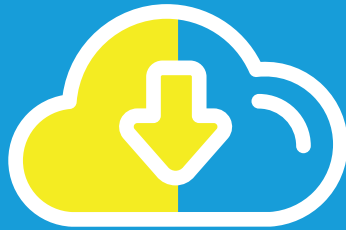


# Key Findings

## Key Findings

- Implementing authorities of anti-crisis measures do not fully provide public information regarding their initial activities in terms of fighting the Coronavirus, which is crucial in the monitoring process of the anti-crisis plan implementation.
- The results of the anti-crisis plan are represented in a misleading way in most government reports, creating an exaggerated image of success.
- Covid hotels and mobilization of hospitals constitute the largest share of Covid-19 related simplified public procurements. For example, between March 21 and November 15, GEL 200 million was spent on the procurement of hotel and hospital services.
- Simplified public procurements are used for most of the purchases for the above mentioned purposes, and simplified procurement agreements signed by some of the procuring agencies are not publicly available in the electronic system.
- More than GEL 1 billion from the 2020 anti-crisis plan (29.5%) was allocated as direct assistance to citizens. In several cases direct assistance was equally distributed between socially vulnerable families and the high-income part of the population.
- Several assistance programs of the anti-crisis plan were insufficient, with the possibility of increasing the amount and target groups of assistance, considering that allocated budget of some programs could not be fully utilized.
- State debt of Georgia will exceed 60% of the GDP in 2020-2021, which is higher than the limit established by the law on "economic freedom".





# The FOI Requests and Analyzed Public Documents within the Project

# The FOI Requests and Analyzed Public Documents within the Project

With the financial support of the European Union (EU), Institute for Development of Freedom of Information (IDFI) is implementing the project **"Monitoring Covid-19 related public spending and human rights protection during the state of emergency and after."** The initiative is contributing to increasing government accountability regarding Covid-19-related public spending, implementation of the Government Anti-Crisis Plan, spending of StopCov Fund, and allocation of donor support.

This document is an interim report that includes an overview of activities carried out through March-December 2020, monitoring results, and recommendations.

In order to monitor the implementation of the Government's anti-crisis plan and its related expenses, IDFI studied publicly available documents/data and outlined the topics that needed additional requests for information from public institutions. The list of documents/data studied by IDFI is:

- **Anti-Crisis Economic Plan**
- **Anti-Crisis Plan of the Ministry of Finance**
- **Anti-Crisis Plan on Tourism Revival**
- **Anti-Crisis Plan on Agriculture**
- **Anti-Crisis Plan on Development Sector**
- **Anti-Crisis Plan on Healthcare**
- **Anti-Crisis Plan on Education**
- **Report about the Measures Implemented by the Government of Georgia against Covid-19**
- **Anti-Crisis Budget**
- **2020 Budget Execution Report - 9-Month Performance**
- **Data on the Grant funds and Targeted Financing published on the website of Ministry of the Finance**
- **Public Procurement System Data**

Within the framework of the project, IDFI sent two types of FOI requests:

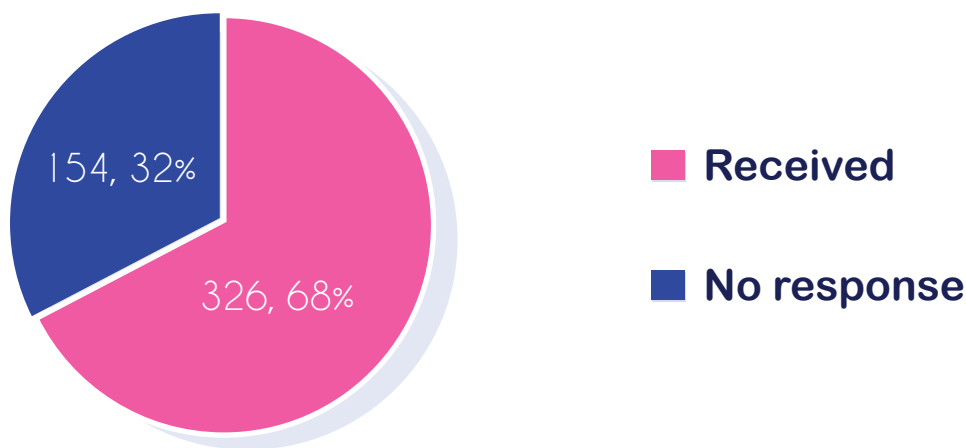
1. Standard requests sent to a group of several public institutions. For example, amendments to the 2020 budget of the institution, the list of the activities funded within the budget, and copies of the sent and received official emails aimed at market research for simplified public procurements were requested from 192 public institutions. Information about the expenses from the reserve funds was requested from 64 municipalities.



