

**2-YEAR ALTERNATIVE MONITORING REPORT
ON THE IMPLEMENTATION OF THE PUBLIC
ADMINISTRATION REFORM ACTION
PLAN FOR 2019-2020**

**Direction 5:
Public Finance Management**





ევროკავშირი
საქართველოსთვის
The European Union for Georgia



GEORGIAN
YOUNG
LAWYERS'
ASSOCIATION

2-YEAR ALTERNATIVE MONITORING REPORT ON THE IMPLEMENTATION OF THE PUBLIC ADMINISTRATION REFORM ACTION PLAN FOR 2019-2020

Direction 5: Public Finance Management

The document was prepared by the Georgian Young Lawyers' Association (GYLA) supported by the European Union (EU). The Georgian Young Lawyers' Association is fully responsible for the content of the document. The content may not reflect the opinion of the European Union.

CONTENTS

- MAIN FINDINGS 7**
- 1. INTRODUCTION 10**
- 2. METHODOLOGY 13**
 - 2.1. General Evaluation of the Action Plan 14
 - 2.2. Implementation of objectives and activities 14
 - 2.3. Monitoring Tools 15
 - 2.4. Monitoring Sources 15
- 3. GENERAL EVALUATION OF THE PUBLIC FINANCE MANAGEMENT DIRECTION OF THE ACTION PLAN 16**
 - 3.1. Compliance of the Action Plan with the challenges 17
 - 3.2. Evaluation of the of the Structure and Content of the Action Plan 21
- 4. MONITORING OF THE IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT OF PAR 27**
 - Objective 5.1: Strengthen the sustainability of the medium-term budget framework in order to increase the budget planning efficiency 30
 - Objective 5.2: Strengthen effectiveness of Fiscal Risk Management in order to ensure macro-fiscal stability 39
 - Objective 5.3: Ensure further transparency of the budget process and citizen participation in order to enhance accountability 44
- 5. CONCLUSION AND RECOMMENDATIONS 49**

ABBREVIATIONS

PEFA - Public Expenditure and Financial Accountability

BDD - Basic Data and Directions

DSGE - Dynamic Stochastic General Equilibrium

MTBF - Medium Term Budget Framework

eBTPS - Budget Transparency and Participation System

PFM - Public Financial Management

IMF - International Monetary Fund

PPP - Public-Private-Partnership

OECD - Organisation for Economic Co-operation and Development

SIGMA - Support for Improvement in Governance and Management

GIFT - Global Initiative for Fiscal Transparency



MAIN FINDINGS

Several important findings have been identified during the monitoring process.

- With regards to objectives and activities envisaged for 2020 reporting period:
 - ▶ Out of 3 objectives, 2 were mostly implemented, while performance for 1 cannot be measured;
 - ▶ Out of 7 activities, 1 is fully implemented, 3 are mostly implemented and 3 are partly implemented;
- Implementation deadline for 5 out of 7 activities of the Action plan is the IV quarter of 2020, while for the remaining 2 activities, this deadline applies for both years, making it complicated to verify implementation progress in the period before the end of the Plan. This, in turn, made it impossible to assess the implementation progress, as well as to eliminate gaps identified in the last quarter;
- Referring to the assessment of Public Expenditure and Financial Accountability (PEFA) as an outcome indicator, is irrelevant for the purposes of monitoring 2019-2020 Action Plan, since the issuance of PEFA validation document for Georgia is scheduled 4 years after the previous assessment and its issuance does not coincide with the 2-year Action Plan; This made monitoring impossible for this part;
- Open Budget Index score is defined as an outcome indicator for the 3rd objective of the Action Plan. This document is issued in every 2 years. The last report is dated 2019 and assesses situation as of 31 December 2018. Assessment for 2019 and 2020 will be available in 2021. This document also turned out to be irrelevant for monitoring purposes, since it became impossible to find out the relevant open budget score for the reporting period;
- One of the most serious challenges identified during the monitoring process was some improperly formulated activities and indicators. Some output indicators are presented in a form of an result of activity, while some activities are presented in a content of an objective. In addition, for some cases, the indicator itself acts as a source of verification. This gaps, all together, negatively affect the implementation of objectives, since they are not measurable, on the one hand, and do not provide sufficient grounds for considering the objective/activity as implemented, on the other hand;
- Several indicators/target indicators failed to meet S.M.A.R.T. criteria. Therefore, it became necessary to develop alternative indicators. For several cases, including the assessment against PEFA and Open Budget Index, even this proved to be impossible;

- In relation to the implementation of one objective, the Action Plan assigns the qualification of risk factor to such a circumstance, that depends on the effectiveness of the responsible agency and not on any unforeseeable circumstance. We are talking about the delay of the receipt of information from state-owned enterprises;
- Analysis of the interrelation between objectives and goals set out by the Action Plan revealed that objectives are either insufficient for achieving specific goals or do not comply with challenges. Very important segments of public finances, such as public procurement and audit are missing from the Plan;
- With regards to activities, despite the satisfactory rate of their implementation, they do not fully serve the purpose of achieving set objectives and goals. The Plan should include more ambitious commitments, rather than just those that already are the part of ongoing activities of the responsible agency. Therefore, despite the positive status of activity implementation, the most significant gap is their insufficient connection with relevant goals and objectives.



1. INTRODUCTION

The Public Finance Management is an essential precondition for the creation of transparent and accountable budget system. It lays groundwork for the improvement of institutional arrangements which, in turn, contributes to Good Governance.¹

Public Finance Reform has been underway in Georgia since 2004;² It implied the introduction of medium-term planning of expenses, general improvement of budgetary process, alignment of budgetary classification with international standards and transition to program budget.³

The country officially committed to the improvement of public finance management within the frames of Public Administration Reform under EU-Georgia Association Agreement in 2014.⁴ In order to fulfil this commitment, the Government approved the Public Administration Reform Roadmap and Policy Planning System Reform Strategy in 2015.⁵ As a next stage, this was followed by 2-year Action Plans and different sectoral policy documents.⁶

In 2019 the Government developed and approved third Action Plan for the Public Administration Reform (2019-2020), covering the following 6 areas: Policy Planning and Coordination, Civil Service and Human Resource Management, Accountability, Public services Delivery, Public Finance Management and Local Self-government.⁷ This document addresses the 5th area of the Reform, the Public Finance Management, assesses the Action Plan, its' compliance with existing challenges and monitors the fulfillment of commitments by the responsible agency, in this direction.

