

MONITORING COVID-19 RELATED PUBLIC SPENDING DURING THE STATE OF EMERGENCY AND AFTER

FINAL REPORT



JULY, 2021



ევროკავშირი
საქართველოსთვის
The European Union for Georgia



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TABLE OF CONTENTS

Main Findings	01
Introduction	03
Source of Funding for the Costs of Fighting the Pandemic	05
Management of Foreign Loans Related to the Pandemic	09
Management of Grants Acquired Within the Framework of the Pandemic	15
Targeted Grants	16
Investment Grants	19
Procurements Conducted Within the Framework of Foreign Funding	22
Expenditures Over 1 Year of the Fight Against the Pandemic	27
Health Protection Direction	28
Procurement of Means to Stop the Spread of the Virus (Tests, PPE, etc.)	29
Medical Institution Infrastructure and Medical Care Cost Remuneration	33
Quarantine Service Remuneration	34
Access to the Covid-19 Vaccine	36
Procurements Related to Healthcare	36
Social Protection Programs	38
Utility Subsidies Program	39
Compensations for Workers Left Unemployed	40
Support for Socially Vulnerable Families and Persons with Disabilities	42
One-Time Social Assistance for Children Under 18	44
Assistance for Businesses	44
Income Tax Credit	45
Agriculture Support	46
Additional Economic Support Programs	48
Other Costs and Activities Related to the Pandemic	49
Reserve Funds	51
The Government Reserve Fund	51
Local Self-Government Reserve Funds	52
Challenges of Access to Information During the Covid-19 Pandemic	54
Conclusion	60

MAIN FINDINGS

- Budget support credits and grants received from abroad were the main sources of funding for the anti-crisis measures implemented during the pandemic. In the framework of the pandemic, as of March 31, 2021, €1.44 billion in funding was received from abroad.
- In 2020, 63% of foreign loans disbursed were spent on budget support, 14% on road infrastructure, 7% on the balance of payments support, 7% on municipal infrastructure, 6% on the health sector, 1% on the energy sector, and 2% on other expenditures.
- Within the framework of investment credits, the funds utilized for individual projects significantly lag behind their planned indicators.
- In 2020 and the first quarter of 2021, out of 98.4 million GEL used within the targeted grants received by budgetary institutions, 14.8 million was spent on labor remuneration and 44.9 million GEL on goods and services.
- Between February 2020 and March 2021, 113 procurement/price quotes were announced in the electronic public procurement system with the use of donor funds. Among these, only 7 out of 10 tenders announced by the Ministry of Health under the Rapid Response Project against Covid-19 were carried out, and their total value amounted to 13 million 800 thousand GEL. In several cases, contracts were concluded with companies donating to the ruling party.
- According to budget spending reports, a total of GEL 4.15 billion was spent on anti-crisis measures over the first year since the beginning of the pandemic. Among these, 594.4 million GEL was spent on healthcare, 1.13 billion GEL on social assistance to the population, 786.9 million GEL on business support, and the remaining 1.63 billion GEL on additional packages to support the economy.
- The Ministry of Health spent GEL 146,840,376 for the purchase of various means to prevent the spread of the virus, including Covid tests. The expenses were paid by various agencies subordinated to the Ministry, including: the staff of the Ministry itself spent a total of more than 21 million GEL; NNLE Medical Holding - GEL 1,670,320, Emergency Management and Coordination Center - GEL 1,344,545; Center for Disease Control and Public Health and Lugar Laboratory together - more than 10 million GEL; over than \$33.5 million (more than GEL 111.5 million) was spent on the procurement of tests.
- According to the Ministry of Health, as of the first quarter of 2021, the infrastructural organization of medical institutions within the framework of the loans has not yet been completed.

- In terms of social protection, the largest amount of funds - 469.6 million GEL - was spent on subsidies for utility bills of the population during the 1 year. The increase in these costs was precipitated by the increase in tariffs for electricity.
- GEL 450 million was allocated from the 2020 budget for the 200 GEL assistance program for the unemployed. Not even a third of the funds allocated during the program (May-November) was disbursed.
- For vulnerable families, the number of beneficiaries of anti-crisis assistance is increasing monthly, indicating that more families are becoming poorer and in need of assistance in the wake of the pandemic. From May 2020 to March 2021, the number of socially vulnerable families benefiting from the program increased by 45,771 (23%).
- Most of the money mobilized through the StopCov Fund was spent on helping children under 18 (925,000 children). A total of 185 million was spent on the program, which exceeds the allocated budget of GEL 160 million by +16%. The assistance was uniform (200 GEL) regardless of the social status of the child.
- As part of the business support measures, the largest share of the funds spent in one year was the income tax exemption - GEL 443.9 million.
- More than half (86.7 thousand tons) of the 168.3 thousand tons of grapes purchased within the framework of the grape harvest subsidy program was purchased by a state-owned enterprise (JSC "Akura").
- Farmers spent 31.2 million GEL on the purchase of specific goods from specialty stores and only 25.7 thousand GEL on plowing services by utilizing the points accrued through the agricultural card.
- In 2020 and the first quarter of 2021, only 14% of the funds raised from the Reserve Fund of the Government of Georgia (55,511,407.59) were spent on the fight against the coronavirus - (7,708,933.6 GEL).
- During the pandemic, some municipalities incurred expenditures funded through their reserve funds that raise questions about their necessity, while individual municipalities were completely unable to use the funds allocated from the reserve fund.

INTRODUCTION

After the onset of the coronavirus (Covid-19) pandemic, the world, including Georgia, began to fight to save the health and lives of its citizens on the one hand, and the country's economy on the other. Combating the difficulties caused by the pandemic required significant financial resources, which was a particular challenge for countries with similar economic status as Georgia. In particular, to alleviate the consequences of the pandemic, it was necessary to implement measures to curb the virus and mobilize additional medical resources to provide social support for citizens, save businesses, and support the economy.

The Georgian government developed an Anti-Crisis Plan aimed at alleviating the damage caused by the pandemic in 2020, and to finance the measures envisioned by this plan, changes were made in the state budget. An additional 5.6 billion GEL was allocated for the 2020 Anti-Crisis Budget, and 3.4 billion GEL was earmarked for measures to combat the pandemic directly.

The Institute for Development of Freedom of Information (IDFI), with the support of the European Union (EU), has implemented the project "[Monitoring of Covid-19-related costs and human rights protection during and after the state of emergency](#)". To improve the effectiveness of the measures against the pandemic in Georgia, the initiative monitored Covid-19-related public finances, public procurement, government Anti-Crisis Plan implementation, StopCov Fund spending, and donor assistance distribution.

This document is a summary report of the project, which reviews the results, key findings, and recommendations as a result of the monitoring efforts of the Georgian authorities' anti-crisis measures implemented during the first year in the fight against the pandemic, their funding sources, and related expenditures. Given the dates of the onset of the virus outbreak in the country (first confirmed case - February 26, 2020), declaration of a state of emergency (March 21, 2020), and development of an Anti-Crisis Plan (submission of an Anti-Crisis Plan on April 24, 2020), the report covers a period of 1 year. For the purposes of this report, **1 year of the fight against the pandemic is counted as the year 2020 and the first quarter of 2021.**

The report pays special attention to the purpose of expenditures from among the sources of funding for anti-crisis measures (budget support loans and grants received from abroad, domestic debt, StopCov Fund, etc.). However, the document also provides an overview of the management practice of investments (investment loans and grants) and targeted financing (targeted grants allocated to budget agencies) received from abroad, government and municipal reserve funds, and other sources within which the allocated resources, in their content, may have been directly or indirectly related to the pandemic.

IDFI examined publicly available documents/data to monitor the funds mobilized by the Government of Georgia and its expenditures in the fight against the coronavirus pandemic. It also requested detailed information from public institutions for a thorough analysis of individual topics.

SOURCE OF FUNDING FOR THE COSTS OF FIGHTING THE PANDEMIC

The coronavirus (Covid-19) pandemic in 2020 had a significant impact on the world economy, including the Georgian economy. The economic recession caused by the pandemic has led to a significant reduction in budget revenues, while the specifics of fighting the crisis have necessitated additional spending. As explained by the Ministry of Finance of Georgia, the negative effects of the economic crisis caused by the pandemic in Georgia in 2020-2021 will reach 7 billion GEL. Among them, the reduction of tax revenues due to the slowdown in economic growth is 1.9 billion GEL, the effect of tax benefits imposed under the Anti-Crisis Plan - 0.6 billion GEL, and measures related to Covid-19 (citizens' social assistance, health and quarantine costs, business support, etc.) expenditures - 4.4 billion GEL. As a result, the consolidated budget deficit for 2020 increased from 2.5% of GDP to 9.3% and reached 4.6 billion GEL. Additionally, the consolidated budget deficit for 2021 was determined at 7.6% of the GDP, which still exceeds GEL 4 billion.

The principal source of funding for the deficit caused by the pandemic was loan and grant funding received from abroad. In 2020, an agreement was reached by the Government of Georgia to receive €1.83 billion (\$2.2 billion) in external financing, of which €1.73 billion (\$2.07 billion) was granted based on a contract. Of that amount, €1.57 billion was granted in direct relation to the pandemic, while €160 million had been planned even without the pandemic. As of March 31, 2021, €1.44 billion has already been transferred from the agreed amount.

With the framework of the fight against the pandemic, the largest amounts of funds from abroad were granted by **the Asian Development Bank (ADB) - 420.8 million euros, the Reconstruction Credit Bank (KfW) - 260.8 million euros and the European Union (EU) - 228 million euros.**

Most of the funding received from abroad is allocated in the form of budget assistance-type loans. Loans of this type do not have a predetermined specific purpose and are used to finance the needs of the state budget.

Among the financial assistance raised under the pandemic, the European Union (EU) has provided € 75 million in grants to Georgia to support the implementation of the government's Anti-Crisis Economic Plan. Reconstruction Credit Bank (KfW) has allocated € 5.8 million in grants to Georgia to provide social assistance under the pandemic.

In addition to financial assistance received from abroad, additional funds were raised from domestic sources. Namely, in 2020, **domestic debt increased by 2 billion**. According to the initially planned 2020 budget, the increase of domestic liabilities was envisaged at 1.2 billion GEL. Accordingly, the increase in domestic debt as a result of the pandemic exceeded the original plan by about 800 million GEL. **There has been no increase in domestic debt in 2021.**

The StopCov Fund was also set up as part of the fight against the pandemic, where anyone wishing to support the efforts of the state could contribute to the fight against the pandemic. **The StopCov Fund has received 138.4 million GEL.**

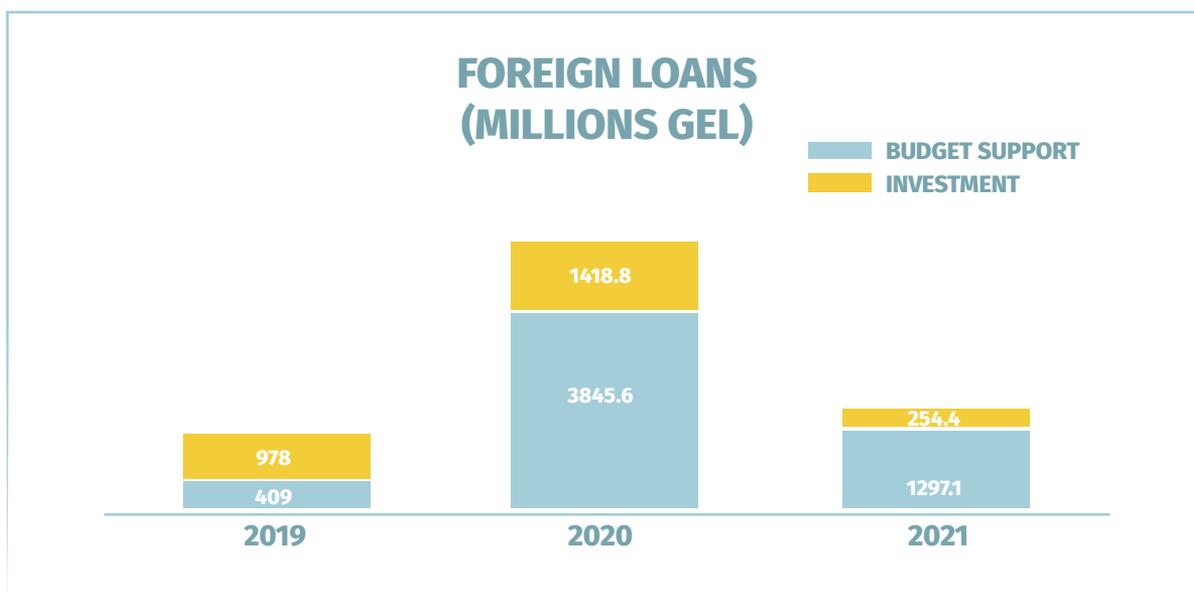
Name	Type of Agreement	Donor	Date of Signing
Between Georgia and the Asian Development Bank (ADB)	Loan Agreement (COVID-19 Emergency Response and Expenditure Support Program)	ADB	02.06.2020
Between Georgia and the Asian Development Bank (ADB)	Loan Agreement (Conventional Operations) (Fiscal Sustainability and Social Security Program)	ADB	29.10.2020
Between Georgia and the Asian Development Bank (ADB)	Loan Agreement "Modern Skills for Better Jobs"	ADB	09.12.2020
Between Georgia and the Asian Development Bank (ADB)	Loan Agreement "Sustainable Development Program for Water Supply and Sewerage Sector"	ADB	15.10.2020
Between Georgia and the Reconstruction Credit Bank (KfW)	Loan Agreement (Support to the Georgian Energy Sector)	KfW	28.05.2020
Between Georgia and the Reconstruction Credit Bank (KfW)	Loan Agreement (Policy-Based Loan (PBL))	KfW	07.08.2020
Between Georgia and the Reconstruction Credit Bank (KfW)	Grant Agreement "Social Security in the Context of the COVID-19 Pandemic"	KfW	29.10.2020
Between Georgia and the Reconstruction Credit Bank (KfW)	Loan Agreement "Social Security in the Context of the COVID-19 Pandemic"	KfW	29.10.2020
Between Georgia and the European Union	Loan Agreement "Macrofinance Assistance for Georgia IV"	EU	29.10.2020
Between Georgia and the European Union	Grant Agreement "State Sustainability Program"	EU	22.09.2020
Between Georgia and the European Union	Loan and Grant Agreement "Macrofinance Assistance for Georgia III"	EU	28.09.2020
Between Georgia and the French Development Agency	Loan Agreement (Social Welfare Program)	AFD	31.08.2018
Between Georgia and the French Development Agency	Loan Agreement (Support to the Georgian Energy Sector)	AFD	22.05.2020
Within the Framwork of the Extended Fund Facility (EFF) Program (COVID-19 Pandemic)	Funds receivable from the International Monetary Fund (IMF)	IMF	22.05.2020
Between Georgia and the International Bank for Reconstruction and Development (IBRD)	Loan Agreement "for Economic Management and Competitiveness Development Policy"	WB	30.03.2020
Between Georgia and the International Bank for Reconstruction and Development (IBRD)	Loan Agreement "for COVID-19 Rapid Response Project"	WB	01.05.2020
Between Georgia and the International Bank for Reconstruction and Development (IBRD)	Loan Agreement "Additional Loan for Economic Management and Competitiveness Development Policy" (DPO)	WB	07.07.2020
Between Georgia and Asia Infrastructure Investment Bank (AIIB)	Loan Agreement "Rapid Response Project against COVID-19"	AIIB	21.05.2020
Between Georgia and Asia Infrastructure Investment Bank (AIIB)	Loan Agreement (COVID-19 Crisis Relief)	AIIB	28.07.2020
GUMIP Modification and Reprogramming in the Context of the Covid Pandemic		EIB	21.12.2020
TOTAL EURO			
TOTAL USD			

Agreement Cost (Millions Euro)	Contract Cost (Millions Euro)	Incl. Planned without Covid	Additional for Covid	Dusbursed Amount (Millions Euro) 31.03.2021	Disbursed Additional Amount for Covid 31.03.2021
92.3	92.3		92.3	92.3	92.3
254.2	170.8		170.8	170.8	170.8
65.5	42.4		42.4	42.4	42.4
115.3	115.3		115.3	70.9	70.9
90.0	90.0	30.0	90.0	90.0	90.0
180.0	180.0		180.0	180.0	180.0
5.8	5.8		5.8	1.2	1.2
15.0	15.0		15.0	4.1	4.1
150.0	150.0		150.0	75.0	75.0
75.0	75.0		75.0	60.0	60.0
28.0	28.0	25.0	3.0	28.0	3.0
70.0	70.0	30.0	40.0	70.0	40.0
120.0	120.0	30.0	90.0	120.0	90.0
171.8	171.8		171.8	171.8	171.8
45.0	45.0	45.0	-	45.0	—
73.1	73.1		73.1	58.3	58.3
45.0	45.0		45.0	45.0	45.0
91.3	91.3		91.3	66.6	66.6
45.0	45.0		45.0	45.0	45.0
100.0	100.0		100.0		-
1,832.3	1,725.9	160.0	1,565.9	1,436.4	1,276.4
2,198.7	2,071.0	192.0	1,879.0	1,723.7	1,513.7

MANAGEMENT OF FOREIGN LOANS RELATED TO THE PANDEMIC

According to the revised budget plan for 2020, 6.2 billion GEL was planned to be received in the form of foreign loans. However, the full mobilization of loans agreed with donor organizations under the pandemic was not achieved, and 5.2 billion GEL was raised instead. The remaining agreed amount was reflected in the 2021 budget. As a result, **in the first quarter of 2021, an additional 1.6 billion GEL was mobilized in the form of foreign credit.** Of the \$ 6.8 billion in foreign credit received in 2020 and the first quarter of 2021, \$ 5.1 billion was in the form of budget support loans and investment loans constituted \$ 1.67 billion.