2. Nonstandard FOI requests targeted at specific public institutions depending on their characteristics. For example, copies of Government ordinances enacted between March 20th, 2020, and the current date were requested from the Administration of the Government of Georgia; information on the expenses and activities carried out for mobilizing medical infrastructure and medical supplies and preparing medical personnel was requested from the Ministry of the Internally Displaced People from the Occupied Territories, Labor, Health and Social Affairs of Georgia, etc.

A total of 480 FOI requests were sent to 200 public institutions. 326 of these requests received a response.

## Responses to FOI requests, submitted as part of the project



The most problematic issue during this process was that the implementing authorities of anti-crisis measures did not fully provide public information regarding their initial activities in terms of fighting Coronavirus, which is valuable for the monitoring process of the anti-crisis plan implementation. For example, important decisions in the pandemic period are made on the grounds of Government ordinances, but the last ordinance was published on the Government's website on March 19th, 2020. Several ordinances are available on the website of the legislative herald of Georgia, but it does not adequately reflect the current state of affairs. Unfortunately, IDFI's FOI request about the ordinances enacted throughout the pandemic period was left without response by the GoG Administration. Due to the importance of the information, IDFI appealed to the court. Within the framework of the project, IDFI also had to appeal to the court against the Ministry of the Internal Affairs, as it did not respond to the FOI request about simplified procurement contracts signed during the pandemic, acts of delivery and acceptance, inspection acts, and market research documents.

# FOI requests sent by IDFI within the project

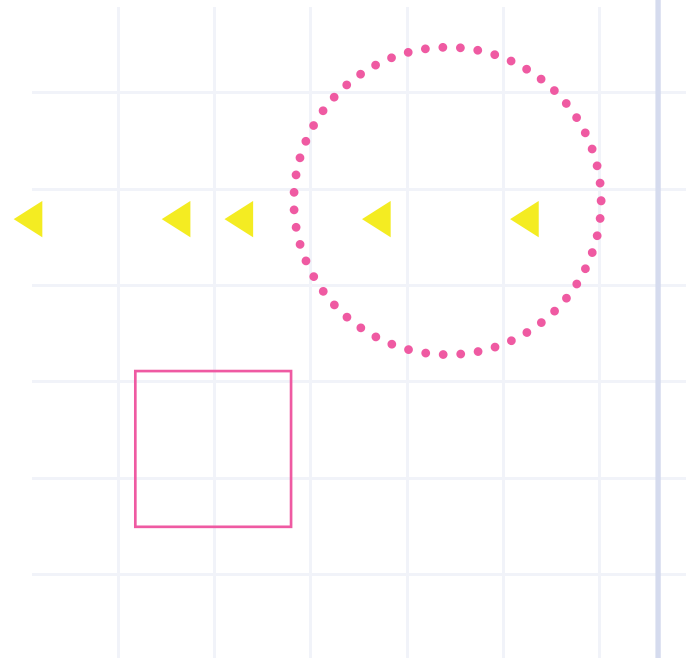
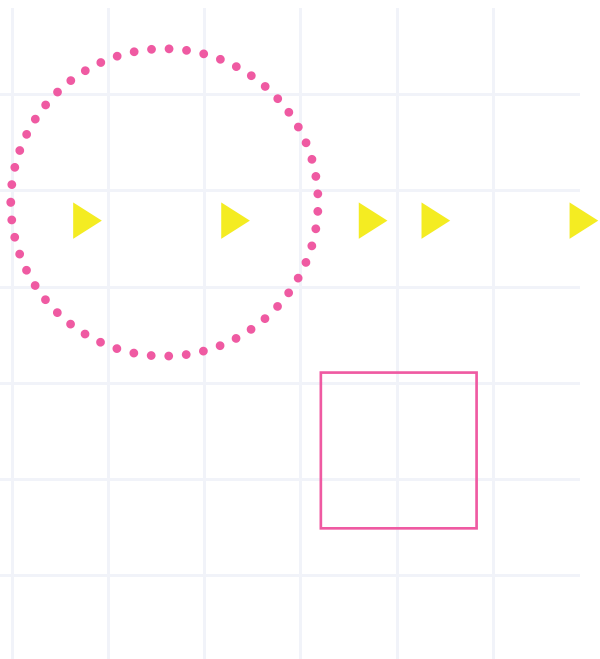
Public Institutions	Content of the FOI requests	Results
192 public institutions (Parliament, administrations of Parliament and President of Georgia, 11 ministries and Office of the State Minister of Georgia, Government and ministries of Adjara, City Halls of 64 municipalities, 90 LEPL's and other independent agencies.	<p>Amendments to the 2020 budget of the institution and the list of the activities funded within the budget.</p> <p>Copies of sent and received official emails aimed at market research for simplified public procurements.</p>	<p>138 public institutions responded</p>  <p>124 public institutions responded</p>
City Halls of 64 municipalities	List of the expenses from the reserved funds of the municipalities	44 City Halls responded
Administration of the Government of Georgia	Copies of the Government ordinances enacted from March 20th, 2020, until today	<p>No response</p> <p>IDFI appealed to the court</p>
National Center for Disease Control and Public Health	<p>Confirmed Coronavirus cases during the quarantine</p> <p>Purchased rapid tests</p>	Incomplete data
Ministry of the Internally Displaced People from the Occupied Territories, Labor, Health and Social Affairs of Georgia	Expenses and activities carried out for mobilizing medical infrastructure, medical supplies, preparing medical personnel; Expenses for accommodating citizens in quarantine and confirmed Covid-19 cases during the quarantine; Requests of financial support received from the citizens who lost their jobs and rejected cases.	Incomplete data
Ministry of Finance	The terms of the agreements signed in order to prevent increases in food product prices; Beneficiaries of tax exemption and the exemption funds, the bank subsidy program expenditures,	<p>IDFI received information about donor funds and tax exemptions</p> <p>The Ministry redirected other requests to the Ministries of Agriculture, Economy and Health</p>