It is noteworthy that several years of public finance management reform brought important results, such as the enhancement of transparency of public finances, establishment of fiscal discipline and rules, tax policy reform and others.⁸ Achieved

¹ Public Finance Management Reform in Georgia, The Ministry of Finance, The European Union for Georgia, 2017, p. 8. Available at: <https://bit.ly/3wKcWi9>, updated on: 21.05.2021.

² Georgian Fiscal Policy and Management and its Compliance with the EU Practice, The Ministry of Finance of Georgia, 2016, page 19, available at: <https://bit.ly/3dgqfxF>, updated on: 21.05.2021.

³ *Ibid.*

⁴ Article 4, the 'Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part.

⁵ The Resolution N427 of 19 August 2015 of the Government of Georgia on the approval of strategic documents for the implementation of public administration – Public Administration Reform Roadmap 2020 and Policy Planning System Reform Strategy 2015-2017.

⁶ Such as Public Finance Management Strategy, Open Government Partnership Action Plan, National Anti-Corruption Strategy Action Plan, Public Administration Reform Action Plan.

⁷ Resolution N274 of 10 June 2019 of the Government of Georgia on the approval of Public Administration Reform Action Plan for 2019-2020.

⁸ Public Finance Management Reform Strategy 2018-2021, The Ministry of Finance website, page 2, available at: <https://bit.ly/36vWPrE>, updated on: 21.05.2021.

progress is emphasized in 2014 EU report, according to which Georgia has achieved considerable progress in the direction of budgetary and financial management.⁹

Achieved progress is verified by the results of international surveys. For instance, in 2017, Georgia was included in the list of fully transparent countries, earning 82/100 points in this component,¹⁰ while 81/100 in 2019.¹¹ In addition, as a result of a joint support from the European Union and the World Bank, 2017 PEFA – Public Expenditure and Financial Accountability self-assessment report was validated. According to the evaluation report, Georgia is rated with the best (A) score in the majority of indicators (including the 3.1. sub-indicator, used in the Action Plan), speaking about the success of public finance management reform in Georgia.¹²

Despite the success of the Government, achieved in the direction of public finances, there still is a need for taking further steps in order to ensure the efficiency of budget planning and macro-fiscal stability. Special work needs to be undertaken in order to increase citizen participation in the budget planning process.¹³ The Public Finance Management Action Plan, developed within the frames of Public Administration Reform, should significantly contribute to the fulfillment of these objectives.

⁹ Georgian Fiscal Policy and Management and its' Compliance with the EU practice, p. 22.

¹⁰ „Open Budget Survey 2017“, Georgia, International Budget Partnership (IBP), available at: <https://bit.ly/3wKlu7t>, updated on: 21.05.2021.

¹¹ „Open Budget Survey 2019“, Georgia, International Budget Partnership (IBP), available at: <https://bit.ly/3d6Nxri>, updated on: 21.05.2021.

¹² Public Expenditure and Financial Accountability (PEFA) Efficiency Assessment Georgia, 29 June 2018, the Ministry of Finance website, available at: <https://bit.ly/2XvE2c8>, updated on: 21.05.2021.

¹³ In a “Open Budget Index”, In 2017, in the part of citizen participation, Georgia earned 22/100, while in 2019 - 28/100 points. see: „OPEN BUDGET SURVEY 2017“ and „OPEN BUDGET SURVEY 2019“, Georgia, International Budget Partnership (IBP), available at: <https://bit.ly/3d6Nxri>, updated on: 21.05.2021.



2. METHODOLOGY

The purpose of this document is to evaluate the Public Administration Reform (PAR) Action Plan for 2019-2020, to monitor the implementation and to evaluate the policies pursued.

The report evaluates the relevance of objectives, activities and indicators of the Action Plan, as well as their compliance with each other and with existing challenges. The document also describes the implementation status for each objective and activity, based on outcome/output indicators defined in the Action Plan.

2.1. GENERAL EVALUATION OF THE ACTION PLAN

This part of monitoring assessed the compliance of goals and objective defined by the Public Administration Reform Roadmap and Action Plan with existing challenges. For this purpose, situation analysis was conducted based on the reports of international and local organizations, studies, recommendations and other information. This part also assessed structural relevance of the Plan, as well as the compliance of objectives, activities and indicators with the S.M.A.R.T. criteria, according to which these components of the action plan have to be specific, measurable, achievable, relevant and time-bound.¹⁴

2.2. IMPLEMENTATION OF OBJECTIVES AND ACTIVITIES

Qualitative and/or quantitative indicators are used to assess the implementation of objectives and activities, outlined in the Action Plan.

Implementation of the objectives and activities were given one of the following four statuses:

1. **FULLY IMPLEMENTED** – an activity/objective is fully implemented or almost fully implemented and only minor part needs to be completed;
2. **MOSTLY IMPLEMENTED** – a major part of an activity/objective was implemented, while part of it has not been completed;
3. **PARTLY IMPLEMENTED** – a part of an activity/objective was implemented while a major part remains incomplete;

¹⁴ OECD/SIGMA, Toolkit for the preparation, implementation, monitoring, reporting and evaluation of public administration reform and sector strategies, Guidance for SIGMA partners, SIGMA PAPER No. 57, 2018, pp. 44-45. Available at: <https://bit.ly/3fAq3L1>, updated on: 21.05.2021; see also: Duncan Haughey, SMART Goals, ebook - 21 Ways to Excel at Project Management, available at: <https://bit.ly/3ujdVxI>, updated on: 21.05.2021.

4. UNIMPLEMENTED – an activity/objective was not implemented at all or a minor part is implemented and it is almost impossible to observe progress.