In recent years, **investment loans have prevailed among the foreign loans received by the country.** For instance, 70% of the foreign loans received in 2019 were investment loans, and 30% were granted as budget support. In 2020, the share of budget support loans increased to 73%.



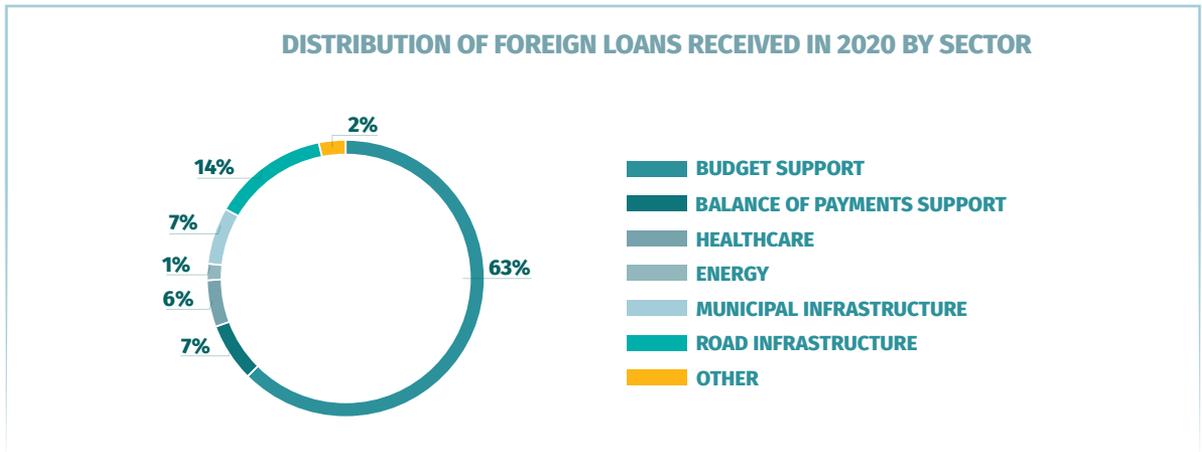
SOURCE: MINISTRY OF FINANCE OF GEORGIA

FOREIGN LOANS (THOUSANDS GEL)

NAME	2020 FACT	2021 I QUARTER FACT
BUDGET SUPPORT CREDITS	3,845,587.0	1,297,077.8
WB*	374,405.1	90,762.1
IMF	644,089.0	
EU	387,081.4	
AIIB	267,278.1	72,451.8
ADB	318,506.5	1,133,863.9
AFD	651,113.0	
KFW	1,203,114.0	
INVESTMENT, PREFERENTIAL CREDITS	1,418,759.9	254,359.2
WB	242,716.2	49,457.3
NEFCO	2,824.9	777.9
IFAD	9,035.1	4,691.8
EIB	366,672.6	78,832.7
EBRD	223,230.4	65,504.0
CEB	903.8	44.1
AIIB*	37,527.1	4,282.6
ADB	456,292.2	43,727.7
KUWAIT	5,211.5	18.3
FRANCE	24,374.8	
JAPAN	3,927.5	96.4
GERMANY	46,043.8	6,926.4
TOTAL CREDITS	5,264,346.9	1,551,437.0

SOURCE: MINISTRY OF FINANCE OF GEORGIA

According to the Ministry of Finance of Georgia, 63% of foreign loans disbursed in 2020 were allocated for budget support, 14% for road infrastructure, 7% for the balance of payments support, 7% for municipal infrastructure, 6% for the health sector, 1% for the energy sector, and 2% - other costs.

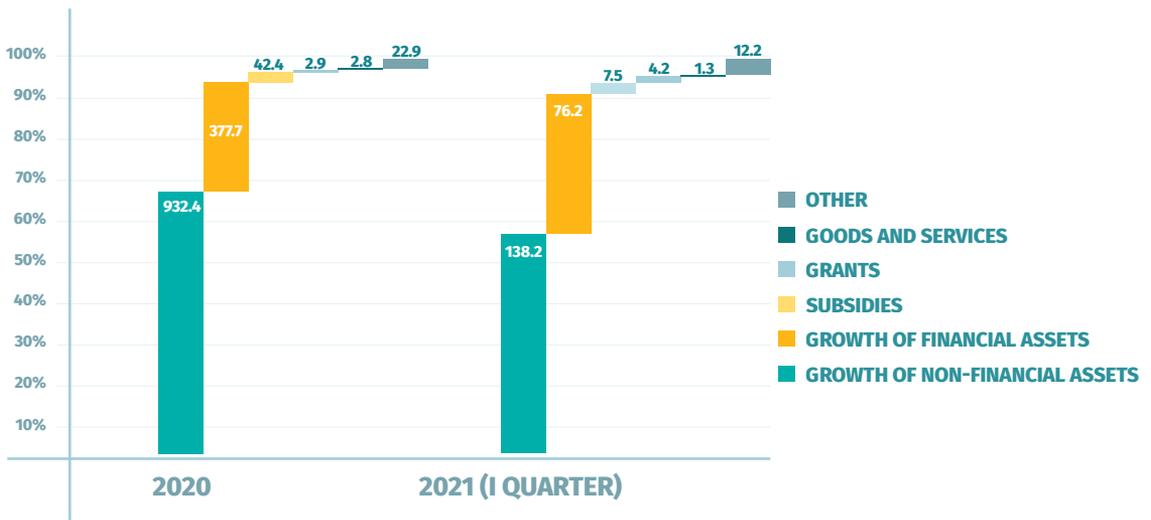


SOURCE: MINISTRY OF FINANCE OF GEORGIA

According to the Ministry of Finance of Georgia, as well as according to the report of the State Audit Office, **the foreign credits received in the form of budget assistance were used to meet the budget needs that arose as a result of the pandemic**, and in particular, financing the measures envisaged by the Anti-Crisis Plan. **Information on the measures funded within the framework of the pandemic from the state budget is detailed below.**

External loans for investment projects amounted to 1.38 billion GEL in 2020 and 239.6 million GEL in the first quarter of 2021. Among them, the largest amount was spent on the growth of non-financial and financial assets. An increase in non-financial assets is an increase in capital expenditures, while an increase in financial assets represents an amount re-loaned from a credit source. **In 2020, the largest amount of funds (GEL 137 million) was re-loaned by the Ministry of Regional Development and Infrastructure of Georgia to implement water supply projects.** According to the State Audit Office of Georgia, as of today, there is no official document regulating lending policy and monitoring procedures. As an example, in 2020, the United Water Supply Company of Georgia LLC directed GEL 65.8 million to the budget to repay a credit re-loaned to it, of which GEL 30 million was repaid not by the company but by the Ministry of Regional Development and Infrastructure.

INVESTMENT PROJECT COSTS FINANCED WITH FOREIGN LOANS (MILLIONS GEL)



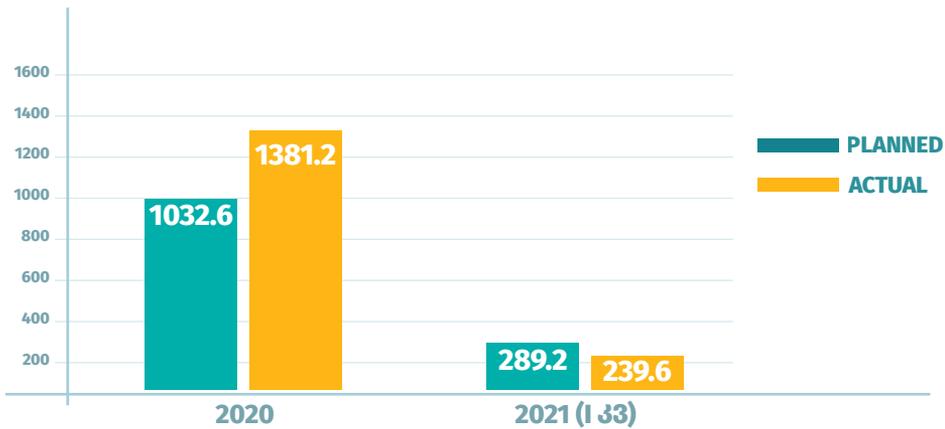
SOURCE: MINISTRY OF FINANCE OF GEORGIA

According to the information contained in the state budget execution documentation, the revised plan of investment projects financed through foreign loans in 2020 amounted to 1.03 billion GEL, while 1.38 billion GEL has been used. Compared to the planned indicator, such an exaggeration is since direct investment enrollments are fully reflected only in the actual indicators and can not be reflected in the planned indicator. For example, in 2020, an investment project worth 880 million GEL was implemented through direct enrollment.

The analysis of the data from individual projects reveals **cases when the funds utilized under a particular investment project lag significantly behind its planned rate.** Particularly noteworthy in this regard are investment projects for which funds have been allocated within the framework of the pandemic. For instance, for the rehabilitation of medical facilities of the Ministry of Health, the Covid-19 healthcare measures (EIB) funding plan allocated GEL 29 million, but no money was spent at all within its framework. The reason for this is the fact that negotiations with the donor organization (EIB) could not be completed as planned.

In the first quarter of 2021, the plan envisaged the expenditure of an external credit of GEL 8.7 million to support the development of the agricultural sector, of which only GEL 4.7 million was spent.

PLANNED AND ACTUAL COSTS OF INVESTMENT PROJECTS FINANCED BY FOREIGN LOANS (MILLIONS GEL)



SOURCE: MINISTRY OF FINANCE OF GEORGIA

DEVIATION FROM PLANNED COSTS OF INVESTMENT PROJECTS FINANCED BY FOREIGN LOANS (MILLIONS GEL)

	2020	2021 (I QUARTER)
Ministry of Economy and Sustainable Development	-8.7	0.2
Ministry of Regional Development and Infrastructure	-355.5	-32.2
Ministry of Justice	11.4	5.9
Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs	29	30
Ministry of Defense	-19.4	
Ministry of Environment Protection and Agriculture	0.7	4.6
Ministry of Education, Science, Culture and Sports	5.7	-3.5
Donor-funded Common Government Payments	-11.6	44.6

SOURCE: MINISTRY OF FINANCE OF GEORGIA

The State Audit Report paid special attention to investment projects that are financed with external credit resources and provide for the payment of the commitment fee on the unused part of the loan. In 2020, the total liability tax paid under-investment loans attracted from external sources amounted to GEL 9.6 million. Of this, GEL 3.3 million was paid in the case of 9 investment projects with development of less than 70%.

MANAGEMENT OF GRANTS ACQUIRED WITHIN THE FRAMEWORK OF THE PANDEMIC

The forecast of grants to be received in 2020 was set at GEL 558.3 million, of which GEL 459.6 million was mobilized. More than GEL 160 million were received from abroad in grants by the end of December 2020, which was reflected in January 2021 revenues. In 2020 and the first quarter of 2021, a total of GEL 661 million was mobilized in the form of grants, of which GEL 442.6 million constituted budget support grants received from abroad, GEL 58.3 million - investment grants, GEL 91.3 million - register grants to the treasury account (target grant), and GEL 68 million - grants received from central LEPLs.

Grants received from LEPLs are funds directed to the budget from LEPLs with revenues above 1 million GEL. Accordingly, the grant received in this manner is not related to funding received from abroad.

NAME	2020 FACT	2021 (I QUARTER) FACT
GRANTS	459,551.2	201,473.6
BUDGET SUPPORT GRANTS	279,071.0	163,638.0
INVESTMENT GRANTS	56,578.2	1,788.5
SDC	1,131.9	6.5
GEF	3,754.8	
EU	13,334.3	361.3
E5P	7,593.5	106.9
SIDA	9,966.2	304.5
KFW	19,118.8	1,009.3
CNF	1,678.8	
REGISTRY GRANTS ON TREASURY ACCOUNT (TARGETED GRANTS)	73,304.0	18,053.5
CURRENT GRANTS FROM CENTRAL LEPLS	50,598.0	17,993.6

SOURCE: MINISTRY OF FINANCE OF GEORGIA

Most of the grants received from abroad were received from the EU in the form of budget support grants. These financial resources were provided to support the implementation of the government's Anti-Crisis Plan within the framework of the pandemic. Information on the activities related to the pandemic funded from the state budget is detailed below.

TARGETED GRANTS

Registry grants to the treasury account represent targeted grants received by budget organizations. Specifically, the targeted grants received by the ministries and agencies are transferred to the unified treasury account, and its accounting/spending rules are regulated by the order N419 of the Minister of Finance of Georgia of December 30, 2014. In 2020, 222 targeted grants to be received by ministries and agencies have been registered, with defined funding of USD 17.1 million, EUR 9.7 million, GEL 12.7 million, 157 thousand British sterling, and 71.9 thousand Norwegian kroner. In the first quarter of 2021, 65 targeted grants of 7.9 million USD, 8.5 million GEL, 1.1 million EUR, 20.2 thousand British pounds, 65.8 thousand Bulgarian levs, and 158.5 thousand Swedish kronor were registered.

CASH GRANTS/TARGETED FUNDING RECEIVED BY MINISTRIES AND AGENCIES

	EUR	USD	GEL	GBP	NOK	BGN	SEK
2020	9,714,415.1	17,137,915.9	12,693,659.7	157,405.4	71,930.0		
2021 I QUARTER	1,106,024.0	7,965,049.6	8,461,313.5	20,250.0		65,794.0	158,500.0

SOURCE: MINISTRY OF FINANCE OF GEORGIA

Among the targeted grants registered in 2020 and the first quarter of 2021, most are allocated to the National Center for Disease Control and Public Health. Among the targeted grants registered in 2020 and the first quarter of 2021, most have been allocated to the National Center for Disease Control and Public Health. In particular, in 2020 and the first quarter of 2021, 64 targeted grants were registered with the Agency, with a total budget of 9.5 million USD, 62 thousand EUR, and 616.7 thousand GEL. According to the Centers for Disease Control, of the grants received during this period, the Center received targeted grants of \$ 2.8 million directly to combat the pandemic. Among them, \$ 2.3 million was granted by the Centers for Disease Control and Prevention of the United States, \$ 435.7 thousand by the World Health Organization, and \$ 44.5 thousand by the International Science and Technology Center. For example, the \$ 2 million allocated by the US Centers for Disease Control and Prevention aims to strengthen SARS-CoV-2 laboratory and epidemic surveillance capabilities in Georgia over the next 5 years, including the integration of Covid-19 in the country-based ILI/SARI-based surveillance system.

In response to a request for information on expenditures for the fight against the pandemic in 2020 and the first quarter of 2021, the Center provided the Institute with information only on budgets for funded projects.