	<p>mortgages issued for supporting the development sector and apartments purchased for internally displaced people from occupied territories; Funds and grants from the international partners and their purposes;</p>	
<p>Ministry of Environment and Agriculture of Georgia</p>	<p>Detailed information about the "Cheap diesel for farmers" program implemented under the Anti-crisis plan on Agriculture; the terms of the agreements signed in order to prevent increases in food product prices, data about the implementation of the co-founding program to support primary production</p>	<p>Complete data</p>
<p>National Bank of Georgia</p>	<p>Information about the beneficiaries of the deferral of credit commitments</p> <p>Statistics of the citizens blacklisted due to indebtedness to financial institutions</p>	<p>Incomplete data</p>
<p>Tourism Administration of Georgia</p>	<p>Expenses and activities carried out within the Anti-crisis plan on tourism revival</p>	<p>No response</p>
<p>The Ministry of Infrastructure and Regional Development</p>	<p>Agreed terms and expenditures for preventing price increases of building materials for infrastructure projects</p>	<p>Complete data</p>
<p>The Ministry of Education, Culture and Sports</p>	<p>List of activities carried out for the transition to remote learning process (purchase of technical equipment, training of personnel, etc.) and related expenses</p>	<p>Incomplete data</p>
<p>The Ministry of Internal Affairs</p>	<p>61 simplified procurement contracts, delivery and acceptance acts, inspection acts and relevant market research documents. Copies of legal acts on grounds of which contracts are not publicly available in the CMR Module.</p>	<p>No response</p> <p>IDFI appealed to the Court</p>

The Ministry of Defense

14 simplified procurement contracts, delivery and acceptance acts, inspection acts and relevant market research documents. Copies of legal acts on grounds of which contracts are not publicly available in the CMR Module

Incomplete data





# A Brief Overview of Analytical Papers

# A Brief Overview of Analytical Papers

Based on information received from public institutions, as well as publicly available data, IDFI monitored the implementation of anti-crisis procurements and the implementation of various government programs, which are presented in the form of analytical documents. At this stage of the project, the following analytical papers have been published:

- [The COVID-19-related State Procurements](#)
- [Overview of the Anti-Crisis Plan](#)
- [Results of the Monitoring of the Agro-Diesel Supply Program](#)