The reporting period of this monitoring is the entire Action Plan period – 2019 and 2020.

2.3. MONITORING TOOLS

The monitoring was mainly based on the analyses of legislation, international standards and commitments related to Public Administration Reform through various instruments. Legislative and other normative data were evaluated during the monitoring. In addition, the monitoring group also studied international standards and commitments that Georgia took in the field of Public Administration.

2.4. MONITORING SOURCES

The monitoring was based on the following sources:

- Open sources, websites and reports of public agencies;
- Public information (data provided by the Ministry of Finance);
- Interviews with the representatives of the Ministry of Finance¹⁵ and of Parliament of Georgia.¹⁶

¹⁵ The interview was conducted with the following representatives of the Ministry of Finance: Natia Gulua – Deputy Head of Budget Department, Nino Mikeladze – the Head of Macroeconomic Analysis division of the Department of Macroeconomic Analysis and Fiscal Policy Planning; Shota Gunia – the Head of Fiscal Risk Management Division; Nato Mokverashvili – Senior Specialist of Budget policy Division of the Budget Department.

¹⁶ The interview was conducted with the following representatives of the Budget Office of the Parliament of Georgia: Shorena Kakhidze – Acting Head of Budgetary Office, Giorgi Meskhoradze – the Head of Budget Analysis Division, Vakhtang Chalapeiqrishvili – the Head of Macroeconomic Analysis and Tax Policy Division.



3. GENERAL EVALUATION OF THE ACTION PLAN

3.1. COMPLIANCE OF THE ACTION PLAN WITH THE CHALLENGES

Public Administration Reform, along with the rule of law and economic development, is at the heart of political agenda of countries aspiring to join the EU.¹⁷ The aims of the reform is to enhance the transparency, accountability and efficiency of administration, while, at the same time, focusing on the needs and challenges of the society.¹⁸

Public Administration Reform Roadmap, which was the first statement of government on the commencement of the reform, is the key strategic document in this direction. The document is valid until the end of 2020. Three action plans were developed for the following years based on the Roadmap. The Roadmap should have been the main checkpoint for documents adopted in this area.

According to the Public Administration Reform Roadmap, the aim of the public finance management reform is to ensure financial stability and efficient distribution of public finances in accordance to government priorities.¹⁹ Objectives defined for the achievement of this main goal and, therefore, the outcome indicators, have changed over the years. New challenges and trends were reflected in 2-year action plans, adopted by the Government, under the PAR, as well as in Public Finance Management Strategy, approved by the Ministry of Finance. Despite all these, changes have hardly affected the 2020 Public Administration Reform Roadmap.²⁰

The comparison of the Roadmap and objectives of the Action Plan for 2019-2020, reveals substantial differences. While the roadmap focused on the implementation of 2014-2017 public finance management strategy and 2015 Action Plan, as well as on strengthening of financial management and control systems, 2019-2020 Action Plan defines the implementation of more specific tasks. In particular, in addition to the enhancement of the sustainability of medium-term planning and the efficiency of fiscal risk management, it introduced the issues of accountability, in a form of a greater transparency of budgetary process and better citizen participation.

The Roadmap, as a strategic document of public administration reform, should be updated in line with existing challenges and ambitious goals. Outlining the implementation of old strategies and action plans as an objective in this document, diminishes

¹⁷ European Commission, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Enlargement Strategy and Main Challenges 2014-15, Brussels, 8.10.2014, p. 2, available at: <https://bit.ly/3d3yXRg>, updated on: 21.05.2021.

¹⁸ *Ibid*, p. 4.

¹⁹ Public Administration Reform Roadmap 2020, p. 32.

²⁰ The new edition of the Roadmap was approved in 2016, however, no major substantive amendments were introduced. 2016 edition was valid in the validity period of 2019-2020 Action Plan.

the significance of the document for the coming years.

With regards to goals and objectives defined by 2019-2020 Action Plan, these components of the document partially comply with existing challenges in the area of public finances. However, they are insufficient and other issues need to be taken into consideration when developing action plans for the coming years. The objectives that have already been implemented shall no longer be the part of action plans. The maintenance of results and indicators shall become the part of ongoing activities of the relevant public agency without the need of outlining them in the policy document.

Significant gaps were revealed in defining comprehensive and adequate objectives/indicators for the achievement of goals foreseen by the Plan.

One of the goals of the Action Plan is to enhance the efficiency of budget planning. The 1st objective – strengthen of sustainability of medium-term planning – serves this goal. For the outcome indicator has been selected the Basic Data and Directions (BDD) document. According to this, the budget is planned for a medium-term period: the impact of each policy is provided for the year to be planned, as well as for following three years. This part is further narrowed down in the Action Plan and the reflection of the impact of new policies in the BDD document is defined as the mean of verification. The BDD document as an indicator in achieving mentioned objective and goal is questionable due to several circumstances. First of all, the process of the creation of the document is noteworthy: developing forecasts for the following 4 years commences at the beginning of the current year, when government's draft resolution on measures to be undertaken for the composition of BDD document is approved. This draft defines list of information to be provided by the spending agencies as well as deadlines. On the next stage, in May, the draft is submitted to the Government and the Parliament. The document is again being processed until September. The forecasts might change. Even though the forecasts in BDD document are outlined for 4 years, its processing and submission together with the draft law on State budget is an annual process. Therefore determining the accuracy of forecasts, based on it, is almost impossible: It is subject of such frequent and intense amendments while being processed, that it is unrealistic to define the accuracy of forecasts for the coming years. Therefore, existing procedures that apply for the development of BDD document jeopardize the implementation of the objective of strengthening the sustainability of medium-term planning. This trend, in turn, diverts each of its activities from the main goal – the enhancement of the efficiency of budget planning.