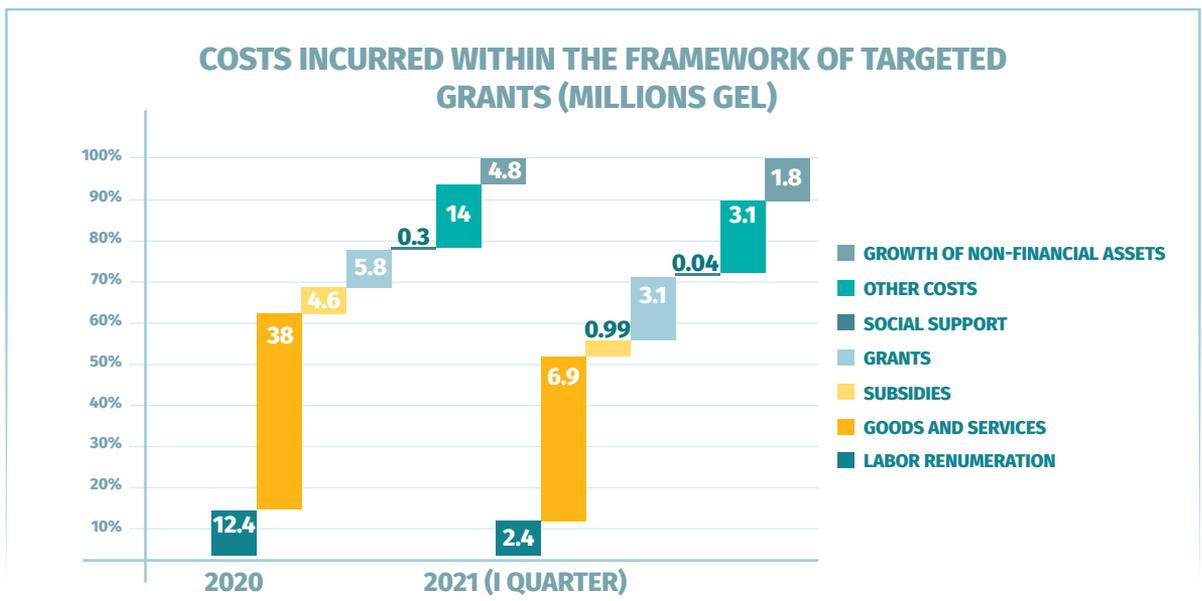
TARGETED GRANTS RECEIVED BY THE NATIONAL CENTER FOR DISEASE CONTROL AND PUBLIC HEALTH TO COMBAT THE PANDEMIC

Donor Organization	Project Name	Budget - USD	Timeframe
CDC - Centers for Disease Control and Prevention	Strengthening SARS-CoV-2 laboratory and surveillance capabilities in Georgia, including integration of COVID-19 into the surveillance system with ILI / SARI bases in the country	1,998,000	30.09.20-29.09.25
CDC - Centers for Disease Control and Prevention	Expansion of SARS-CoV-2 genome sequencing capabilities	313,000	30.09.20-29.09.25
WHO - World Health Organization	Mitigation of COVID-19 for social and economic sustainability	55,000	08.02.21-30.03.21
WHO - World Health Organization	Reducing the impact of COVID-19 to maintain long-term socio-economic sustainability, support the fight against the virus in the partner country and meet the needs of the most vulnerable	25,540	27.11.20-01.02.21
WHO - World Health Organization	Reducing the Impact of COVID-19, assessing risk factors for COVID-19 infection of medical personnel	11,380	15.12.20-01.05.21
WHO - World Health Organization	Weakening the impact of COVID-19 in Georgia to increase social and economic sustainability	104,000	01.12.20-30.03.21
WHO - World Health Organization	Introduction and management of COVID-19 electronic vaccine administration system	90,000	10.03.21-30.06.21
WHO - World Health Organization	Covid-19 Vaccine Training for Immunization Service Providers and Public Health Specialists	40,000	01.03.21-30.06.21
WHO - World Health Organization	Introduction of the World Health Organization protocol to evaluate the effectiveness of the vaccine against SARS-CoV-2 in the medical staff of Georgian hospitals	109,811	04.05.21-04.11.21
ISTC-The International Science and Technology Center	CBRN CoE Project 53 - Training on Biosafety and COVID Patient Safety for Healthcare Professionals in Georgia	44,495	01.11.20-30.06.21

SOURCE: NATIONAL CENTER FOR DISEASE CONTROL AND PUBLIC HEALTH

State budget expenditure documentation includes information on state budget payments under targeted grants. According to the 2020 budget plan, the plan envisaged expenditures of GEL 141.1 million within the framework of target grants, of which the actual performance amounted to GEL 80 million (56.7%). The plan for the first quarter of 2021 was set at GEL 69.4 million, of which only GEL 18.4 million (26.4%) was actually spent.

Of the 98.4 million spent under targeted grants in 2020 and the first quarter of 2021, 14.8 million was spent on labor remuneration and GEL 44.9 million on goods and services, including various types of administrative expenses, including transportation, equipment, and maintenance costs.



SOURCE: MINISTRY OF FINANCE OF GEORGIA

Considering the targeted grants received in 2020 and the first quarter of 2021, the most was spent on health sub-programs, implemented for the most part by the National Center for Disease Control and Public Health. Specifically, 33.8 million GEL has been allocated for budget programs under the Ministry of Health under targeted grants during this period. Among them, 10 million GEL for the management of the disease control and epidemiological safety program, 7 million GEL for the management of tuberculosis, 11.7 million GEL for the management of HIV infection, 1.1 million GEL for the provision of primary and emergency medical care, and others.

16.9 million GEL was spent on programs under the Ministry of Education in the form of targeted grants, of which 9.2 million GEL was spent on supporting higher education institutions within the framework of the grants provided to universities. 1 million GEL was spent on social protection and support of cultural and sports figures (this amount was provided to the Ministry as a targeted grant by the International Charitable Foundation Cartu).

In the case of the Ministry of Environment and Agriculture, of the GEL 15.8 million spent, GEL 5.4 million was spent on establishing and managing protected area systems, GEL 3.5 million on diagnosing food, animal, and plant diseases, and GEL 1.2 million on managing agricultural projects.

COSTS INCURRED WITHIN THE FRAMEWORK OF TARGETED GRANTS BY MINISTRY (GEL)

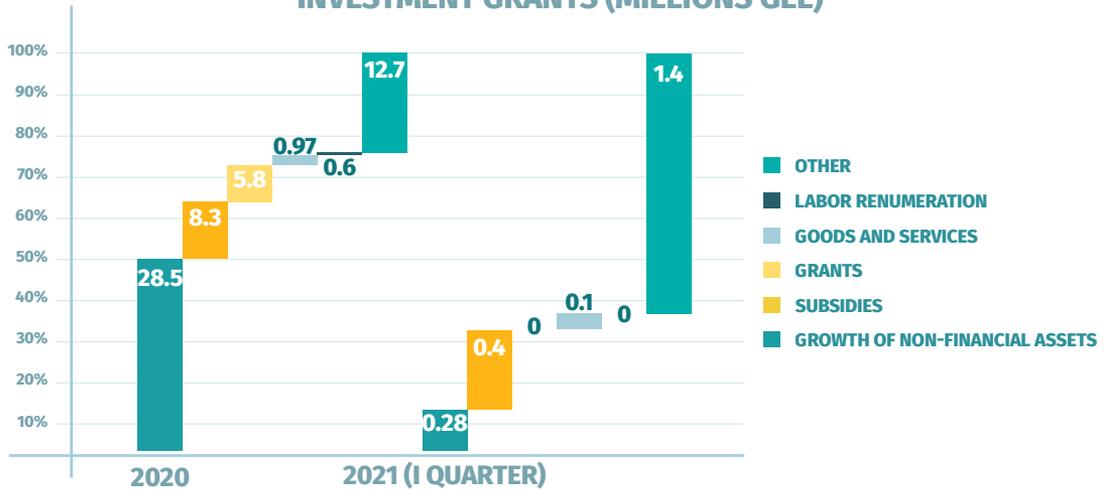
Public Institution	2020		2021 (I QUARTER)	
	Planned	Expenditure	Planned	Expenditure
Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs	42,503,809.93	30,307,094.51	6,975,174.63	3,455,336.38
Ministry of Education, Science, Culture and Sports	40,696,480.48	16,886,223.73	29,220,905.32	4,523,342.00
Ministry of Environment Protection and Agriculture	28,930,818.98	15,824,000.17	12,836,216.67	2,196,364.52
Ministry of Defense of Georgia	8,790,731.76	5,155,432.07	1,876,504.51	236,745.79
Ministry of Internal Affairs	7,522,974.21	3,393,999.95	2,268,023.57	428,414.89

SOURCE: MINISTRY OF FINANCE OF GEORGIA

INVESTMENT GRANTS

Within the framework of the grants received for investment projects, among the expenditures in 2020 and the first quarter of 2021, the largest amount went to the growth of non-financial assets - GEL 28.8 million. 8.4 million GEL was issued as subsidies. **The amount used in the form of subsidies exceeded the planned figure by about 8 million GEL.**

PROJECT EXPENDITURES FUNDED THROUGH FOREIGN INVESTMENT GRANTS (MILLIONS GEL)



SOURCE: MINISTRY OF FINANCE OF GEORGIA

The Ministry of Health exceeded the planned allocation of grants for investment projects the most, by approximately GEL 14.3 million. This is due to the funding of the IDP and Migrant Assistance Program with GEL 15.3 million within the framework of an unplanned grant received by the Ministry from the Reconstruction Credit Bank. Specifically, this amount was used to finance additional expenditures within the framework of a project implemented through a grant agreement between the Ministry, the Reconstruction Credit Bank (KfW), and the Danish Refugee Council (under the project "Economic Participation, Housing and Social Infrastructure for Internally Displaced Persons and Host Communities")

In terms of the planned indicator for the investment projects funded through grants in 2020, the Ministry of Economy and Sustainable Development lags behind by 6.5 million GEL, the Ministry of Education, Science, Culture and Sports by 1.6 million GEL, and the Ministry of Environment and Agriculture by 1.6 million GEL. For example, for the Vocational Education Program of the Ministry of Education, Science and Culture (32 14 Vocational Education I (KfW)), a grant of GEL 1.9 million was provided, GEL 0 of which was actually spent. According to the explanation in the state budget, in order to procure consulting services in 2020, a technical assignment for the pre-qualification procurement procedure was developed and prospective international consulting companies were selected. In addition, the development of a technical assignment for the selection of the main consulting company to announce the procurement procedure has been completed.

DEVIATION FROM PLANNED INDICATORS IN INVESTMENT PROJECTS FUNDED WITH GRANTS (MILLIONS GEL)

	2020	2021 (I QUARTER)
Ministry of Economy and Sustainable Development	6.5	1.6
Ministry of Regional Development and Infrastructure	-10.1	7.5
Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs	-14.3	
Ministry of Environment Protection and Agriculture	1.6	-0.47
Ministry of Education, Science, Culture and Sports	1.9	
Donor-funded Common Government Payments	5.8	8.2

SOURCE: MINISTRY OF FINANCE OF GEORGIA

PROCUREMENTS CONDUCTED WITHIN THE FRAMEWORK OF FOREIGN FUNDING

Between February 2020 to March 2021, 113 procurements/price quotes were announced in the electronic public procurement system with donor funds. The tender procedures announced by the procuring entity with donor funds are in accordance with the procedures written by the donor organization. Therefore, in these cases, the standard procedure established by the legislation of Georgia does not apply. However, the guide prepared by the State Procurement Agency states that the ability and procedure to upload to the system are identical to those of conventional tenders. In addition, the tender is announced by the state agency receiving the grant issued by the donor, and the tender documents are prepared by the tender commission established within this agency. Accordingly, the protocols of the commission are also uploaded to the electronic system. However, the procuring entity is not obliged to announce this kind of tender using the electronic procurement system.

Among the 113 purchases/price quotes uploaded to the electronic system, 10 were declared as part of the Rapid Response Project against Covid-19. The remaining 103 procurements are mostly related to various infrastructure projects.

The total estimated value of these 103 procurements amounted to over 765 million GEL.

Among them, the largest number of procurements was announced by the Municipal Development Fund of Georgia (47) and the Agency for Innovation and Technology (24). Out of 10 tenders announced by the Ministry of Health, on the other hand, only 7 were held, and their total value amounted to 13 million 800 thousand GEL.

PROCURER	PROCUREMENTS #
Municipal Development Fund of Georgia	47
Georgian Innovation and Technology Agency	24
Ministry of Internally Displaced Persons from the Occupied Territories, Health and Social Affairs of Georgia (Covid-19 Rapid Response Project)	10
Ministry of Education and Science of Georgia	6
United Water Supply Company of Georgia Ltd.	6
Roads Department of Georgia	6
Ministry of Environment Protection and Agriculture of Georgia	5
National Agency of Public Registry	4
Gori Municipality City Hall	2

Ministry of Internally Displaced Persons from the Occupied Territories, Health and Social Affairs of Georgia	1
JSC Georgian State Electrosystem	1
Main Office of "Save the Children International" in Georgia	1
Total	113

SOURCE: STATE PROCUREMENT AGENCY

As for procurement categories, the largest number fell in the total or partial works and civil constructions category (43), of which 31 procurements belong to the Municipal Development Fund.

The highest amount of funds was spent by the Department of Roads - 384,749,356.00 GEL, which was spent on only one procurement and comprised construction work. The costs of other buyers were distributed as follows:

Municipal Development Fund of Georgia	269,860,398.00
United Water Supply Company of Georgia Ltd.	35,288,938.00
Ministry of Education and Science of Georgia	30,848,100.00
JSC Georgian State Electrosystem	25,000,000.00
Ministry of Internally Displaced Persons from the Occupied Territories, Health and Social Affairs of Georgia	13,759,776.00
Ministry of Environment Protection and Agriculture of Georgia	13,258,000.00
National Agency of Public Registry	3,218,252.00
Georgian Innovation and Technology Agency	2,895,990.00
Gori Municipality City Hall	84,835.00
Main Office of "Save the Children International" in Georgia	33,000.00

SOURCE: STATE PROCUREMENT AGENCY

THE RAPID RESPONSE PROJECT AGAINST COVID-19

According to the Loan Agreement between Georgia and the International Bank for Reconstruction and Development, which is part of the World Bank Group, signed on May 1, 2020 (Loan Number 9113-GE), and the Loan Agreement (Loan Number LO388A) between the Asian Infrastructure Investment Bank of May 21, 2020, Georgia has received a loan for a rapid response project against Covid-19. The goal of the project is to prevent, detect, and respond to the threats posed by the Covid-19 pandemic in Georgia and to strengthen national systems for public health preparedness. Within the framework of this project, the Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labour and Social Affairs of Georgia announced several procurements and price quotes to purchase various products needed in the fight against the pandemic.

- On August 11, 2020, a price quote was announced for the purchase of 15 vehicles. Kia Georgia Ltd, which was the only bidder, was selected as the supplier.
- On February 2, 2021, a tender was announced for the purchase of IT equipment as part of the Rapid Response Project against Covid-19. According to the tender documents, the Ministry of Health planned to procure 16 monitors, 13 desktops, 9 laptops, one data storage network, and technical assistance services. The documentation does not indicate the purpose for which the Ministry intended to purchase the equipment, nor does it specify the estimated procurement cost. The tender was not held as none of the suppliers expressed a willingness to participate
- A similar tender based on the same grant was announced on December 21, 2020, although in this case, the procurement included IT equipment needed for emergency medical services. 2 winners were declared (in 2 different lots), Alta Ltd. (bid price: **1,275,910.00**) and Neotech Ltd. (bid price: **1,102,400.00**), the documents of which were published in the electronic procurement system in February 2021, and at this stage the tender is in the selection/evaluation phase. However, in the results column of the Procurement Portal, an invitation to contracts is uploaded, according to which the contract with both companies is concluded at the price offered.
- The Ministry of Internally Displaced Persons from the Occupied Territories, Health, Labour and Social Affairs of Georgia announced another tender in December 2020 for the procurement of medical equipment for continuous, efficient, and quality delivery of emergency medical services. This tender is also at the selection/evaluation stage, with six companies having participated. As can be seen from the letter of March 5, 2021, uploaded in the tender results, Advanced Medical Technologies Ltd. has been invited to sign the contract, and the cost of the offered contract is 1,790,000 GEL.

- The Ministry of Health declared price quotes for the purchase of 15 vehicles on December 3. According to the status reflected in the electronic procurement system, the procedure did not take place because none of the suppliers expressed an interest.
- A tender has been announced for the procurement of servers, memory, and appropriate security equipment required for the operational functioning of the Central Dispatch Call Module. Only one bidder participated in the procurement process, thereby being declared the winner. According to the results, UGT Ltd was invited to sign the contract worth 566,884.00 GEL.
- The tender with the same purpose was announced on October 26, but on November 10, according to the decision of the tender commission, the tender was terminated because the specifications required some revision.
- Another tender with the same purpose was successfully completed on October 26, and Green Systems Ltd was selected to sign the contract worth GEL 268,776.00. On November 26, the Ministry announced the procurement of personal protective equipment. 5 bidders were registered in the tender, and even though the tender status on the procurement website is still selected/evaluated, according to the documents uploaded in the results section, MID Ltd has been selected with a final bid of GEL 5,400,000.00.
- On September 11, the Ministry announced the purchase of 33 units of off-road ambulance vehicles and 5 units of off-road reanimobile vehicles. Two companies took part, and the winner was Aka Ltd with a bid of 2,189,340.00 euros.
- On August 11, the Ministry declared price quotes for the purchase of 15 vehicles. In this case, only Kia Georgia Ltd expressed an interest in participating.
- On August 12, the Ministry announced a price quote for the purchase of sample collection equipment in the form of tubes with VTM 2-3 ml and two plastic swab applicators. Only Bio-Med Ltd submitted a proposal; however, on September 18, the procedure was terminated due to increased demand for the product and the Ministry intended to declare another quote for the increased quantity.