## ● The COVID-19-related State Procurements

IDFI collected and analyzed Covid-19-related procurement data in three different parts. A total of 520 SMP requests (simplified procurement agreements with the agency) and 921 CMR contracts (simplified procurement contracts) were processed within the scope of the project. Content of the analyzed procurements distributed as follows:

1. 11 May – 24 May:
  - 215 SMP Requests
2. 25 July – 30 September:
  - 270 SMP Requests
  - 285 CMR Contracts
3. Preparing additional beds at the hospitals:
  - 54 CMR Contracts
4. Covid hotels:
  - 34 SMP Requests
  - 566 CMR Contracts
5. Supporting medical personnel in quarantine/field conditions:
  - 1 SMP Requests
  - 16 CMR Contracts

→ Between March 21 and November 15, **GEL 200 million was spent** on the procurement of hotel and hospital services.

→ Between March 21 and November 15, the Georgian National Tourism Administration **spent over GEL 78 million** on the procurement of the goods and services required for the implementation of mandatory quarantine.

- By the November 6, 2020 Decree of the Government of Georgia, **additional funds of GEL 35 million were allocated to the Georgian National Tourism Administration. Together with the funds already spent, the total amounts to more than GEL 100 million.** The additional funds are to be spent on Covid hotels and facilitating the procurement of services related to this process.
- Between July and November, the Social Service Agency requested an agreement for receiving **GEL 98.5 million** from the State Procurement Agency for the purposes of preparing additional beds at the hospitals.
- The contract agreed upon by the Social Service Agency allocated a sum of **GEL 625,537** for the purposes of supporting medical personnel in quarantine/field conditions. Additionally, **GEL 300,000 was allocated for the same purposes during the month of November alone.**

The analyzed data has shown that the largest share of the funds is spent on covid hotels and mobilization of hospitals. In addition, it should be noted that the procurement of some of the services related to Covid-19 have returned to the format of electronic tenders, which should be welcome, although the number of such cases is not high. We believe that the procurement of the services that have already been tested and the necessity of which is known in advance is possible to be done through electronic tenders in order to facilitate competition.

It is important to note that the monitoring of procurements faces a number of significant technical challenges. Among these, the most noteworthy is the lack of available data in an open, processable format. The lack of a separate module/basis for procurements related to Covid-19 additionally causes such procurements to be haphazardly scattered across the system, and the collection and identification of these procurements as related to Covid-19 is often difficult. The study also showed that some institutions do not publish simplified procurement agreements in the system at all.

Based on the results of the research, **several recommendations** were given to the relevant public entities:

- The State Procurement Agency should guarantee the publication of the information in the electronic system in an open, processable format.
- The State Procurement Agency should create a separate category for procurements related to Covid-19. Alternatively, it must facilitate the collection of the information pertaining to these procurements and publish them in a processable format.
- The State Procurement Agency should control the indication of the relevant SPM codes by the procurers when the urgently requested simplified procurements are placed in the respective CMR module.

- The Ministry of Defense and the Ministry of Internal Affairs should facilitate the publication of the simplified procurement agreements in the electronic system, as dictated by the law. The State Procurement Agency should conduct the relevant control and monitoring in order to eliminate such cases in a timely manner and ensure that they are not left without appropriate attention. Moreover, the necessity of concealing agreements should be evaluated carefully.
- Procuring entities should minimize the use of simplified procurements in the procurement of services and products, the necessity of which is known in advance, and the respective procurements can therefore be planned and conducted on a competitive basis.

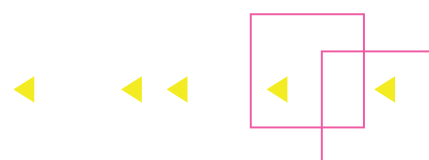
## ● Overview of the Anti-Crisis Plan

The analytical paper reviews the impact of the pandemic measures on Georgia's macroeconomic indicators and the composition of the initial anti-crisis plan. The paper analyzes the effectiveness of the assistance provided to unemployed citizens and other assistance programs. Assistance to the construction, agriculture, and tourism sectors under the anti-crisis plan is also reviewed.

Based on the research, we reached **several findings** related to expected macroeconomic outcomes and problems with the implementation of the anti-crisis plan. Among them are:

- In 2020, the Georgian economy is expected to shrink by -6%. This comes behind the expected growth rates of developing countries and the globe in general.
- The Business Confidence Index is at a record low.
- The largest part of the GEL 3.5 bln anti-crisis plan (30%) was allocated as direct assistance to citizens.
- Out of GEL 450 mln allocated to the "200 GEL assistance to the unemployed due to the pandemic program", less than a third has been transferred.
- Compensation was provided to 925,000 children under 18. The assistance was identical (200-GEL) regardless of the social status of the child.