In relation to the quality of medium-term budget framework, principles of public governance and their indicators, developed by OECD/SIGMA in public finance manage-

ment are noteworthy.²¹ The 1st principle related to the quality of BDD document and to its' components. It should ensure the reliability of income and expenditure plan within the scope of medium-term budget framework. It should establish annual ceilings/threshold (including for the expenditure) for higher state institutions and the deviation should not exceed 2%.²² Therefore, in order to ensure the quality of BDD document – the medium-term planning framework, it is important that the Plan takes mentioned components into consideration. Its' monitoring will allow the control over the compliance with these rules.

The difference between the planned and actual revenues is one of the challenges facing the country. Almost in every last quarter or month of the budget year, amendments are introduced into the State Budget Law (in most cases, this project is reviewed together with the budget project for the coming year). As a result, the amounts are modified and distributed between the agencies in line with the existing income/expenditure situation at the end of the year.²³ This indicates gap in the process of making forecasts. As a remedy, it is necessary to, first of all define control mechanisms at the Action Plan level, define thresholds which should not be exceeded by the difference between the planned and actual results. This ensures the reliability of annual income and expenditure, required by the 2nd principle of OECD/SIGMA.²⁴

The aim of the 2nd objective of strengthening the effectiveness of fiscal risk management is the macro-fiscal stability. It mainly entails the reform of state enterprises, the establishment of corporate management and accountability. State Enterprise Reform does not exclude risks that may face the government; other fiscal risks also include government debt, interest rates, projected GDP, exchange rate fluctuations, inflation.²⁵ State-owned enterprises are just a part of fiscal risks, ignorance of which may significantly hinder macro-fiscal stability.²⁶

It should be noted with regards to state-owned enterprises that the Ministry of Finance completed their sectorization in April 2020, as a result of which 52 enterprises belong

²¹ OECD/SIGMA, Methodological Framework for the Principles of Public Administration: ENP Countries, May, 2018, pp. 173-174, available at : <https://bit.ly/3bsXHRM>, updated on: 21.05.2021.

²² *Ibid.*

²³ As an example, see draft law of Georgia on the amendments to 2018 Law of Georgia on State Budget and explanatory note, available at: <https://bit.ly/3v8DpEU>, updated on: 21.05.2021; Draft law of Georgia on amendment to the 2019 Law of Georgia on State Budget and explanatory note, available at: <https://bit.ly/3v8DpEU>; updated on: 21.05.2021.

²⁴ OECD/SIGMA, Methodological Framework for the Principles of Public Administration: ENP Countries, May, 2018, p. 179.

²⁵ Interview with the representatives of Budget Office of the Parliament of Georgia.

²⁶ *Ibid.*

to public corporations, while 183 – to the general government.²⁷ According to the definitions presented in International Monetary Fund (IMF) Public Finance Statistics (GFSM 2014) and in Guideline of Public Sector Debt Statistics, the government debt should include the obligations of State-owned enterprises classified as general government enterprises. According to the Organic Law of Georgia on Economic Freedom, the amount of government debt does not actually consider the obligations of state-owned enterprises. Therefore, while calculating the government debt, the Ministry of Finance does not record liabilities of state enterprises classified as general government enterprises.²⁸ In addition, it should be noted that funds of public service agencies do not belong to the unified treasury system, hindering the creation of the full picture of Public Finance Management system.²⁹ It is important that the 2nd objective of the Plan takes this challenge into consideration and defines steps for its elimination.

With regards to the 3rd objective, planning additional measures for the better compliance with the Open Budget Index is necessary. Introduction of accessibility mechanism only will not be sufficient to ensure transparency of budgetary process and citizen participation, if the quality of participation cannot be observed. In addition, according to the Plan, the aim of the process is to increase the accountability. In order to achieve this, the Plan is missing the important component as the oversight of budget implementation, which is outlined as one of the recommendations in the Open Budget Survey.³⁰ In order to improve citizen participation, the responsible body should also focus on the principles of the Global Initiative for Fiscal Transparency – GIFT.³¹

The plan does not cover the state procurement sector either. Particular emphasis is given to the procurement part of the Public Administration reform in the reports and principles of OECD/SIGMA.³² The same applies to internal and external audit mechanism of state finance expenditure.³³ Inclusion of these topics in the Plan will ensure

²⁷ Fiscal Risk Analysis Document, State Enterprises, PPP Projects, Natural Disasters, November, 2020, The Ministry of Finance of Georgia, p. 6, available at: <https://bit.ly/3401e5X>, updated on: 21.05.2021.

²⁸ Interview with the representatives of the Budget Office of the Parliament of Georgia.

²⁹ *Ibid.*

³⁰ „Open Budget Survey 2019“, Georgia.

³¹ Principles of Public Participation in Fiscal Policies, Global Initiative for Fiscal Transparency, available at: <https://bit.ly/3oBooUS>, updated on: 21.05.2021.

³² Public financial management, public procurement and external audit, OECD/SIGMA, available at: <https://bit.ly/3d3Tkhc>, updated on: 21.05.2021; See also: Methodological Framework of the Principles of Public Administration, Mai, 2019, OECD/SIGMA, pp. 218-249, available at: <https://bit.ly/326nzhh>, updated on: 21.05.2021; also: OECD/SIGMA, Methodological Framework for the Principles of Public Administration: ENP Countries, May, 2018.

³³ Methodological Framework of the Principles of Public Administration, Mai, 2019, OECD/SIGMA, pp. 203-218, 253-260.

the transparency of relevant procedures (including the sophistication of mechanisms for the selection of Public-Private Partnership (PPP) project participants, necessity of which is recognized by LEPL Public-Private Partnership Agency itself³⁴), accessibility to citizens and reliability.³⁵

Within the frames of Public Administration Reform, it is necessary to verify the degree of debt management as well.³⁶ The inclusion of a debt-to-DGP 60% ratio³⁷ control mechanism in the Action Plan and its monitoring will allow the responsible agency to reduce the tendency of the approximation of the debt to the maximum threshold.³⁸

Therefore, the objectives should address existing challenges and serve the achievement of goals set. The Plan should not only consider such objectives and activities that are part of the ongoing work of responsible agencies and should rather pay attention to more ambitious objectives, real problems and consistently plan relevant activities and indicators.