Examining procurements under the Covid-19 Rapid Response Project, IDFI identified the following questionable circumstances: for instance, in the Contract Award Notice for 15 vehicles announced on August 11, the contractor is a joint venture by Kia Georgia Ltd. and GT Motors Ltd., and the contract amount is GEL 1,166,466. The director of the company, Giorgi Amashukelia, who held the position of Deputy Minister of Regional Development and Infrastructure in 2014, was later the Executive Director of the Municipal Development Fund, and even later was appointed Head of the Department for Relations with Regions and Local

Self-Government in the Government Administration. As for the shareholders, Kia Ltd. is owned by two other Georgian companies, Iberia Business Group Ltd. and Boutique Group Ltd. The 100% shareholder of Boutique Group is GT Benefits Ltd. and its director is Zurab Tukvadze. Zurab Tukvadze and Davit Gogorishvili own 50-50 percent shares of GT Benefits Ltd. Tukvadze's other company, Solemart, was supposed to bring in rapid tests to Georgia in May 2020. The Ministry of Health of Georgia signed a simplified procurement contract on April 24, 2020, under which it purchased rapid tests to detect the coronavirus. The total cost of this purchase was GEL 930,000, for a total of 30,000 units. The contract was later terminated due to delays in supplying the product. Earlier, however, an investigation by the International Investigative Reporting Platform revealed that the tests were in fact of different production and were repackaged into a Dutch-made label. The case was also highlighted by IDFI's Covid-19 Procurement Monitoring Report, as Tukvadze's business partners in other companies turned out to be donors to the ruling party.

As for Kia Georgia's second largest shareholder, Iberia Business Group Ltd., it is 100% owned by IBG Holding Ltd., owned by Tariel Khechikashvili (24%), who held the position of Minister of Sports and Youth until 2018, and his wife Ekaterine Inasaridze (29.22%).

As for GT Motors, the company itself donated GEL 1,000 to the ruling party in 2016, and the company's director, Temur Ustiashvili, donated GEL 60,000. GT Motors Ltd. is 100% owned by GT Group Ltd., whose shareholders are Giorgi Tavdishvili, Giorgi Gvelesiani, and Temur Ustiashvili, all of whom were mentioned above. Giorgi Gvelesiani has donated 60,000 GEL annually to Georgian Dream and Salome Zurabishvili in the years 2016-2018.

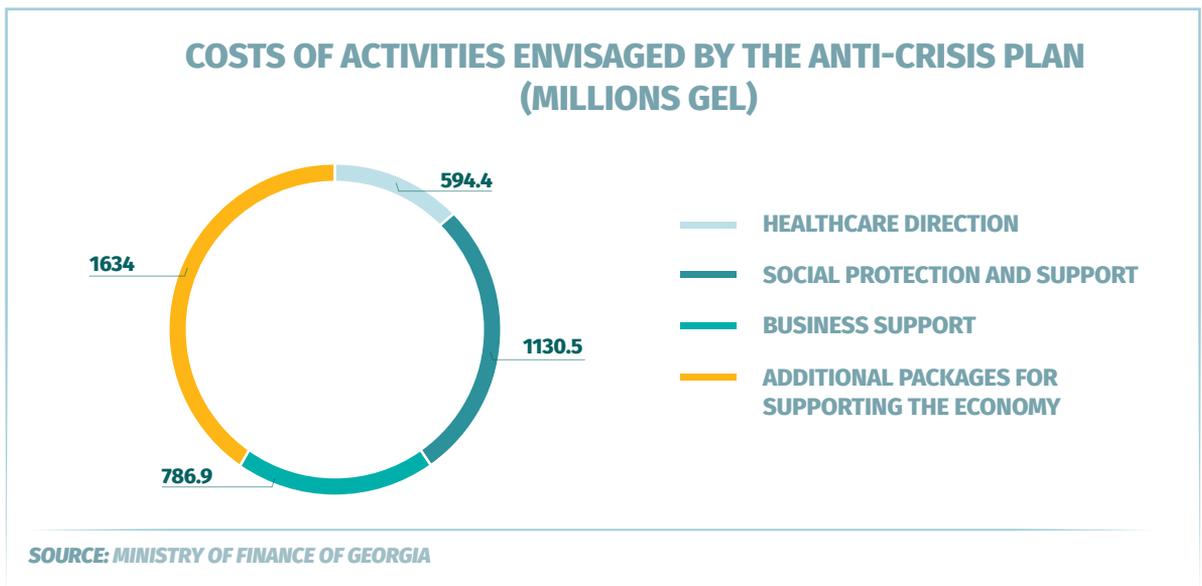
Additionally, Levan Chachua, the owner of a 34% stake in Green Systems Ltd selected in one of the tenders worth GEL 268,776.00, has donated a total of GEL 70,000 to the ruling party in 2016-2017. It should be noted that the tender had only one participant.

EXPENDITURES OVER 1 YEAR OF THE FIGHT AGAINST THE PANDEMIC

In 2020, appropriate changes were made to the state budget to finance the measures envisaged by the Anti-Crisis Plan developed within the framework of the fight against the pandemic. At the same time, the budget execution report separately provided information on the funds used in the fight against coronavirus in terms of various directions to which the funds were allocated. Taking into account the spread of the virus in the country (first confirmed case on February 26, 2020) and the development of an Anti-Crisis Plan (submission of the Anti-Crisis Plan on April 24, 2020), the 1-year costs of fighting the pandemic in Georgia reflect the summary data for 2020 and the first quarter of 2021.

According to budget spending reports, a total of GEL 4.15 billion was spent on anti-crisis measures in the year since the pandemic began, with the main source of funding being budget support credits and grants received from abroad. Among these funds, GEL 594.4 million was spent on healthcare, GEL 1.13 billion on social assistance, GEL 786.9 million on business support, and the remaining GEL 1.63 billion on additional packages to support the economy.

Within the framework of the project, IDFI requested detailed information from various anti-crisis program implementing agencies. The analysis of the information we received is presented below.



HEALTH PROTECTION DIRECTION

In the year since the beginning of the pandemic, a total of \$ 594.4 million has been spent on healthcare. Expenditures in this direction are presented in a detailed manner in the 2020 budget spending report. In particular, out of the 417.8 million GEL spent in 2020, the largest amount (156.7 GEL) was spent on the procurement of anti-virus and quarantine services, while the rest of the funds were spent in these directions: reimbursement of treatment costs - 77.8 million GEL, medical facilities infrastructure - 68.7 million GEL, and access to the Covid-19 vaccine - 16.7 million GEL.

According to the budget execution report for the first quarter of 2021, an additional GEL 176.6 million has been spent on healthcare. As revealed by the documentation, this money was spent on the purchase of personal protective equipment, coronavirus diagnostic tests, quarantine services, and vaccines.

However, the precise distribution of these funds is not reflected in a detailed manner. The obfuscation of detailed data on health expenditures in 2021 is likely due to the concealment of expenditures on vaccine procurement.

2020 HEALTHCARE DIRECTION (MILLIONS GEL)	TOTAL 594.4	
	2020	2021 (I QUARTER)
Procurement of anti-virus measures (tests, personal protective equipment, etc.)	156.7	176.6
Reimbursement of treatment costs	77.8	
Access to the Covid-19 vaccine	16.7	
Infrastructure of Covid-19 medical institutions (including JSC Center for Infectious Diseases, AIDS and Clinical Immunology)	68.7	
Reimbursement of quarantine services related to the novel coronavirus	97.9	

SOURCE: MINISTRY OF FINANCE OF GEORGIA

Within the framework of the project, IDFI also requested detailed information on healthcare expenditures from the Ministry of Health. Among them: a list of expenditures for the treatment of patients with coronavirus, indicating the number of medical facilities and the

number of patients; costs of purchasing coronavirus tests and personal protective equipment against the spread of the virus, broken down according to the goods purchased and their supplier. Additionally, the expenses incurred for the arrangement of the infrastructure of the medical institutions, with an indication of the work performed and the medical institutions in question.

PROCUREMENT OF MEANS TO STOP THE SPREAD OF THE VIRUS (TESTS, PPE, ETC.)

According to the information provided by the Ministry of Health, GEL 146,840,376 was spent through the Ministry for the purchase of various means to stop the spread of the virus, including Covid tests. The expenses were paid by various agencies subordinated to the Ministry, with the Ministry itself paying more than 9 million GEL and more than 3 million USD for medical products, exceeding 21 million GEL in total. NNLE Medical Holding procured various productions costing a total of 1,670,320 GEL. Over \$ 33.5 million (more than \$ 111.5 million) was spent on the procurement of tests, although the information did not detail which project and which agency procured them. The Center for Emergency Management and Coordination has spent GEL 1,344,545 to this purpose, with the Center for Disease Control and Public Health and Lugar Laboratory together having spent more than GEL 10 million.

As part of its Covid-19 procurement monitoring, IDFI wrote on several suppliers of the aforementioned product, including Weekend Ltd., whose shareholder and its business partners are active donors to the ruling party. Another example is Geoferum Ltd., which operated in the field of furniture manufacturing, whose shareholder, Levan Lursmanashvili, was a donor to the Georgian Dream and Salome Zurabishvili, and soon after the pandemic began, it became a supplier of healthcare equipment. Lursmanashvili then donated 7,000 GEL to the ruling party in September 2020. Additionally, some companies that were established at the beginning of the pandemic and, despite lacking any experience in the field, soon received procurement contracts from the state.

NNLE Medical Holding, which was established in February 2020 by the initiative of the Minister of Health "In order to increase the efficiency and improve the quality of management", incurred the following expenses:

GOOD	COST (GEL)	AMOUNT
RX-32x22 face shield 32x22 cm	560.00	200
Foot protection (polyethylene)	8,820.00	252,000
D. Latex Glove-Non-Talc-Size (L)	19,720.00	34,000
D. Latex Glove-Non-Talc-Size (M)	37,700.00	65,000
Disposable 3-layer rubber face mask	59,724.00	378,000
Medical overalls	945,000.00	63,000
Medical hat disposable (strip)	22,176.00	252,000
Medical coat	441,000.00	126,000
Glove non-sterile M * `DDM`	620.00	1,000
Hand disinfectant solution	135,000.00	20,000
TOTAL:	1,670,320.00	1,191,200

Through simplified procurement, over 1 million 400 thousand GEL was spent by the LEPL Center for Emergency Coordination and Emergency Assistance on disinfectants, protective products, and consumables for testing purposes.

The Ministry of Health purchased Covid tests and personal protective equipment within the framework of the grant. A total of \$ 33,637,110 was spent on both rapid and PCR tests.

TESTS PROCURED BY THE MINISTRY OF HEALTH	AMOUNT	COST (USD)
STANDARD Q COVID-19 Ag test	2,650,000	12,274,250
Thermos Scientifics COVID-19 tests with consumables (PCR)	250,000	5,685,100
KIT COBAS 6800/8800 SARS-COV-2 192T (with consumables for 150 000 tests)	150,000	4,391,400
Nucleic Acid Diagnostic Kit 124 test PCR	400,000	4,200,000
AG/AB combined package rapid tests	400,000	2,068,500
TaqPath™ COVID-19 CE-IVD RT-PCR tests and KingFisher FLEX extraction kits	150,000	1,675,000
Rapid COVID-19 Test Cassette	197,000	1,024,400
Standard COVID-19 AG Test	100,000	918,750
Procurement of Standard COVID-19 Antigen Tests	50,000	612,200
Xpert Xpress SARS-CoV-2 kit/10 tests (2000 pack)	20,000	478,240
PCR tests for Procleix Panther System for Automated NAT (Grifols) device (10000 kit)	240,000	309,270
TOTAL:	4,607,000	33,637,110

As for the suppliers of coronavirus tests for the Ministry of Health, the largest amount – amounting up to \$ 16 million - was received by SD BIOSENSOR, an international company. In second place with more than \$ 7 million is ABC Medical, an active supplier of medical products. The company's shareholder, Alexander Khetereli, is a donor to the ruling party (GEL 60,000 in 2016). Mirko Ltd. received more than \$ 4 million. SANSURE BIOTECH INC is an international company for the procurement of the products of which the Ministry paid over \$ 4 million. Bio Gene Ltd./Green Lab and Lux Med Ltd. are also international companies, and UNICEF is an international organization.

SUPPLIER	COST (USD)
SD BIOSENSOR	15,873,700
ABM LLC	7,360,100
MIRKO LLC	4,391,400
SANSURE BIOTECH INC	4,200,000
Bio Gene LTD/Green Lab	1,024,400
UNICEF	478,240
Lux Med LTD	309,270
TOTAL:	33,637,110

The ministry paid over \$ 3 million for the acquisition of personal protective equipment. In this case as well most of the supplier companies are international, while one is Georgian. MID Ltd., a Georgian company, received the largest amount, over \$ 1,600,000, and provided various protective equipment to the Ministry.

The Center for Disease Control conducted procurements amounting to up to 5 million GEL for the purchase of Covid tests. Like the Ministry, Mirko Ltd. and ABM Ltd. are leading in these procurements. Irise Ltd. has also received large amounts of money.

SUPPLIER	COST (GEL)
ABM Ltd.	2,867,200
Irise Ltd.	1,377,480
Mirco Ltd.	307,120
unc fund	165,361
Green Lab Ltd.	99,200
TOTAL:	4,816,361

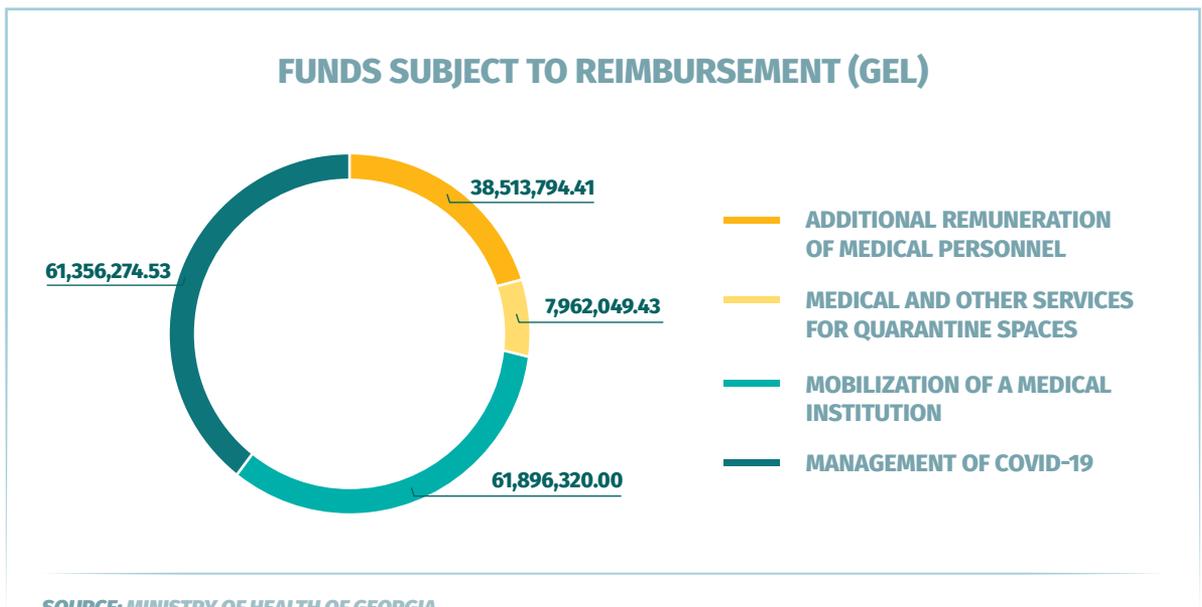
The center purchased Covid tests for Lugar Laboratory with a total cost of more than 5 million GEL. In this case as well the largest amount of money among the suppliers was received by ABM Medical Ltd.

SUPPLIER	COST (GEL)
ABM Ltd.	4,012,519
Irise Ltd.	648,200
EMD Group Ltd.	145,600
Mirko Ltd.	123,644
Ox-Gen Ltd.	90,229
Airmed Georgia Ltd.	85,590
Primamed Ltd.	18,400
Sinectics Ltd.	3,200
TOTAL:	5,127,382

In addition, the Center for Disease Control spent more than \$ 383,000 on personal protective equipment, with up to \$ 473,000 being spent for the Lugar Laboratory for the same purpose.

MEDICAL INSTITUTION INFRASTRUCTURE AND MEDICAL CARE COST REMUNERATION

In response to a request for the costs related to the treatment of patients infected with the virus, the Ministry clarified to IDFI that 141,752 people had received their services under the Covid-19 State Management Program (Covid-19 case diagnostics/treatment). In terms of the expenditures, only information on amounts subject to reimbursement under the Covid-19 State Management Program was provided. In particular, it was revealed that within the framework of this program an additional 38.4 million GEL was allocated for labor cost remuneration of the personnel in medical institutions mobilized to manage Covid-19 (resuscitator, infectious disease specialist, therapist, and other specialist doctors, junior doctors, nurses, paramedics). Among these, an additional 113.7 thousand GEL was mobilized for the additional personnel mobilized through NNLE Medical Holding. 8 million GEL for medical and other services aimed at the organization of quarantine spaces. Among them, provision of quarantine spaces with medical staff - GEL 4.4 million; provision of quarantine spaces with medical items, personal protective equipment, medication - GEL 2 million; ambulatory diagnostics of the beneficiaries located in isolation spaces (at home or in Covid hotels) diagnosed with Covid-19 - 900 thousand GEL.