Based on the results of the study, IDFI has summarized the challenges of the anti-crisis plan and issued **recommendations** regarding the effective planning of programs under the anti-crisis plan, increasing assistance to individual vulnerable groups, etc.





- **The budget allocated for the assistance of self-employed is insufficient and prerequisites of the program have led to delayed assistance.**

The program covered 29% of the self-employed, and due to the problems created with the proof of income documents, the budget allocated for the program could not be utilized in the initial stage.

- **Assistance for children under 18 requires a more specific approach.**

The assistance provided was identical to the amount for socially vulnerable families as well as for the high-income part of the population. It is also important to clarify why 800,000 children were originally earmarked for assistance.

- **A monthly allowance of GEL 200 for employees who lost their jobs was insufficient and it was possible to increase the amount of assistance.**

The amount of assistance slightly exceeds the already low subsistence level, which averages at GEL 192 in 10m 2020. Considering that even a third of the allocated budget could not be utilized, it was possible to increase the amount of the one-time transfer. Also, the criteria for differentiation of the self-employed for whom the one-time assistance is GEL 300 are unclear.

- **The utility subsidies program was conducted on an unfair basis.**

This program should have benefited the socially vulnerable and the low-income populations that have been affected by the pandemic the most. Utility vouchers are based on the volume of consumption and in many cases may not accomplish the purpose of the assistance. Vouchers can only be declined voluntarily by middle and high-income people through the opt-out system.

- **Increasing the assistance to the poor and the disabled is plausible.**

The amount spent on assistance programs for socially vulnerable families and people with disabilities exceeded the allocated budget, indicating a higher demand for assistance. Given that the pandemic has increased the number of vulnerable people, an increase in the budget for such programs is recommended. It is also desirable to increase the number of beneficiaries and include more people with disabilities.

- **The elimination of the income tax on the GEL 750 transfer is a significant benefit for the low-income population.**

This program is especially important for small businesses and its continuation would reduce pressure on the low-income population and small businesses during the post-pandemic period.

- **The 2021 Anti-Crisis Plan envisages deferral of credit commitments for those whose economic activity was restricted in the period of December-January. However, it is unknown how credit deferrals will be carried out, and whether these credit obligations include only bank loans or other non-bank liabilities as well.**

The government has not clarified the issue of interest expense; it will likely be redistributed to the borrower's payments in subsequent periods. Also, it is unclear whether this deferral policy only applies to bank loans or if it includes other types of liabilities.

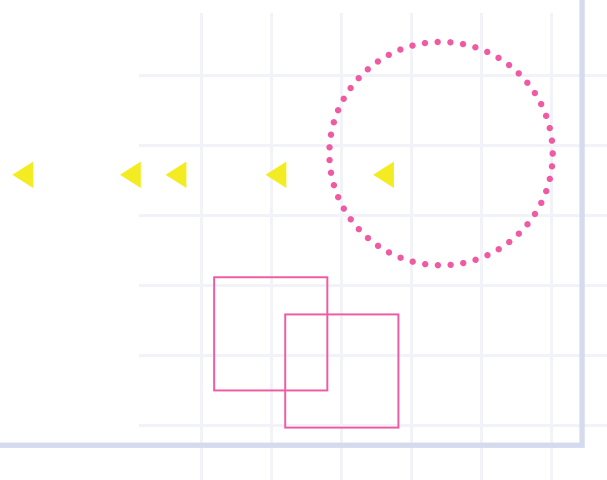
## ● Results of the Monitoring of the Agro-Diesel Supply Program

The analytical paper is based on public information received from the Ministry of Environment and Agriculture of Georgia, which includes the terms of the agreement with the supplier company under the program, as well as information on the amounts of fuel given and used by beneficiaries at a preferential price. In order to study the actual discounts received by the farmers, the daily fuel market values posted on the supplier's website and the monthly contract prices set according to the consolidated tender were also analyzed.