3.2. EVALUATION OF THE OF THE STRUCTURE AND CONTENT OF THE ACTION PLAN

The structure, as well as the formulation of objectives, activities and indicators of the 5th area of Public Administration Reform Action Plan - the Public Finance Management – has improved in comparison to previous years. However, the following gaps were observed:

- ◆ the 1st outcome indicator of the 1st objective is ‘the quality of Basic Data and Directions (BDD) document’. This document acts as the main plan for the development of the country, which reflects information on medium-term macro-economic and fiscal forecasts (for the following 4 years, for current and previous years).³⁹ It is

³⁴ „Annual Report 2020“, LEPL Public-Private Partnership Agency, available at: <https://bit.ly/342bMKP>, updated on: 21.05.2021.

³⁵ Methodological Framework of the Principles of Public Administration, Mai, 2019, OECD/SIGMA, p. 207.

³⁶ Methodological Framework for the Principles of Public Administration: ENP Countries, May, 2018, p. 186.

³⁷ Subparagraph ‘b’, paragraph 1, article 2, the Organic Law of Georgia on Economic Freedom.

³⁸ For instance, in 2020, this rate was 58%. See ‘State Debt increases to 58% of GDP – the limit is 60%’ information portal ‘Business Media Georgia’ 02.06.2020, available at: <https://bit.ly/3fwjXqo>, according to the opinion of some experts, the threshold might reach 60.1% in 2021. See ‘GDP/foreign debt remains under 60%’ information portal „Georgian Business Consulting“, available at: <http://gbc.ge/index.php?m=home&newsid=117254>, updated on: 21.05.2021.

³⁹ Public Expenditure and Financial Accountability (PEFA) Efficiency Assessment Report, p. 38.

noteworthy that the formulation of the indicator – ‘the quality of the BDD document’ – does not accurately express the criteria for the implementation of the objective. The quality of the document is not determined by the reflection of impacts only. Therefore, the name of the indicator shall instead read: ‘the forecast of the impact of current and new policies on the budget for the year to be planned, as well as for the upcoming three years’. Such formulation, in turn, highlights the difference between baseline and target indicators and is directly related to the medium-term planning of the budget;

- ◆ According to the target indicator of the 1st outcome indicator of 1st objective, ‘the BDD, adopted in 2020, clearly reflects information on the impact of current and new policies on the budget, based on an example of at least 2 ministries.’ It is noteworthy that the requirement of ‘clearly reflecting the information’ does not comply with the S.M.A.R.T. criteria, since this is an specific category and, thus, impossible to be measured objectively. Instead, in the wording of the indicator in relation to the impact of existing and new policies, the BDD should indicate specific amounts for each of the planned directions, including forecast for the year to be planned and for the upcoming 3 years;
- ◆ ‘The analysis of the impact of current and new policies on the budget’ is identified as a the 1st activity of the 1st objective. The preparation of the information on the impact of existing and new policies by at least pilot ministries and its reflection in the BDD is identified as one of the output indicators. It is impossible to actually verify the completion of the activity of information analysis, since it is not measurable. The activity should be such a measure, the completion of which can be verified by its own output indicator. For instance, the activity may be formulated as the collection of information about the impact of current and new policies on the budget. As for the indicator, the formulation reflects the result of the activity itself, which is not the correct approach. Instead, in addition to the conduct of meetings, the indicator may be formulated as: ‘the information requested from relevant pilot agencies indicates on new policy directions’;
- ◆ The 1st activity of the 1st objective has an output indicator, which implies the conduct of meeting with the representatives of policy and financial-economic department of pilot ministries. This indicator is not measurable because it does not specify how many meeting should be conducted and with how many persons. It is important that specific numbers are indicated in the Plan, allowing to measure the performance. Due to this gap, for the purposes of this report, alternative indicator was developed, implying at least 1 meeting with each representative from policy and financial-economic departments of 4 pilot ministries;

- ◆ 2nd activity of the 1st objective is the ‘improvement in budget revenue forecasts’. This is a general formulation and expresses the objective itself, which should be backed up by specific activities. There should instead be such a tangible activity/measure, implementation of which can easily be verified and which will not be an evaluative category. In this cases the wording of an output indicator expresses the essence of the activity itself: ‘analysis and forecast of macro-economic and fiscal indicators by the Dynamic Stochastic General Equilibrium Model’. The aim of this model is to describe the dynamics of the development of the economy through the analysis of interaction between different macroeconomic decisions.⁴⁰ Therefore, the implementation is verifiable. In addition, the publication of the detailed description of DSGE model on the Ministry website is indicated as the source of verification of this activity in the Plan. This only cannot verify that it is indeed used for the analysis and forecast of macroeconomic fiscal indicators. It can be applied as one of the output indicators of the activity, while the verification source for the applying of the model would be the BDD document or the report of relevant international organization, according to which the Ministry indeed use this model for the purposes of analysis and forecast of macroeconomic and fiscal indicators;
- ◆ For the efficiency of fiscal risk management (2nd objective) only one outcome indicator is presented in the Action Plan: ‘the share of state-owned enterprises covered by Fiscal Risk Analysis document’. ‘Fiscal risks, by their essence, are potential deviations of fiscal results from the results defined by the budget or other type of forecast, that may be caused by macroeconomic shocks or by the request of realization of conditional liabilities’.⁴¹ Their source may be such an unforeseen fluctuation of macroeconomic variables as, for instance, the fall of exchange rate.⁴² The emergence of conditional liabilities against banks during the banking crises, as well as against state and private sector.⁴³ Defining only one outcome indicator in the Action Plan for the management of fiscal risks complicates the achievement of the objective of ensuring macro fiscal stability. For this purpose, it is important that the Plan foresees additional outcome indicators, especially those that reflect a challenge for the country in a given period;
- ◆ In all three activities of the 2nd objective the result itself is indicated as the output

⁴⁰ Dynamic Stochastic General Equilibrium, International Encyclopedia of Housing and Home, 2012, available at: <https://bit.ly/3t8sASi>, updated on: 21.05.2021.