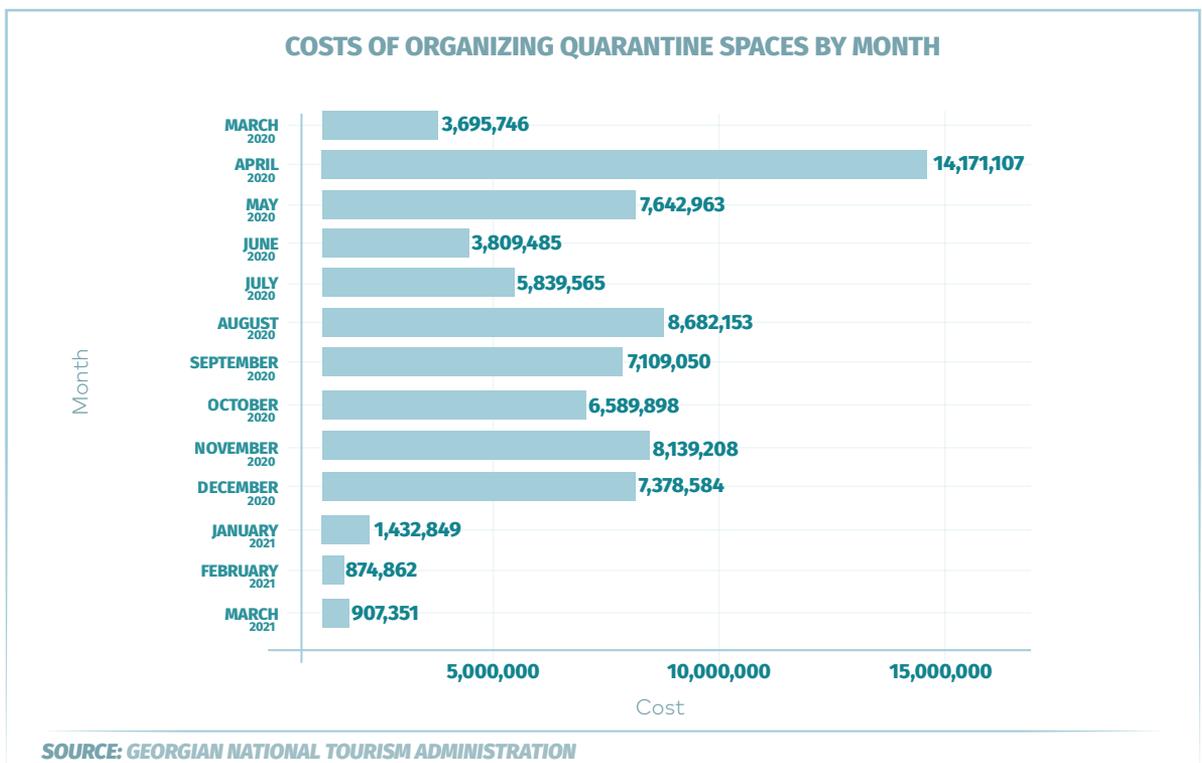
According to the information provided by the Ministry, NNLE Medical Holding received funds in the form of a grant of 155,520 GEL to purchase medical equipment for the Rukhi Republican Hospital under its management.

As for the costs of arranging the infrastructure of medical institutions, the Ministry clarified that similar work has not yet been carried out within the framework of the loans.

According to the budget spending report, GEL 68.8 million was allocated for the provision of medical facilities/rehabilitation measures to provide emergency response to Covid-19 in 2020, among these 33.8 million GEL - within the framework of measures to support the management of infectious pathology, to provide a dedicated building for the JSC "Scientific-Practical Center for Infectious Diseases, AIDS and Clinical Immunology".

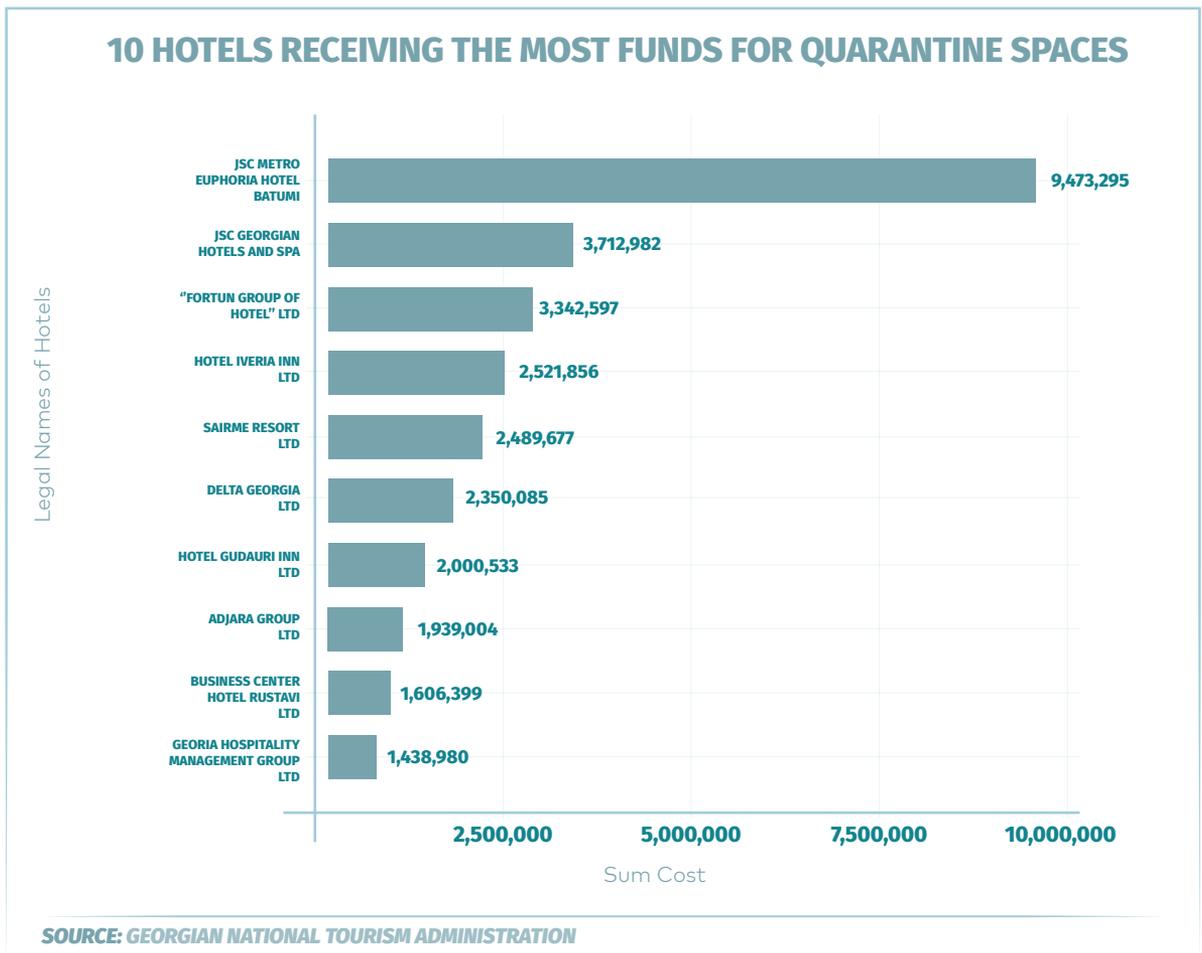
QUARANTINE SERVICE REMUNERATION

According to information provided by the National Tourism Administration, between March 2020 and March 2021, a total of over 76 million GEL was spent on the installation of quarantine spaces in hotels (the amount includes the cost of hotel rooms, food, and disinfection).



As seen from the graph, since the beginning of 2021 the costs have decreased significantly.

Contracts were signed with a total of 178 hotels, including the largest amount - 9,473,295 GEL received by JSC Metro Euphoria Hotel Batumi. The 10 hotels that the state has paid the most for quarantine areas are the following:



Within the framework of the project, IDFI monitored the procurements made by the National Tourism Administration for this purpose, during which the most problematic issue was the delay in setting price limits. Namely, the Government of Georgia adopted a [resolution](#) on May 4 amending the resolution "On the approval of state health programs" for 2020. Article 4, paragraph A of the document stipulates that hotel services in quarantine areas will be reimbursed at the actual cost, **but not more than 100 GEL per day for each beneficiary**. The adoption of the amendment in March would save the state significant financial resources, as IDFI's analysis revealed that renting 120 rooms in just one hotel after the limits went into effect cost the tourism administration 1.1 million GEL cheaper than identical services in the same hotel before the decree came into force. At the same time, several hotels provided rooms to the state free of charge, and the Tourism Administration provided them only with disinfection services.

ACCESS TO THE COVID-19 VACCINE

The process of vaccination against coronavirus in Georgia began on March 15, 2021. The country received 43,200 doses of the AstraZeneca vaccine on March 13, which was initially only available to medical personnel. On May 6, 43,000 doses of the same vaccine were brought into the country. On March 24, 29,250 doses of the Pfizer vaccine were introduced. On April 30, Georgia received 100,000 doses of the Sinopharm vaccine, along with 100,000 doses of Sinovac free of charge. According to the Ministry of Health, on May 26, the country received an additional 1,170 doses of the Pfizer vaccine.

Based on the aforementioned data, we can conclude that as of May, a total of 316,620 doses of vaccine have been introduced into the country. With full use of these vaccines, 158,310 people could receive two doses of the vaccine.

IDFI requested information from the Ministry of Internally Displaced Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia regarding the prices of vaccines, as well as any correspondence regarding the process of purchasing vaccines. According to the information provided, the Ministry has signed a confidentiality agreement with the Global Alliance for Vaccines and manufacturing companies, making it impossible to disclose prices. The documentation of communication with the manufacturing companies, meanwhile, constitutes a commercial secret.

On June 29, 2021, it was announced that the Audit Office would review the procurements by the Ministry of Health and the National Center for Disease Control.

PROCUREMENTS RELATED TO HEALTHCARE

According to IDFI's monitoring of public procurement related to Covid-19 since the beginning of the pandemic, more than 168 million 300 thousand GEL was spent on healthcare products. It should be noted that this monitoring mostly included simplified procurements, as both at the beginning of the pandemic and later the vast majority of similar products were purchased through the simplified procurement process. More than 148 million GEL was spent directly on health services. This category includes the mobilization of the so-called "bedrest fund".

To mobilize extra beds in the clinics, the Social Services Agency requested a contract worth a total of **GEL 98.5 million** from the Procurement Agency from July to November 2020. One of the requests was submitted by the Agency on October 2, with a total value of GEL 48 million. According to the documentation, the beds were to be mobilized based on this request from October 9 to December 31, 2020.

In 2020, the LEPL National Health Agency became the legal successor of the Social Service Agency. In early January 2021, the Agency requested direct procurement of GEL 147,706,524 to smoothly run the activity in a limited timeframe. The Agency manages a variety of healthcare programs, including certain aspects of the Covid management direction. According to the detailed [documents](#) received as a result of our request, among the mentioned 148 million GEL, 100 million GEL was intended for the management of Covid-19. An analysis of the contracts revealed that the agency had spent up to GEL 48 million to mobilize clinics to manage Covid-19.

The state paid over 3 million GEL for the purchase of oxygen production equipment, with the Asset Management and Development Company Ltd. becoming involved in the process. On November 17, the state-owned company signed a simplified purchase agreement worth € 672,404 with the Turkish company EDEAL MAKİNA. Since the Asset Management and Development Agency Ltd. is focused on real estate, the purchase of technologies for oxygen production should not fall within the competency of this organization. Nevertheless, the selection of this organization by the government may be because without mobilizing additional financial resources, the required product was purchased with an unspent portion of the funds in the capital of the same company.

More than GEL 16 million was spent on the acquisition of medical devices and pharmaceuticals. At the beginning of the pandemic, the largest amount of money from this category came from the purchase and manufacture of face masks, although purchasing of face masks, gloves, protective headgear, and overalls was actively underway throughout the entire pandemic period.

IDFI's monitoring efforts revealed some cases where simplified procurement contracts were concluded with companies of ruling party donors or other party-affiliated entities. Direct contracts with newly established or companies operating in a completely different field were fairly commonplace.¹

Delayed uploads of simplified procurement contracts to the electronic public procurement system at the beginning of the pandemic can be considered one of the systemic problems of the process. Additionally, it was possible to identify several agencies that did not publish such agreements at all. In relation to this, IDFI addressed the courts and continues to study and monitor the issue.

A large share of procurements related to Covid-19 is made through the simplified procurement process even 1 year after the pandemic, which only serves to restrict competition and exacerbate the risks of corruption.

¹ IDFI's studies regarding the state procurements related to the Covid-19 pandemic:

<https://bit.ly/3jSgpau>

<https://bit.ly/3xiiO1X>

<https://bit.ly/3k3Uld9>

SOCIAL PROTECTION PROGRAMS

A total of GEL 1.13 billion has been spent on social protection measures in the year since the start of the pandemic. Most of these funds were spent on subsidies for utility bills - GEL 469.6 million. GEL 317.7 million was spent on financial assistance to the unemployed, of which GEL 206.5 million went to hired workers and GEL 111.2 million to the self-employed. 187.8 million GEL was spent on one-time social assistance for children under 18, 101.1 million GEL on financial assistance to socially vulnerable families, and 39.5 million GEL on financial assistance to persons with disabilities. Additionally, 14.8 million GEL was spent on tuition fees of socially vulnerable students of higher education institutions.

SOCIAL PROTECTION PROGRAM (MLN GEL)	სულ 1,130.5	
	2020	2021 (I QUARTER)
Utility subsidies program	382.7	86,9
Assistance for socially vulnerable families (for families with 65000-100000 social rating score)	64,7	36,4
Assistance for persons with disabilities	26.0	13,5
Compensations for children under 18	187.8	
Compensations for hired workers	131,2	75,3
Compensations for entrepreneurs and taxpayers	110,8	0,4
One-time assistance (tuition fees) for socially vulnerable students of higher education institutions	14,8	

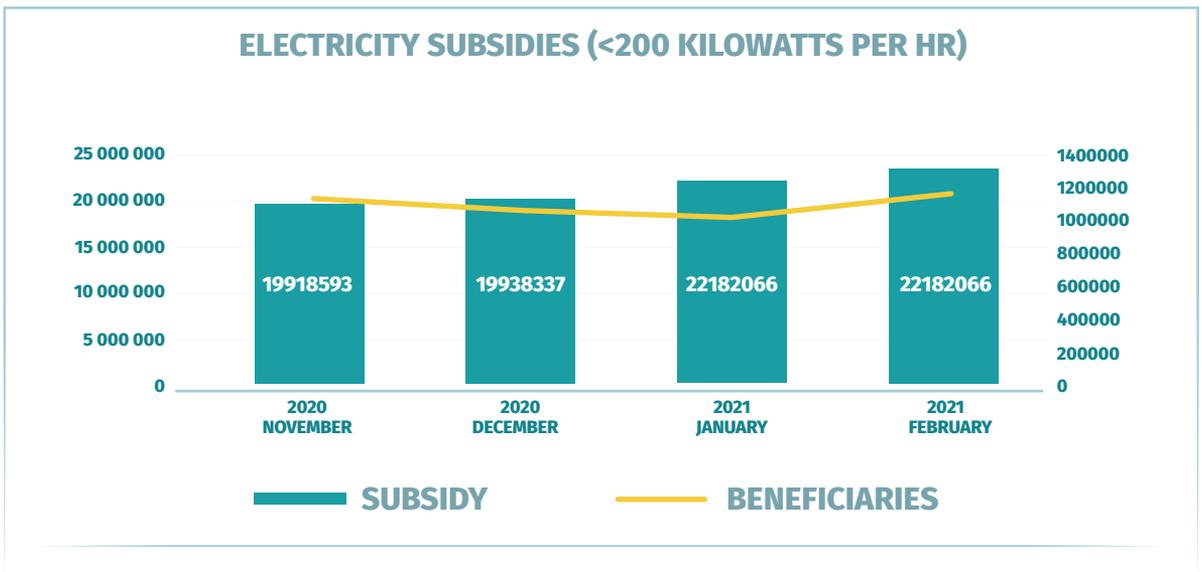
SOURCE: MINISTRY OF FINANCE OF GEORGIA

UTILITY SUBSIDIES PROGRAM

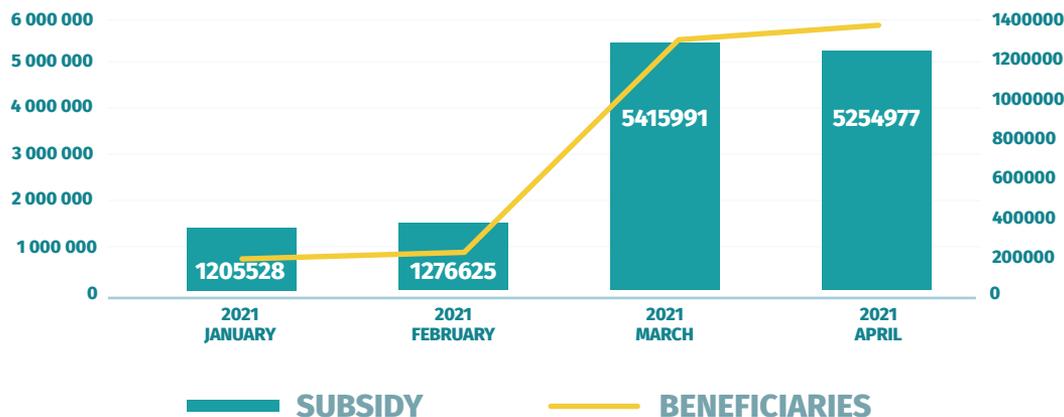
On April 3, 2020, the Government of Georgia adopted a decree, according to which households would get subsidies for water, electricity, and cleaning bills in March, April, and May (in case of consumption of less than 200 kilowatts per hour of electricity). Additionally, in case of consumption of less than 200 cubic meters of natural gas, a subsidy would be issued for the natural gas tax. The program did not differentiate households by social status. However, the beneficiaries of the program were allowed to refuse the subsidy through an electronic platform created for this program.