The circumstances discussed in the study raised important questions about the effectiveness of the program. In particular, the following key findings were identified during the study:

- **As of 30 November 2020, discount cards for 30,854,470 liters of diesel fuel have been handed out, while the beneficiaries have only acquired 10,225,460 liters (33.1%).**
- **Within the framework of the program, on average, beneficiaries purchased diesel with a 45-tetri discount at gas stations, instead of the GEL 1 discount envisaged by the plan.**
- **The value of the benefits to the farmers constituted approximately GEL 4.6 million. One month before the end of the program, this value is 9 times smaller than the ultimate target of the program (40,000 million benefit to the farmers).**

On one hand, the results shown 1 month prior to the end of the program give a clear indication of the existing problems with the planning and implementation of the program. On the other hand, they also give rise to doubts regarding the possibility of an attempt by the government to artificially generate inflated expectations for the scope and effectiveness of the program among the public in the pre-election period. These conclusions are solidified by the way the Georgian government chose to present the numbers indicating the results of the program, which further supports the rise of unrealistic perceptions about the success of the program among the general population.





# Databases Processed within the Project

## Databases Processed within the Project

The databases have been created using the requested public information received from the public institutions (expenditures of reserve funds, budget changes, etc.), as well as using the publicly available documents, based on which research documents will be created. In particular, the data processed by IDFI covers the following issues:

- Bank loan concessions;
  - Financial assistance provided by the donors to Georgia;
  - Database on public institutions' changes in budget revenues and expenditures due to the pandemic;
  - Database about expenditures from the Local Governments' reserve funds;
  - Database about the information requested from public institutions during the pandemic by the members of the parliament;
- 
- **Bank loan concessions**

IDFI has processed the public information provided by the National Bank of Georgia regarding the terms imposed by commercial banks on loan deferrals during the pandemic and the statistical information on the beneficiaries of this program. The data also included those with overdue loans - so-called blacklisted citizens. According to preliminary results, the number of individuals who have used the loan deferral at least once as of September 30, 2020, is 1,137,122 retail borrowers and 98,624 corporates, medium, small, and micro-business borrowers. Approaches to setting preferential terms varied from one financial institution to the next. After the end of the concession period, the number of individuals with overdue loans increased by about 10%.

- **Expenditures of Contingency Funds of Local Municipalities**

In order to analyze the expenditures made from the local budget reserve fund of the municipalities within the framework of the Coronavirus pandemic, public information received from the local self-government was processed. A database that presents thematically classified expenditures from reserve funds by municipalities has been created.

- **The impact of the pandemic on public institutions' budget incomes and expenditures**

A database based on the information provided on the changes in the 2020 budget of public institutions due to the Coronavirus pandemic, where the data is classified by incomes and expenditures, has been created.

- The financial assistance to Georgia by donors and analysis of its utilization efficiency

According to information provided by the Ministry of Finance, the financial support provided by donors to the country in 2020 amounts to EUR 1.158 billion and USD 430 million. Public information requests have been sent for additional detailed information on expenditures and implemented programs related to the external funding.