⁴¹ Muchiashvili, Fiscal Statistics Guideline, Tbilisi State University, 2018, p. 116, available at: <https://bit.ly/3dTavBi>, updated on: 21.05.2021.

⁴² *Ibid.*

⁴³ *Ibid.*

indicator, which is also a wrong approach. In addition, output indicators for this objective refers to the approval of relevant normative acts by the Ministry of Finance or by the Government. Since a direct legislative ground is required for the issuance of normative act, the law should, first of all, include legal basis for the subordinate act, directly defining the body responsible for the issuance of this act. Referring to two alternative subjects of the act - the Government and the Ministry – makes no sense. The agency of executive power, responsible for the approval of specific normative act should be made known from the very beginning. And this should be defined according to the competence of these bodies;

- ◆ One of the indicators of the 1st activity of 2nd objective is the development of guideline principles by the Ministry of Finance. First of all, it is unclear whether these principles are part of the Strategy of Corporatization of State-owned Enterprises or should they be approved by the separate act. In addition, the development of principles, as such, is not a measurable and verifiable criteria, unless it gains some sort of legal status. The development may imply the initial version as well as the final version, which only requires approval. This complicates the verification of the completion stage of this activity. It is also necessary to separate the output indicators in order to exclude the overlap;
- ◆ The output indicator for the 3rd activity of the 2nd objective is as follows: ‘reporting requirements are approved by the Government of Georgia or the Ministry of Finance’. Pursuant to the Law on Accounting, Reporting and Auditing, an entity is obliged to submit financial reporting, governance reporting, reporting on state taxes and audit report, defined by this law, to the Accounting, Reporting and Auditing Supervision Service immediately, but no later than 1 October of the year following the reporting period, in an established order.⁴⁴ Thus, reporting requirements are already provided by the law and what other issues can be established by the bylaw is unclear, especially, given that the legislative act does not foresee the possibility of delegating such matter;
- ◆ One of the objectives of the Plan envisages obligations related to state-owned enterprises, such as the development of strategy for their corporatization and identification of these enterprises as public interest enterprises (objective 5.2.). However, the key issue, specifically characteristic to this field is missing. The criteria for the establishment of state-owned enterprises are not still defined;
- ◆ Only the citizen engagement score from Open Budget Survey is given as baseline and target outcome indicator of the 3rd objective, when the objective and indicators

⁴⁴ Paragraph 2, article 9, the Law of Georgia on Accounting, Reporting and Auditing.

themselves indicate the increase in transparency. Although more effort needs to be put into citizen engagement part (the score is quite low – 28/100), citing the transparency score is important for the verification of completion, and as well as the assessment of third criteria foreseen by the open budget survey – the rate of budgetary oversight;

- ◆ All the output indicators of both activities of the 3rd objective are insufficient for verifying that citizens do have the information about the budgetary process and they actually participate in budget planning. In addition to the accessibility of documentation and creation of relevant portals, the possibility of verifying the number of users viewing the published documentation, editing and commenting on it should also be ensured. It is also important to conduct a survey to find out how many citizens have information about the documentation and how many actually uses the documents. Therefore, without such mechanisms, outcome indicators for the 3rd objective only create the possibility for achieving the goals of the same objective, but does not say anything about their use and effectiveness, which represents a gap of this objective;
- ◆ The elaboration of PEFA – Public Expenditure and Financial Accountability document for Georgia is planned after 4 years from the previous assessment (in 2021). Therefore, it will assess the situation of previous 4 years. The last assessment for Georgia was published in 2018 and covered the previous 4 years. Thus, the assessment document for 2018 and following years cannot be published earlier than 2020. Even in the initial phase of the development of the Action Plan, approved in 2019, it was already known that the issuance of PEFA document could not coincide with completion of the validity period for 2019-2020 Action Plan and with the monitoring period. Therefore, it is unjustifiable to refer to this document as an outcome indicator, since it is objectively impossible to assess the completion (1st objective). Self-assessment report, developed based on specific indicator of PEFA methodology could be indicated instead. This would insure against potential risks caused by the delay in issuing PEFA validation document. Same applied to Open Budget Index (3rd objective), which is a 2-year objective and does not coincide with validity years of the Action Plan to be assessed or the purposes of monitoring;
- ◆ 2019-2020 Action Plan mostly envisages activities to be implemented in the final quarter of the 2nd year (5 out of 7 activities are scheduled for implementation in the IV quarter of 2020, while the other two are outlined for both years), making it impossible to assess the implementation progress in the interim period. In relation to activities that, by their content, comprise of several levels, implementation deadline should be distributed for several quarters, allowing the responsible agency to

eliminate the gaps in the process and correct them before the end of the validity period of the Action Plan;

- ◆ One of the risks related to the implementation of the 2nd objective is identified as the 'delay in receiving information or being unable to receive information' for the reflection of state-owned enterprises in Fiscal Risk Document. This risk can objectively not justify the non-completion of the target outcome indicator, since the responsible agency should have sufficient leverage to implement the policy by the implementation of the Action Plan; and the inability to get information about state-owned enterprises is an indication of operational inefficiency, rather than unforeseeable challenge posed during the implementation of the objective.

Therefore, in the public finance management direction of PAR, several gaps of 2019-2020 Action Plan were identified. These gaps directly affect not only the implementation status of each activity and output indicator, but also the achievement of objectives and goals. Improper planning of objectives cause them to move over to the next action plans, impeding the achievement of overall progress. Thus, presented gaps and proposed recommendations should be taken into consideration by the government when developing the Plan. This way the monitoring of the plan will become much simpler and the progress - eminent.



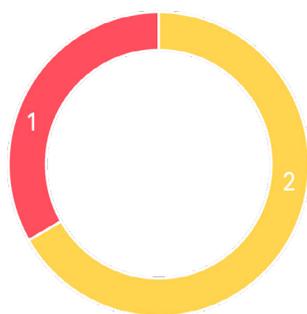
4. MONITORING OF THE OBJECTIVE AND ACTIVITY IMPLEMENTATION

The 5th area of the Public Administration Reform aims at the improvement of processes related to the management of public finances and at the approximation to international standards. Under the reform, the action plan envisages to:

- (1) Strengthen the sustainability of medium-term planning;
- (2) Strengthen the effectiveness of Fiscal Risk Management;
- (3) Ensure further transparency of the budget process and citizen participation system.