From November 2020, the utility subsidy program was renewed for 4 months (November-December 2020, January-February 2021) with similar conditions. From January 2021, due to the increase in electricity tariffs, the program was amended, with customers who consumed electricity of 200-300 thousand kilowatt per hour being given a subsidy accounting for the increased prices. The later subsidy continued after March 2021 as well.

According to budget execution reports, as of March 31, 2021, a total of GEL 469.6 million was spent on subsidizing utility bills during the pandemic. The costs for this program were increased as electricity tariffs became more expensive. According to the Ministry of Economy and Sustainable Development, in January 2021, the number of electricity customers consuming up to 200 kilowatts per hour decreased by about 12 thousand, although the amount of the subsidy increased by 2.2 million GEL. At the same time, 7.9 million GEL was spent in the first quarter of 2021 on the adjusted subsidy program.



ELECTRICITY SUBSIDIES (ACCOUNTING FOR INCREASED TARIFF)



SOURCE: MINISTRY OF ECONOMY AND SUSTAINABLE DEVELOPMENT

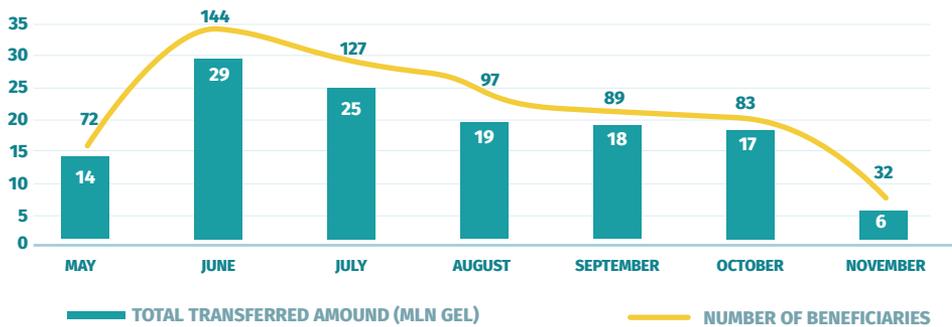
COMPENSATIONS FOR WORKERS LEFT UNEMPLOYED

Under the Anti-Crisis Plan, hired individuals who lost their jobs would receive GEL 200 a month as compensation for 6 months, and self-employed people of different categories would receive one-time assistance of GEL 300.

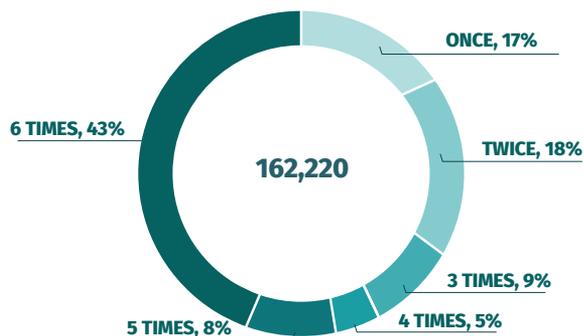
Out of GEL 450 mln allocated for the 200 GEL assistance to the unemployed due to the pandemic program, less than a third has been utilized (program lasted during May-November). One of the reasons why the budget was not utilized is the precondition for terminating the assistance in case the beneficiary received an income (more than GEL 10) on his/her account. The largest amount of assistance through the unemployed program was issued in June. Overall, 162,220 unique beneficiaries have received a total of GEL 129 mln. After the rapid growth of aid recipients in June, the volume of aid and the number of recipients decreased in the following months.

The program was renewed for six months on January 1, 2021. The new budget is GEL 150 million. In the first quarter of 2021, more than 100,000 workers have received the assistance of GEL 75.3 million. So far in 2021, the expenditures of this program are in line with the planned budget.

NUMBER OF BENEFICIARIES AND TOTAL TRANSFERRED AMOUNT (MLN GEL) OF THE UNEMPLOYMENT PROGRAM



DISTRIBUTION OF BENEFICIARIES (%) BY FREQUENCY OF 200-GEL TRANSFERS



SOURCE: STATE EMPLOYMENT PROMOTION AGENCY, IDFI

On April 24, 2020, a 300 GEL assistance program for 250,000 self-employed workers was announced, with GEL 75 mln allocated to this end. Under the terms of the program, the self-employed found it difficult to provide proof of their income, resulting in 171,000 (68%) out of 251,000 self-employed receiving assistance on the first stage. In total, GEL 51 mln was issued for the assistance program. In the second stage, the money was transferred to the additional 78,000 self-employed people who were rejected during the first stage. In this way, the budget was almost fully spent (GEL 74.6 mln). The assistance program covered a total of 29% of the self-employed. Despite the importance of the program, the government, with insufficient incentives in a crisis, was unable to disburse the allocated funds promptly, which resulted in delays and disbursements to those people who failed to meet the demands made by the government.

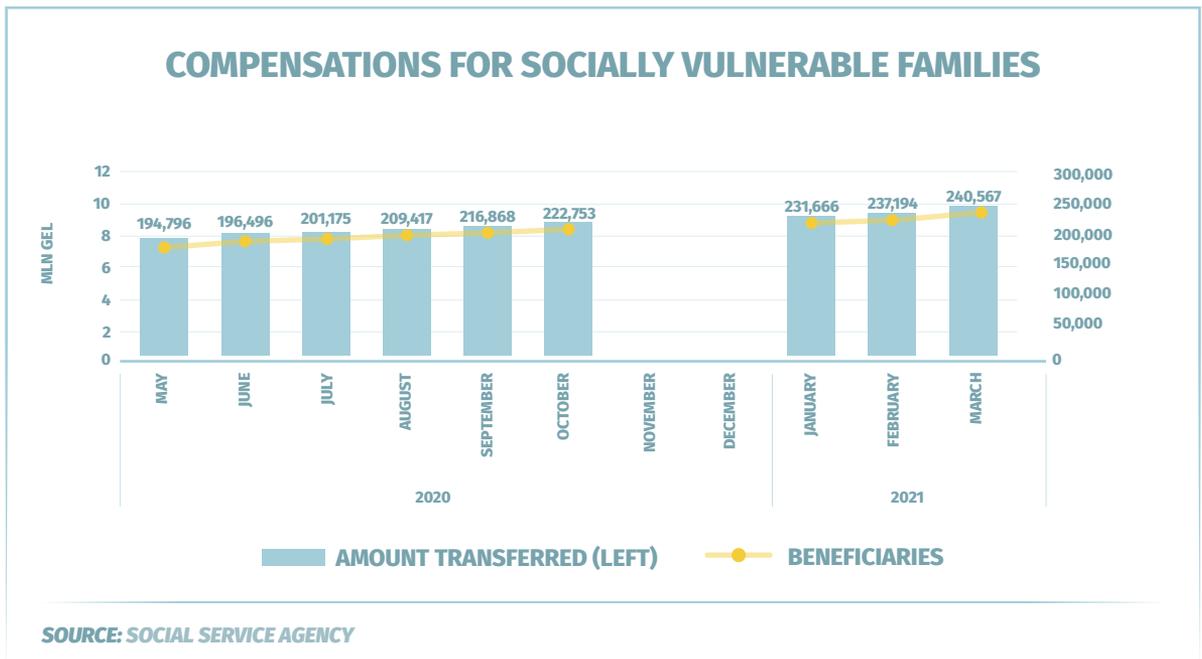
Under the Anti-Crisis Plan, similar assistance was again provided to those employees who were unable to work due to restrictions of 28 November 2020 and 24 December (2020). In the second stage, 111.3 million GEL was issued to a total of 121.6 thousand beneficiaries.

SUPPORT FOR SOCIALLY VULNERABLE FAMILIES AND PERSONS WITH DISABILITIES

According to the Anti-Crisis Plan, in 2020, assistance for socially vulnerable families was set at 100 GEL per month (May-October for 6 months). The beneficiaries of the program were:

- Socially vulnerable families with 65 to 100 thousand social ranking scores;
- Socially vulnerable families with 0 to 100 thousand social ranking scores with three or more children under 16.

In 2020, the total amount of compensation for socially vulnerable families with a rating score of 65 thousand to 100 thousand was GEL 50.5 million, and the compensation of socially vulnerable families with many children was GEL 14.3 million. This program has been renewed for 6 months in January 2021. It is noteworthy that the number of beneficiaries of the program is growing and exceeds the estimated numbers, indicating that more families are becoming poorer and require assistance in the wake of the crisis. The number of socially vulnerable households benefiting from the program increased by 45,771 (23%) from May 2020 to March 2021, while the number of large beneficiary households increased by 23,067 (17%).



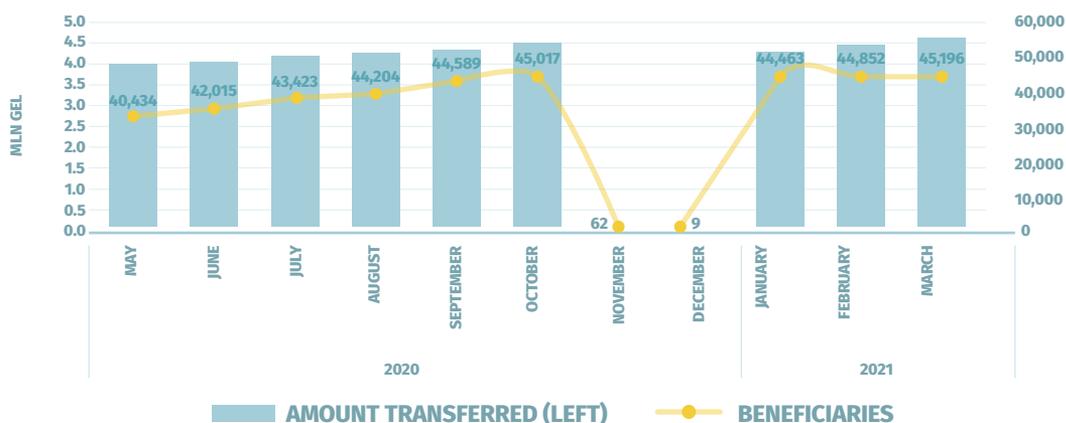
COMPENSATIONS FOR SOCIALLY VULNERABLE FAMILIES WITH MANY CHILDREN



SOURCE: SOCIAL SERVICE AGENCY

The 2020 Anti-Crisis Plan envisaged monthly assistance of GEL 100 for 6 months (from May to October) for persons with severe disabilities and children with disabilities. The budget of the program was GEL 25 million. In 2020, GEL 26 million was spent on the program. The program had the most beneficiaries in the month of October, at 45,017 persons. The program was renewed for 6 months in 2021, with an updated budget of GEL 27 million and an estimated number of beneficiaries of 43 thousand people. In the first quarter of 2021, people with disabilities have already received compensation of GEL 13.5 million.

COMPENSATIONS FOR PERSONS WITH DISABILITIES



SOURCE: SOCIAL SERVICE AGENCY

ONE-TIME SOCIAL ASSISTANCE FOR CHILDREN UNDER 18

According to the 2020 budget execution report, GEL 187.8 million was spent on compensation for children under 18, and compensation was transferred to more than 904.1 thousand children. Every child, regardless of their social background, was eligible for assistance. The program's expenditures exceeded the originally allocated budget of GEL 160 million, where the number of beneficiaries was set at 800,000. However, it is unclear why the number of children was initially estimated at 800,000. The program ended on December 1 with total registrations of 943,000 children.

A large part of the program's budget (GEL 122.8 million) was financed using funds mobilized through the StopCov Fund.

ASSISTANCE FOR BUSINESSES

The cost of anti-crisis business support measures of 2020 amounted to GEL 786.9 million. The most resources (GEL 492.6 million) were spent on tax benefits, of which the income tax exemption amounted to GEL 443.9 million, and the tax exemption imposed on the tourism sector - 48.7 million GEL.

Support for agriculture during the pandemic amounted to GEL 169.7 million, of which the largest amount (GEL 104.3 million) was spent on grape harvest. In addition, GEL 30.2 million was spent on the state program to support agricultural landowners, while GEL 24.7 million was spent on maintaining prices and creating stocks of primary food products.

GEL 24.5 million was allocated for other business support programs from the state budget. Among these funds, GEL 55.1 million went to the support of small, medium, and family hotels and restaurants, GEL 57.3 million for credit-guarantee schemes, GEL 9.6 million for support of the construction sector, and GEL 2.5 million for small entrepreneurship grants.

SUPPORT FOR BUSINESSES (MILLIONS GEL)	TOTAL: 786.9	
	2020	2021 I QUARTER
TAX BENEFITS	364.2	128.4
Income tax exemption	315.5	128.4
Tax exemption for the tourism sector	48.7	
SUPPORT OF AGRICULTURAL SECTOR	162.4	7.3
Grape harvest support	104.3	
State Program for Support of Agricultural Production	9.2	
Creating stocks of primary food products	13.5	
Maintaining prices for primary consumption food products	6.2	5.0
Support for agricultural landowners	29.2	1.0
Subsidizing the 50% tariff increase on electricity for food producers in 2021		1.3
OTHER BUSINESS SUPPORT PROGRAMS	109.7	14.8
Small, medium, and family hotels and restaurants	51.2	3.9
Credit-guarantee schemes	47.0	10.3
Support of construction sector	9.0	0.6
Small entrepreneurship grants	2.5	

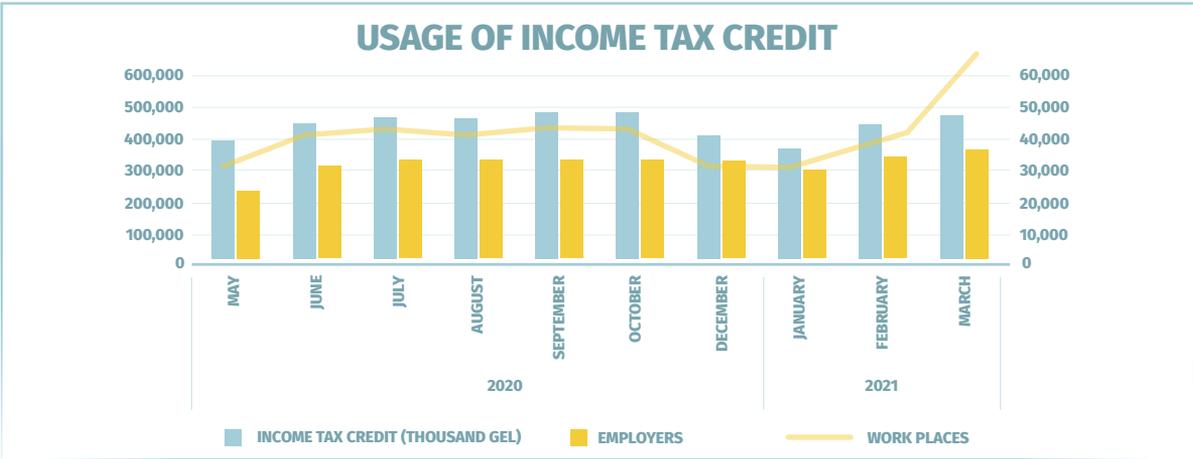
INCOME TAX CREDIT

Under the government's Anti-Crisis Plan, employers were allowed to reduce their monthly expenses. In particular, according to Article 309, Part 112 of the [Tax Code of Georgia](#), for 6 calendar months from May 1, 2020, as well as for 6 calendar months from December 1, 2020², the employer was authorized not to account for employee salaries that are less than 750 GEL. The individuals with a salary of up to GEL 1,500 were exempted from income tax of up to GEL 750.

According to the information provided by the Revenue Service, during both 6-month income tax exemption cycles, the number of jobs with a salary not exceeding GEL 1,500 was increasing every month. Consequently, the state budget provided more and more benefits.