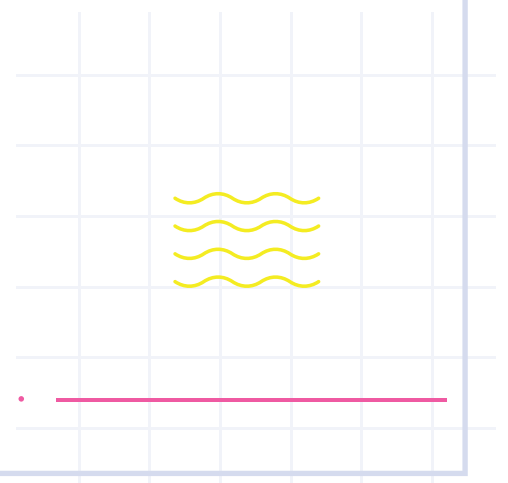
## Support by Donors in 2020

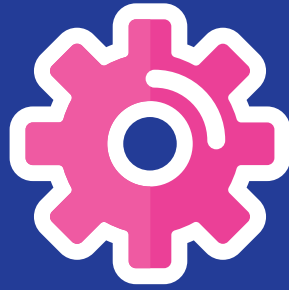
Program	Amount of loan	Status
IMF EFF Extended Fund Facility	USD 200 000 000.00	Transferred
WB (IBRD) "Economic Management and Competitiveness Development Policy Operations" (DPO)	EUR 45 000 000.00	Transferred
WB (IBRD) "Development Policy Measure for Economic Governance and Competitiveness: Additional Loans for COVID-19 Response" (DPO)	EUR 45 000 000.00	Transferred
AiIB "Development Policy Measure for Economic Governance and Competitiveness: Additional Loans to Respond to COVID-19: COVID-19 Crisis Relief"	EUR 45 000 000.00	Ongoing procedures for the transfer of funds
WB (IBRD) "Rapid response project against COVID-19"	EUR 73 100 000.00	Partially transferred
AiIB "Rapid response project against COVID-19"	EUR 91 340 000.00	Partially transferred
KfW 3rd phase of the Energy Sector Reform Programme, Policy-Based Loans (PBL)	EUR 90 000 000.00	Transferred
AFD Georgia's Energy Sector Development (Policy-Based Loans (PBL) III	EUR 120 000 000.00	Transferred

AFD Social Wellbeing Programme (Policy-Based Loans (PBL))	EUR 70 000 000.00	Transferred
ADB "COVID-19 Emergency Response Program"	EUR 92 300 000.00	Transferred
EU Macro-Financial Assistance	EUR 75 000 000.00	Ongoing procedures for the transfer of funds
EU State Resilience Program (Grant)	EUR 60 000 000.00	Ongoing procedures for the transfer of funds
ADB Preparing the Georgian State Electrosystem Corporatization and Electricity Market Reforms Program	USD 100 000 000.00	Negotiations are underway
ADB Sector Development Program in Georgia to Support Sustainable Water Supply and Sanitation Services	USD 80 000 000.00	Signing procedure
ADB Modern Skills for Better Jobs Sector Development Program, Sectoral development program	USD 50 000 000.00	Negotiations are underway
ADB Fiscal Resilience and Social Protection Support Program	EUR 170 823 000.00	Signing procedure
KfW World Bank's additional funds on additional DPO (Batumi reprogramming V and GOGC)	EUR 180 000 000.00	Ongoing procedures for the transfer of funds

**Public information requested by parliamentarians from public institutions during the pandemic.**

IDFI has examined and processed the documents posted on the Parliamentary Questions [portal](#) on the website of the Parliament of Georgia, which combine about 600 letters sent by members of the parliament requesting public information from during the pandemic.





# Interim Evaluation



## Interim Evaluation

According to the July-November 2020 IDFI monitoring results within the framework of the project "Monitoring Covid-19 related public spendings and human rights protection during the state of emergency and after", the low degree of transparency in Covid-19-related financial management can be considered as one of the most important problems. A number of agencies responsible for anti-crisis measures refrain from disclosing detailed information in accordance with public information requirements, significantly undermining public confidence in the steps they have taken in times of crisis and significantly increasing the risks of irrational disbursement of budget funds. Considering the non-transparent process, risks of irrational spending are increased by the increased volume of financial assistance received from international partners, the growing number of simplified procurements made during the crisis, and more. Additionally, one of the manifestations of the non-transparent process are the cases uncovered during the monitoring, in which the results of a particular anti-crisis program are presented by the government in a way that creates an exaggerated impression of the success of the program.

Although the anti-crisis plan developed by the Georgian government alleviated the problems caused by the pandemic to the population and businesses, IDFI believes that taking into account the issues raised in the reports related to program planning, distribution of direct assistances according to social needs, and other optimal solutions could increase the effectiveness of anti-crisis programs.

According to the IDFI monitoring results, IDFI calls on the Georgian authorities to do the following:

- Ensure the most transparent process of activities and expenses implemented during the pandemic. Among them, it is important to improve the existing standard of proactive disclosure of information and form a list of information to be proactively disclosed by public institutions in times of crisis according to the **recommendations** developed by IDFI.
- The procuring entities should minimize the use of simplified procurements in the procurement of services and products that are known in advance and can be planned and conducted on a competitive basis.
- The State Procurement Agency should take into account IDFI's recommendations regarding the placement of data in the electronic system in an open, processable format, the ability to indicate the SMP codes for procurements (urgently required), etc.
- Take into account the factors listed in the interim report on the planning and implementation of programs within the framework of the 2020 anti-crisis plan when formulating a new action plan; this will contribute to the effective growth of both the volume of assistance and the size of the target segment.
- Provide the public with relevant data on the scale and effectiveness of any program developed under the anti-crisis plan, thereby avoiding the formation of false expectations among the beneficiaries of the program.