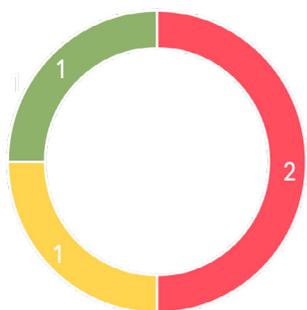
Therefore the Action Plan comprises of 3 objectives, and within these objectives, of 7 activities and 13 indicators (including 4 outcome and 9 output indicators). The implementation of the majority of activities is envisaged for 2020, however, some activities were completed in 2019, before the deadline. These activities were still assessed in this document.

Out of the 3 objectives of the Public Finances' direction of the Action Plan, two were mostly implemented, while it was impossible to assess the implementation for one. Out of 4 outcome indicators, 1 was fully implemented, 1 was mostly implemented and it was impossible to measure the implementation of 2.



OBJECTIVE IMPLEMENTATION RESULTS

- Mostly Implemented
- Impossible to Measure



OUTCOME INDICATORS

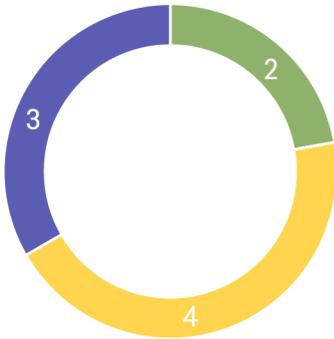
- Impossible to Measure
- Mostly Implemented
- Fully Implemented

Out of the 7 activities, of the public finance management direction of the Action Plan, 1 was fully implemented, 3 were mostly implemented, and 3 were partly implemented in the monitoring period. Out of 9 output indicators, 2 were fully implemented, 4 were mostly implemented, and 3 were partly implemented.



ACTIVITY IMPLEMENTATION RESULTS

-  Fully Implemented
-  Mostly Implemented
-  Partly Implemented



OUTPUT INDICATORS

-  Fully Implemented
-  Mostly Implemented
-  Partly Implemented

OBJECTIVE 5.1: STRENGTHEN THE SUSTAINABILITY OF THE MEDIUM-TERM BUDGET FRAMEWORK IN ORDER TO INCREASE THE BUDGET PLANNING EFFICIENCY

Budget policy decisions have consequences that, in most cases, go beyond the annual budget cycle and, therefore outlining budget forecasts for one year is not efficient for proper fiscal planning. Hence, the Medium Term Budget Framework is necessary, reflecting the relation between competed budgetary liabilities and new policy directions.⁴⁵

A well-designed MTBF should reflect impact of previous budgetary obligations, as well as the connection between future commitment and the results of policy measures.⁴⁶ Strengthening MTBF will, in the end, contribute to the implementation of efficient institutional reforms, improvement of tax planning and budgetary process in general.⁴⁷

The first objective of the public finance management aims at increasing the efficiency of budget planning by the enhancement of medium term budget framework. This ensures the compliance of the government program and of different sectoral strategies with medium-term parameters⁴⁸ enabling the Government to expand the fiscal policy horizon beyond the specific budget year.⁴⁹

Public Financial Management Reform Strategy for 2018-2021,⁵⁰ approved by the Minister of Finance, and annual plans of public finance management reform⁵¹ also targets the enhancement of accuracy, reliability and linkage with annual plans of the medium-term prognoses.

⁴⁵ European Commission, Directorate-General for Economic and Financial Affairs (2007), "Public Finances in EMU-2007", pp. 152-154, available at: <https://bit.ly/3ufuLEh>, updated on: 21.05.2021.

⁴⁶ Monika Sherwood, Medium-Term Budgetary Frameworks in the EU Member States, European Commission, DISCUSSION PAPER 021 | DECEMBER 2015, p. 18, available at: <https://bit.ly/3tOMLEd>, updated on: 21.05.2021.

⁴⁷ Georgian Fiscal Policy and Management and its Compliance with the EU Practice, p. 13.

⁴⁸ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2020), Administration of the Government of Georgia, 2020, p. 64.

⁴⁹ European Commission, Directorate-General for Economic and Financial Affairs (2007), "Public Finances in EMU-2007", pp. 152-154, available at: <https://bit.ly/3ufuLEh>, updated on: 21.05.2021, see also: Georgian Fiscal Policy and Management and its Compliance with the EU Practice, The Ministry of Finance, 2016, p. 19, available: <https://bit.ly/3dgqfxF>, updated on: 21.05.2021.

⁵⁰ Public Finance Management Reform Strategy 2018-2021, The Ministry of Finance, The Ministry of Finance website, p. 3, available at: <https://bit.ly/36vWPrE>, updated on: 21.05.2021.

⁵¹ See the Ministry of Finance website, available at: <https://www.mof.ge/5171>, updated on: 21.05.2021.

Outcome indicators:

1. The quality of Basic Data and Directions (BDD) document

Baseline (2018): BDD does not clearly reflect the information on the impact of current and new policies on the budget

Target (2020): BDD clearly reflects the information on the impact of current and new policies on the budget, based on the example of at least 2 ministries

Alternative target indicator: the impact of current and new policies is given in monetary value and forecasts are outlined for the planned year and the following three years, on an example of at least 2 ministries.

2. The preciseness of macro-economic and fiscal forecasts

Baseline (2018): The Public Expenditure and Financial Accountability (PEFA) Assessment – PI-3.1 – Score – A)

Target (2020): PEFA Assessment – PI-3.1 – Score – A

Objective implementation status: Mostly implemented

According to the Budget Code, Basic Data and Directions document is the main development plan of the country, which reflects information about medium-term macro-economic and fiscal forecasts, as well as about the key directions of development for central, autonomous republics and local governments.⁵² The document includes main priorities of the government, analysis of macro-economic parameters for the previous year and for the year to be planned and main measures to be carried out by the spending agencies.⁵³ As a result the BDD document is a kind of framework,⁵⁴ which, at the same time, serves the sustainability of medium-term expenditure planning.