The start time of both 6-month income tax benefits coincides with the period of severe restrictions imposed to limit the spread of the virus. Consequently, with the easing of restrictions, the number of employers and low-wage jobs increased. Additionally, the existing limit of the program about extending the income benefit to employees with salaries up to only 1,500 GEL, to a degree pushed the employers to artificially increase the number of employees with salaries in this range.

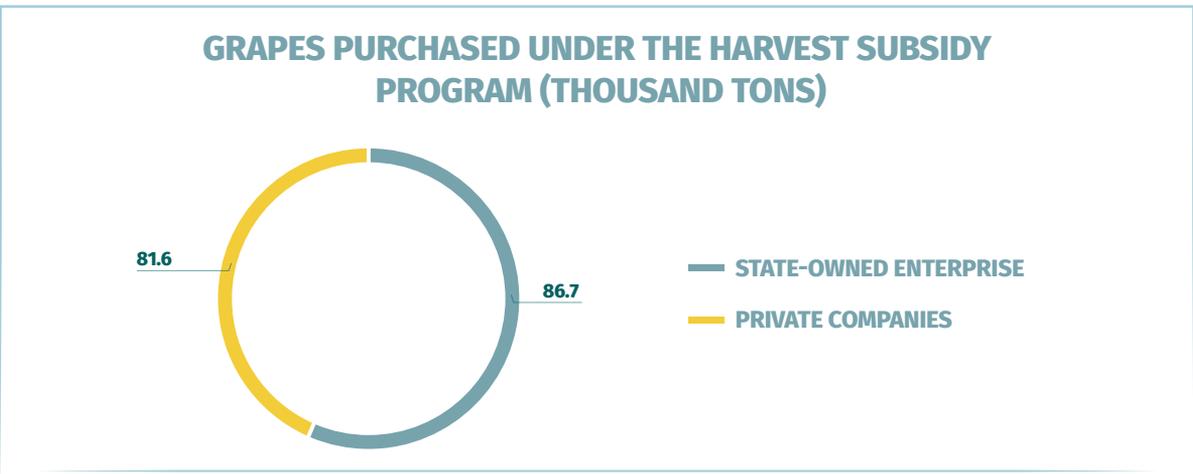
² *The presented data does not include the data for November 2020



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AGRICULTURE SUPPORT

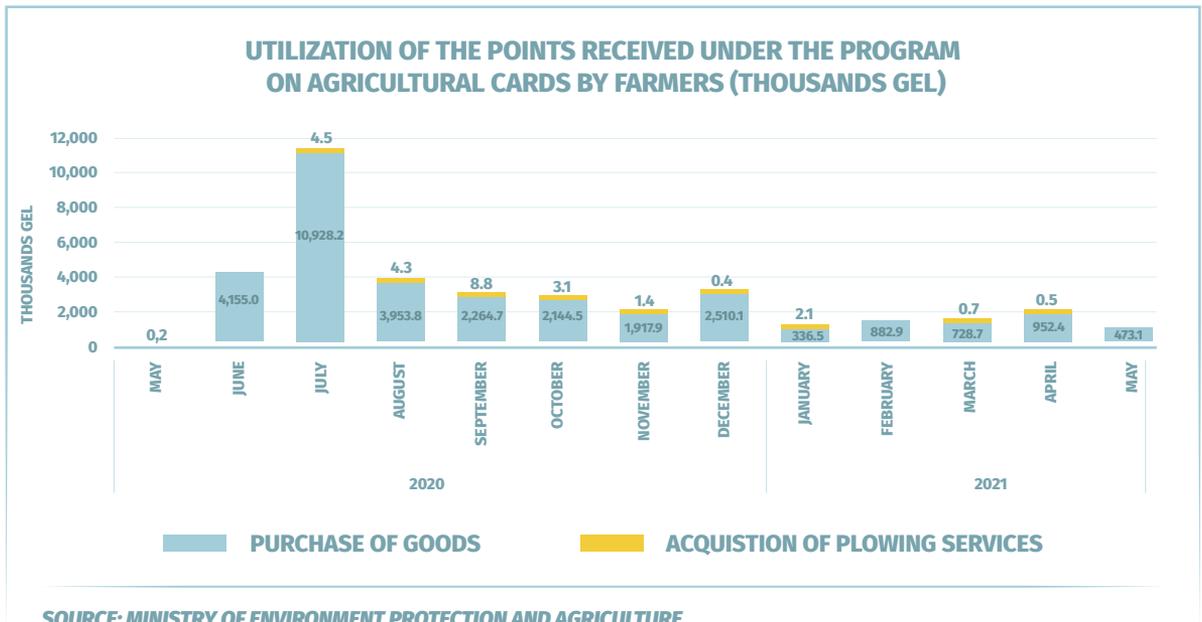
In the one year since the beginning of the pandemic, about 65% (\$ 104 million) of agricultural support spending has been allocated to grape harvest support. In 2020, companies that purchased more than 1,000 tons of Rkatsiteli or Kakhetian green grapes grown in the Kakheti region for at least 0.8 GEL per kg were eligible to receive the harvest subsidy. According to the program, the amount of state subsidy for 1 kg of grapes constituted 0.3 GEL. According to the information provided by the Ministry of Environment Protection and Agriculture, a total of 168.3 thousand tons of grapes have been purchased under the program, of which private companies purchased only 81.6 thousand tons, with the remaining 86.7 thousand tons (more than half) having been purchased by a state-owned enterprise JSC "Akura". As a result, out of the 104 million GEL spent on harvest support, 24.5 million GEL was spent on subsidizing grapes purchased by private companies, while the rest was spent on the purchase/processing of grapes by the state-owned enterprise JSC Akura and other harvest-related activities.



SOURCE: MINISTRY OF ENVIRONMENT PROTECTION AND AGRICULTURE

In the framework of support for agriculture, more than 30 million GEL was spent on the "State Program for Support of Agricultural Land Owners". The beneficiaries of the program were owners of lands ranging between 0.25 hectares to 10 hectares, who were granted a subsidy of GEL 200 per 1 hectare through agricultural cards opened with JSC Liberty Bank. Under this program, farmers could purchase agricultural goods in specialized³ shops until May 20, 2021, or purchase plowing services at the service centers of the state-owned Agricultural Logistics and Services Company Ltd.

According to the information provided by the Ministry of Environment Protection and Agriculture, under the program, 259,509 farmers received GEL 33.3 million (points) on the agricultural card, of which GEL 31.3 million had been utilized as of May 20, 2021. Of this amount, farmers spent only 25.7 thousand GEL on the acquisition of plowing services, and the remaining amount (31.2 million GEL) was spent on the purchase of specific goods from specialized stores.



Against the background of the existing regulations of the program, a significant challenge was the danger of artificially raised prices of goods by specialized private companies in order to get more profit. These risks are further exacerbated by the explanation of the program implementer NNLE Rural Development Agency, according to which they do not have information about the funds utilized by individual companies as well as the types of goods and their prices.

³ The institutions for the sale of goods, which have been granted permanent recognition on the basis of the "Rule of Recognition of the Business Operator Related to Plant Protection" by the Resolution 90590 of the Government of Georgia of December 13, 2018, and where the beneficiary will be able to use the points and/or cash for receipt of goods within the conditions set by the program.

ADDITIONAL ECONOMIC SUPPORT PROGRAMS

According to the budget spending reports, GEL 1.6 billion was spent on additional packages to support the economy within the framework of the measures envisaged by the Anti-Crisis Plan. Among them, GEL 594 million was spent on increasing the liquidity of commercial banks, while GEL 1.04 billion was spent on value-added tax (VAT) refunds.

The funds for promoting the liquidity of commercial banks (the ability of commercial banks to convert their assets into cash) were collected from the securities issued by the Government of Georgia. GEL 594 million was invested by the Ministry of Finance in 10-year certificates of deposit of commercial banks.

According to the Ministry of Finance, about 25% (1.04 billion GEL) of expenditures to fight the pandemic is allocated to the VAT refunds program. It is noteworthy that initially, the Anti-Crisis Plan of the 2020 budget provided GEL 600 million for this program, and an additional GEL 440 million was refunded to businesses during the pandemic. Consequently, the total amount returned in the form of VAT (GEL 1.04 billion) as an expense incurred in the fight against the pandemic does not fully depict the reality of the situation.

ADDITIONAL ECONOMIC SUPPORT PROGRAMS (MILLIONS GEL)	1,634.0
GEL deposits for commercial banks	594.0
VAT refunds	1,040.0

OTHER COSTS AND ACTIVITIES RELATED TO THE PANDEMIC

The State Budget Spending Report, which provides information on the funding of anti-crisis measures, does not provide information on some of the sub-programs that had increased funding during the pandemic. According to the State Audit Office, there were a total of 7 similar sub-programs that had increased funding by a total of GEL 210 million. These include the following sub-programs: social benefits in highland settlements, universal healthcare, the primary and emergency medical care sub-program, management of state clinics, creation of IDP accommodation and social and housing conditions, repayment of foreign government obligations, and repayment of local transfers.

Within the framework of the Anti-Crisis Plan developed by the government, separate measures were also implemented for which no direct expenditures were made from the state budget. For example, cheap agro-diesel promotion programs, deferral of loans to commercial banks of individuals, etc.

By the end of 2020, the monitoring results of the agro-diesel support program conducted by IDFI raised important questions about the effectiveness of the program. In particular, the following key findings were identified during the study:

- 30,854,470 liters of diesel fuel discount cards were issued, of which beneficiaries utilized only 10,225,460 liters (33.1%).
- Under the program, beneficiaries bought diesel at gas stations at an average discount of 45 tetri instead of the 1 GEL discount envisaged by the program.
- The benefits to the farmers amounted to approximately 4.6 million GEL, which is 9 times less than the stated goal (up to 40,000 million in benefits to the farmers) 1 month before the end of the program.

The results a month before the end of the program indicated problems in the planning and implementation of the program and raised doubts about the government's attempt to artificially create excessive public expectations about the scale and effectiveness of the program during the pre-election period. This view was also supported by the Georgian government's portrayal of program outcomes in a way that created a public perception of the program's success. The program was extended to 2021, which is again based on a memorandum signed between the Ministry of Environment and Agriculture and SOCAR Georgia Petroleum, the company that won the state consolidated tender.

Within the framework of the Anti-Crisis Plan developed by the Government of Georgia, individuals were allowed to defer their loans in commercial banks for 3 months. In addition, individuals whose income was negatively affected by the pandemic benefited from another 3-month relief period. According to the National Bank, as of September 30, 2020, the number of individuals who had used a loan deferral at least once was 1,137,122 retail borrowers and 98,624 corporate, medium, small, and micro-business borrowers. Approaches to imposing preferential terms varied by a financial institution, although in each case the benefit of the relief period led to an increase in accrued interest. As a result, their monthly payments increased after the relief period expired. After the end of the period, the number of individuals with overdue loans increased by about 10%.

RESERVE FUNDS

The state budget of Georgia includes the reserve fund of the Government of Georgia. The fund aims to cover unforeseen yearly expenses. Similar to the state budget, reserve funds are also included in the budgets of local self-governing units.

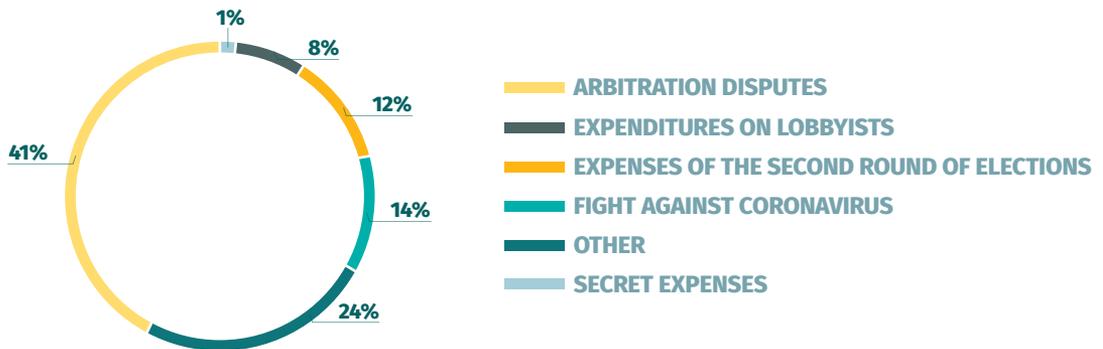
The purpose of the reserve funds is to cover expenses that are impossible to take into account due to objective circumstances in the budget planning process. For example, natural disasters, epidemics, environmental and other disasters. Consequently, the situation created by the Covid-19 virus pandemic in 2020 necessitated the financing of specific measures from the reserve funds in order to combat the virus.

THE GOVERNMENT RESERVE FUND

In 2020 and the first quarter of 2021, more than GEL 55 million was spent in total from the Reserve Fund of the Georgian Government (55,511,407.59). Only 14% of this amount (GEL 7,708,933.6) was spent directly on pandemic measures. GEL 2,996,399.23 was spent on compulsory quarantine services for Georgian citizens arriving from abroad, GEL 612,892.80 was spent on transportation of Georgian citizens from Italy, GEL 109,669 was spent on the return of pupils and students from the United States to Georgia. The remaining GEL 3,989,972.60 was spent by the Ministry of Health on coronavirus prevention and operational response.

The largest amount from the Government Reserve Fund, 41% (GEL 22,704,739.57), was spent by the Ministry of Justice of Georgia on international arbitration disputes and on the processes of managing ongoing litigation in foreign courts. 12% (GEL 7,066,310.00) was spent on necessary activities for the second round of elections, 8% (GEL 4,486,860.3) was spent by the Georgian government on the procurement of lobbying consulting services, and the remaining 25% was spent on various purposes that have little connection with pandemic challenges. For example, 13 million GEL was allocated for the fulfillment of the yearly commitments made by the Ministry of Defence, GEL 200,000 was allocated for the smooth functioning of the mediation system of the High Council of Justice to finance the initial expenses of the Georgian Mediators Association. Finally, an amount of up to GEL 1 mln was allocated from the reserve fund to the Ministry of Foreign Affairs of Georgia for an undisclosed secret purpose.

CATEGORIZATION OF FUNDS ALLOCATED FROM THE GOVERNMENT ADMINISTRATION RESERVE FUND DURING THE PANDEMIC



SOURCE: ADMINISTRATION OF THE GOVERNMENT OF GEORGIA

LOCAL SELF-GOVERNMENT RESERVE FUNDS

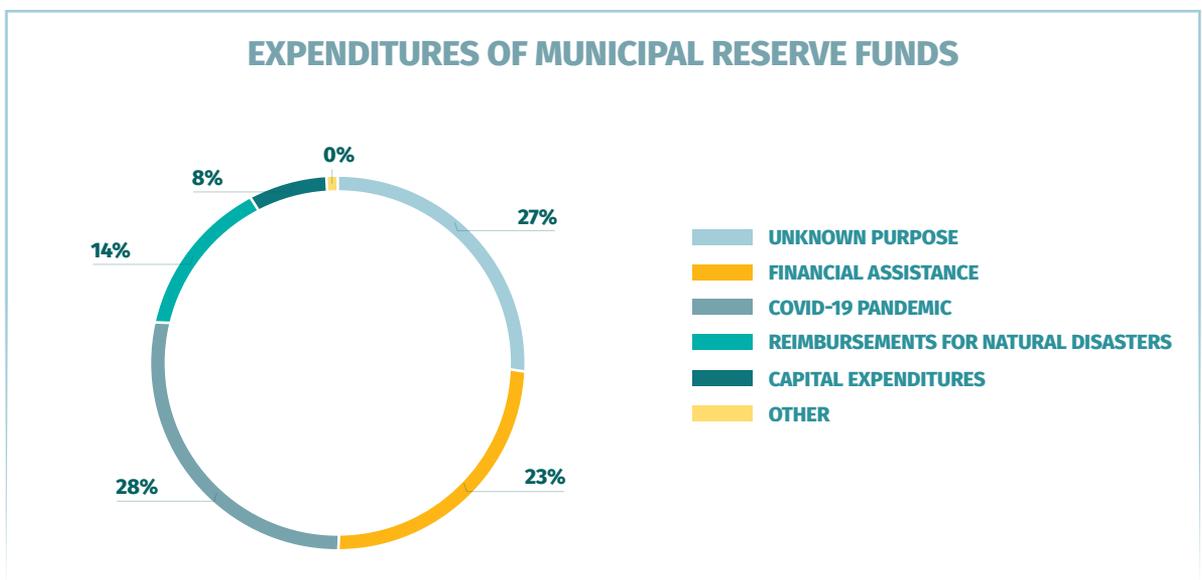
In 2020, 14.7 million GEL was spent from the reserve funds of 54 municipalities, of which 63% (9.26 million GEL) were spent by the 4 largest cities (Tbilisi - 6.21 million GEL, Batumi - 1.25 million GEL, Rustavi - 1.18 million GEL, Kutaisi - 620 thousand GEL).

The largest amount of money from the Tbilisi Reserve Fund (GEL 2,404,700) was spent on various measures to prevent the spread of the coronavirus. These measures included:

- 724 thousand GEL - In order to prevent the spread of Covid-19, purchase of disinfectants for employees of the Tbilisi City Hall.
- 170.7 thousand GEL - Transportation of medical staff and citizens in quarantine zones.
- 80 thousand GEL - Reimbursement of the costs of research services for specific laboratory polymerase chain reaction (PCR) research of the employees of Tbilisi City Hall.
- 75 thousand GEL - Treatment/disinfection of Tbilisi streets (spraying with cold spray disinfectant solution).
- 56 thousand GEL - Minibus delivery service for beneficiaries of free canteens.
- 16 thousand GEL - For cleaning and washing the streets of Tbilisi, purchasing household detergents.
- 1.16 million GEL (average of GEL 64 per family) - One-time provision of food and personal items for 18 thousand socially vulnerable families during the pre-New Year period.

1.09 million GEL was spent on material assistance for citizens from the reserve fund of Batumi Municipality, and 151.5 thousand GEL was spent on transportation of citizens from quarantine areas. 67% (789.9 thousand GEL) of the expenses of the Rustavi Municipality Reserve Fund are related to the coronavirus pandemic, while about 90% (555.9 thousand GEL) of the Kutaisi Municipality Reserve Fund was spent on material aid to citizens.

Out of other 50 municipalities' reserve funds, 28% (GEL 1.54 million) was spent on various pandemic activities in 2020, 23% (GEL 1.24 million) was spent on material aid of citizens, and 14% (GEL 744.2 thousand) on reimbursement of losses caused by disasters or other accidents. 8% (425.4 thousand GEL) was spent on various capital expenditures, while the purpose of the remaining 27% is completely unknown. In the case of certain capital projects, there is no need for reserve fund financing as they could be taken into account during the budget planning process.



SOURCE: DATA RECEIVED FROM MUNICIPALITIES

The analysis of municipal expenditures from reserve funds of 2020 shows that in different municipalities, the practice of determining the number of reserve funds and their use is different. Some municipalities incur expenditures, the need for funding of which from the reserve fund is questionable, while other municipalities are unable to utilize the funds provided by the reserve fund at all. For example, no expenditures were made from the Mtskheta Municipality Reserve Fund. In light of the conditions created by the coronavirus pandemic, the minimal utilization of the reserve fund can be assessed as particularly problematic in 2020.

CHALLENGES OF ACCESS TO INFORMATION DURING THE COVID-19 PANDEMIC

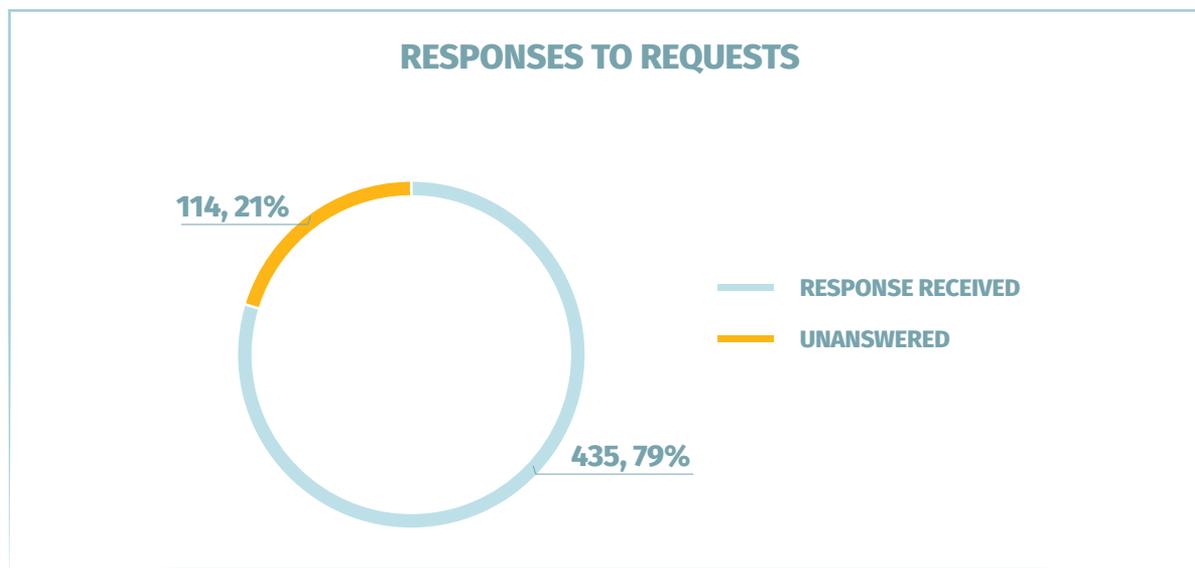
Within the framework of the fight against the coronavirus pandemic, to monitor the implementation of the Government of Georgia's Anti-Crisis Plan and its expenditures, IDFI examined publicly available documents/data and identified issues that required comprehensive analysis in addition to requesting supplementary information from public institutions. Particularly important in this regard were the state budget execution reports, which provided information on measures taken in response to the pandemic and sources of funding. As part of the project, IDFI reviewed the following publicly available documents/information:

- Anti-Crisis Plan of the Government of Georgia (Anti-Crisis Plan of the Ministry of Finance, Anti-Crisis Plan for tourism, Anti-Crisis Plan for agriculture, Anti-Crisis Plan for development sector support, Anti-Crisis plan of the Ministry of Health, Education Anti-Crisis Plan);
- Reports of Actions Taken by the Government of Georgia against Covid-19;
- Anti-Crisis Budget;
- Approved Budget for 2021;
- State Budget Execution Reports for 2020 and 2021;
- State Audit Office Report on the 2020 Budget Execution Report;
- Data on Foreign Financing posted on the website of the Ministry of Finance;
- Data posted on the website of the Public Procurement Agency.

Two types of public information requests were sent within the framework of the project. **The first** was the standard content request, which was sent to a group of certain public institutions. For example, IDFI requested information from 192 different public institutions about the changes in their 2020 budget due to coronavirus pandemic, budget-funded measures, and simplified procurement, emails sent and received for official market research. IDFI requested information on expenditures from the municipal reserve funds of 64 municipalities.

The **second type** of inquiries included requests for public information of non-standard content, which was sent to specific agencies, depending on the specifics of their activities. For example, the Georgian Government Administration was asked to provide copies of government decrees issued during the pandemic, Ministry of Health was asked to provide information about the activities and expenditures for the preparation of medical infrastructure, equipment supplies, training of medical staff, while the Ministry of Finance was requested to provide information on donor funding and more.

Within the framework of the project, a total of 549 requests for public information were sent to 200 public institutions in two stages, out of which 435 requests were answered.



Particularly problematic was the **avoidance of disclosure of information from individual agencies that were directly responsible for the fight against coronavirus and have a valuable role in monitoring the implementation of the Anti-Crisis Plan.** For example, important decisions, such as the allocation of funds, are made by ordinances of the Government of Georgia. After March 19, 2020, the decrees were no longer published on the website of the Government of Georgia. Some ordinances are available on the website of the Legislative Herald of Georgia, but they do not provide a coherent and complete picture. Unfortunately, the Georgian Government Administration has not answered IDFI's request for relevant public information on government decrees issued during the pandemic. Due to the importance of the issue, IDFI has utilized various legal mechanisms and has brought a case to the Tbilisi City Court. Within the framework of the project, IDFI also started a legal dispute with the Ministry of Internal Affairs of Georgia, which has not answered a request for a copy of the Ministry's simplified procurement contracts, acceptance and inspection acts, and copies of market research documents on them. After filing a lawsuit to the court, the Ministry provided IDFI with some parts of the requested information.

The Ministry of Finance did not provide IDFI with the financial reports submitted to the Ministry by the managing agencies regarding the use of financial assistance (loans and grants separately) for Georgia. Additionally, information on expenditures under foreign funding was incompletely provided by the Ministry of Health and its subordinate agencies. For example, the National Center for Disease Control and Public Health, in response to a request for information on expenditures under external grants, provided only information on budgets for funded projects, while refraining from providing information on expenditures incurred during the reporting period.

Obtaining information on vaccination costs was also a significant problem during the project. The reason for concealing such information was the confidentiality of the agreements concluded with the manufacturing companies.

PUBLIC INFORMATION REQUESTS SUBMITTED BY IDFI UNDER THE PROJECT (STAGE I)

PUBLIC INSTITUTION	CONTENT OF REQUESTS	RESULT
192 public institutions (Parliament, Administration of the President and Government, 11 Ministries and the Office of the State Minister, Adjara Government and Ministries, 64 Municipalities, 90 LEPLs, and other independent bodies)	In the context of the Coronavirus pandemic, changes in the institution's 2020 budget and a list of budget-funded measures. Copies of emails sent and received for market research as part of simplified procurements.	154 public institutions responded. 141 public institutions responded.
64 City Halls	List of expenses incurred from the Municipal Reserve Fund	55 City Halls responded.
Administration of the Government of Georgia	Copies of the decrees adopted by the Government of Georgia from March 20, 2020, to date	UNANSWERED IDFI appealed to the court
Disease Control Center	Cases of coronavirus established during quarantine Purchased Rapid Tests	Incomplete data
Ministry of Health	Activities and expenditures for the preparation of medical infrastructure, equipment supply, training of medical staff. Expenses for the accommodation of citizens in quarantine areas and cases detected during their stay there. Applications and cases of refusal of assistance for unemployed citizens.	Incomplete data

Ministry of Finance	Agreements to prevent rising food prices, tax breaks and benefits, bank loan subsidy costs, mortgage lending to support the development sector, and flats purchased for IDP families. The funds allocated to the country by international partners under the pandemic and their purpose	The Ministry provided information on the funds transferred by donors and tax benefits. The remaining requests were forwarded to the Ministries of Health, Economy, and Agriculture for response.
Ministry of Environment and Agriculture	Detailed data on the implementation of the program "Cheap Diesel for Farmers" launched within the framework of the Agricultural Anti-Crisis Plan. Agreements to prevent food price increases, data on the implementation of a co-financing program to promote primary production growth.	Complete information
The National Bank of Georgia	Data on beneficiaries with the possibility of loan deferral under the Anti-Crisis Plan Statistics of blacklisted citizens due to tax arrears with financial institutions	Incomplete data
National Tourism Administration	List of measures implemented by the National Tourism Administration and expenditures within the framework of the Anti-Crisis Plan for the implementation of tourism	Unanswered
Ministry of Regional Development and Infrastructure	Costs incurred in connection with insurance for the increase of the price of construction materials for infrastructure projects and agreed terms	Complete response
Ministry of Education, Science, Culture, and Sports	List of activities carried out by the Ministry in connection with the transition to distance learning (purchase of equipment, training of staff, etc.), with an indication of the cost and date for each.	Incomplete data
Ministry of Internal Affairs	Copies of simplified procurement contracts, acceptance and inspection acts, and market research documents on each of them. A legal act under which contracts are not published in the CMR module of the procurement e-system.	Information received after filing a lawsuit to the court

Ministry of Defense	14 Copies of Simplified Purchase Agreements, Acceptance and Inspection Acts, and Market Research Documents for each of them. A legal act under which contracts are not published in the CMR module of the procurement e-system;	Incomplete data
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PUBLIC INFORMATION REQUESTS SUBMITTED BY IDFI UNDER THE PROJECT (PHASE II)

PUBLIC INSTITUTION	CONTENT OF REQUESTS	RESULT
9 public institutions (State Procurement Agency, Government Administration, State Security Service, Operative Technical Agency, MIA and 4 subordinate agencies)	Legal documents on the basis of which the purchase documents are not available in the CMR module of the electronic system	Information received from 4 agencies
Ministry of Finance of Georgia	Financial assistance allocated from abroad, its development, implemented projects; Expenses incurred, financial statements submitted	Incomplete information
Ministry of Health	<p>Costs of purchasing coronavirus tests, treating patients, purchasing personal protective equipment, and arranging infrastructure for medical facilities.</p> <p>Expenditures under foreign loans and grants.</p> <p>Expenditures under the Covid-19 National Vaccine Implementation Plan.</p> <p>Electronic correspondence is produced in connection with the purchase of the vaccine.</p> <p>Statistics of those registered for vaccination.</p> <p>Statistics on Refusal to Assist the Unemployed</p>	Incomplete information

National Center for Disease Control and Public Health	<p>Vaccination statistics.</p> <p>Coronavirus test purchase statistics.</p> <p>Electronic correspondence is produced in connection with the purchase of the vaccine.</p> <p>Expenditures under foreign loans and grants.</p>	Incomplete information
Ministry of Economy and Sustainable Development	Expenditures for subsidizing utility bills and concluded contracts.	Complete information
Social Service Agency	Financial assistance to socially vulnerable families and persons with disabilities	Complete information
National Tourism Administration	<p>Expenses for quarantine services.</p> <p>Number of persons placed in quarantine spaces, according to the reasons for entering the quarantine space</p>	Complete information
Revenue Service	Statistical information about the beneficiaries of the income tax exemption (for the first 750 GEL salary)	Complete information
Ministry of Environment Protection and Agriculture	<p>Costs and contracts for maintaining food prices.</p> <p>Detailed information on the state program for the assistance of landowners.</p> <p>Detailed information on the costs of subsidizing private companies for grape production and processing within the grape harvest. Detailed information on the state program to support agricultural production.</p>	Complete information
Enterprise Georgia	<p>Detailed information about the hotel and restaurant industry support program.</p> <p>Detailed information about the state program of the credit guarantee scheme.</p> <p>Detailed information about the state program for the support of micro and small entrepreneurship.</p>	Unanswered as of now

CONCLUSION

In the one year of fighting against the coronavirus pandemic, the Georgian government expended significant financial resources, with the main sources of these funds being budget support loans and grants received from abroad. The Anti-Crisis Plan developed by the Georgian government has alleviated the economic problems caused by the pandemic to the population and businesses. However, IDFI believes that under the conditions of effective planning and implementation of individual programs and measures, it would be possible to allocate significant resources that would make it possible to increase the target segment and the volume of assistance.

The analysis of expenditures on healthcare under the Anti-Crisis Plan raises several questions regarding the effective management of individual processes. For example, the delayed vaccination process and the covered costs, the low costs incurred for the arrangement of medical infrastructure, and so on.

The initiative of the State Audit Office to study the effectiveness of the government's Anti-Crisis Plan and its compliance with the law, as well as the procurements of the Ministry of Health and its subordinate agencies, are to be welcomed.

According to the results of the monitoring carried out by IDFI, one of the most important problems is the low degree of transparency of finances related to the Covid-19 measures. In particular, a number of agencies responsible for anti-crisis measures have refrained from disclosing detailed information in accordance with public information requirements, significantly undermining public confidence in the steps they have taken in the event of a crisis and increasing the risk of irrational mismanagement of budget funds. In light of these opaque processes, similar risks are significantly increased by the increasing rates of simplified procurement due to the crisis, the significantly increased volume of financial assistance received from international partners, and more. Additionally, the cases discussed during the monitoring when the results of a separate anti-crisis program are presented by the government in a way that helps the public to create excessive perceptions about the success of the program can be considered one of the manifestations of opaqueness.

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 the issues raised in the report related to program planning, distribution of direct assistance according to social needs, and other optimal solutions could be improved to increase efficiency.

According to the monitoring results carried out by IDFI, we call on the Georgian authorities to:

- Ensure the most transparent implementation of pandemic activities and expenditures. Among them, it is important to improve the existing standard of proactive disclosure of information and, according to the recommendations developed by IDFI, to form a list of information subject to proactive disclosure by public institutions in times of crisis.
- Procuring entities should minimize the use of simplified procurement 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 recommendations regarding the placement of data in the electronic system in an open, processable format, control over the reference to SMP codes for urgently required simplified procurement, etc.
- The Audit Office should take into account suspicious circumstances identified during the monitoring of Covid-19 procurements.
- When implementing the 2021 Action Plan, the factors mentioned in the report on the planning and implementation of programs should be taken into account as much as possible, which will contribute to the effective growth of both the volume of aid and the target segment.
- Provide more targeted assistance to vulnerable groups with special financial and other needs under the Anti-Crisis Plan.
- Tighten the monitoring of the implementation of the projects to be implemented within the framework of foreign loans and grants according to the plan.
- Restrict the reimbursement of expenditures from the reserve funds, the purpose of which does not indicate the impossibility of its non-consideration in the budget planning process and, consequently, the necessity of its financing from the reserve fund.
- Account for and take into consideration the best opportunities for spending administrative costs of the budget.
- Provide the public with realistic data on the scale and effectiveness of any program developed under the Anti-Crisis Plan, which would eliminate the possibility of creating false expectations for the beneficiaries of the program.

INSTITUTE FOR DEVELOPMENT OF FREEDOM OF INFORMATION (IDFI)

📍 20, T. SHEVCHENKO STREET 0108. TBILISI

☎ +995 32 2 92 15 14

✉ INFO@IDFI.GE

🌐 WWW.IDFI.GE