The first outcome indicator of this objective is assessed qualitatively, based on the Basic Data and Directions document (BDD). According to the Action Plan, BDD should clearly reflect information on the impact of current and new policies on the budget, on an example of at least two ministries. It is noteworthy that, the requirement of a ‘clear’ reflection of information does not comply with the S.M.A.R.T. criteria, since it

⁵² paragraph 1, Article 34, The budget Code of Georgia.

⁵³ Georgian Fiscal Policy and Management and its Compliance with the EU Practice, p. 19.

⁵⁴ *Ibid.*

is an biased category and is impossible to be measured objectively. Therefore, for the purposes of monitoring, the monitoring group developed more measurable target indicator, in order to measure the performance of the objective. In particular, the impact of existing and new policies shall be summarized quantitatively, in accordance to planned directions and, at the same time forecasts shall be outlined for the following three years, on an example of at least two ministries. Thus, this monitoring report assessed the completion of the 1st outcome indicator of the 1st objective, based on the mentioned criteria.

In 2020 the Ministry of Finance developed draft government resolution 'on Measures to be Taken for the compilation of 2021-2024 Basic Data and Directions Document',⁵⁵ defining the list of information to be submitted by spending agencies, as well as deadlines.⁵⁶ Initial version of 2021-2024 BDD document which, among other things, includes allocation and quantity thresholds for spending agencies, were submitted to the Government in a medium-term period and was approved;⁵⁷ the revised version of BDD document was submitted to the Government and the Parliament in the IV quarter of 2020, along with the State budget.⁵⁸

2021-2024 BDD document reflects information on the impact of current and new policies on the budget, on the example of the following 3 ministries: (1) the Ministry of Education, Science, Culture and Sports, (2) the Ministry of IDPs from Occupied Territories, Labor, Health and Social Affairs and (3) the Ministry of Economy and Sustainable Development.⁵⁹ The document features 5 new policy directions for these ministries. These include:

1) Education: The scheme for teachers' professional development and career advancement and the increase of remuneration, as well as the implementation of 'new school' model

With regards to teachers, the BDD states that, within the frames of education reform, the next stage of teachers' professional and career development is planned for 2021. This also encompasses the increase of allowances for senior, leading and mentor teachers (more than 39 000 teachers). Relevant amounts are also specified.

⁵⁵ Letter N08-02/19972 of 22 February 2021 of the Ministry of Finance.

⁵⁶ Decree N137 of 28 february 2020 of the Governmnet of Georgia on the measures to be carried for the composition of the Basic Data and Directions (BDD) Document.

⁵⁷ Decree N1219 of 10 July 2020 of the Government of Georgia.

⁵⁸ Letter N08-02/19972 of 22 February 2021 of the Ministry of Finance.

⁵⁹ Basic Data and Directions (BDD) Document 2021-2024, The Ministry of Finance Website, available at: <https://www.mof.ge/BDD>, updated on: 21.05.2021.

As for the 'new school' model, the BDD document does not separately contain impact on the budget data for it. It is indicated in the Document that this model is planned to be implemented in all public schools throughout the country in the medium-term period. Different intensive activities, to be carried out within the frames of the reform, are listed. Information about the impact on the budget and forecasts for the upcoming 3 years is provided in the direction of teachers' professional and career development and the increase of their remuneration. Therefore, in this part, the BDD document complies with 2020 alternative target outcome indicator: the impact of the policy is provided in a numerical data and forecasts are outlined for the upcoming three years.

2) Social protection – indexation of pensions

The BDD document envisages the increase of annual pension. Amounts are indicated according to respective age groups. The document also defines the amount of state pension by the end of medium-term period, as well as forecasts for upcoming three years. Thus, the impact of existing and new policies is provided, forecasts are also outlined for all four years. Therefore, in this part, the BDD complies with 2020 alternative target outcome indicator.

3) Health care: a new direction of primary and emergency medical care – co-financing insurance for ambulance staff and doctors/nurses

According to the Document, co-financing insurance for ambulance staff (4500 employees) and for rural doctors/nurses (3000 doctors/nurses) will begin from 2021. The amount of contribution is also indicated. Forecast for this direction is outlined in BDD in the part of healthcare protection, within the frames of the provision of primary and emergency medical care. Therefore, the impact of the new policy is provided in specific amounts and forecasts are also outlined for the upcoming three years. BDD meets 2020 alternative target outcome indicator in this part as well.

4) Labour and employment: new directions of occupational safety and employment policy

Taking into account amendments introduced in the labour legislation, LEPL Labour Inspection Service was established in order to fully undertake labour inspection functions. Pursuant to its functions, forecasts are outlined in BDD for the planned year, as well as for upcoming three years. With regards to the new direction of employment, State Agency for the Promotion of Employment has been created in order to ensure effective implementation of state policy in the area of labour and employment promotion, active labour market policy, and the management of employment promotion service mechanisms. Within the frames of its mandate, BDD includes forecasts for all four years. Therefore, the impact of new policy is provided in specific amounts and

forecasts are outlined for both parts. BDD meets the 2020 alternative target outcome indicator.

5) New directions of Economic Support Policy: Credit-Guarantee Scheme and support to the construction sector

The Credit-Guarantee scheme is an important component of the package of economic support against Corona-virus (COVID-19).⁶⁰ The programme was developed as a response to the crisis caused by the pandemic, in order to improve access to finance for small and medium sized businesses and to facilitate additional lending to the economy. For the same purpose the programme was developed within the scope of the Support Plan to the development/construction sector.

According to the BDD document, the State plans under certain conditions to subsidize the interest of mortgage loans (up to GEL 200000) taken in June-December. The duration, interest and the borrowing period are indicated. With regards to calculation, these directions have been added, as part of the policy of economic support against corona-virus and only includes the data of 2021. As it turns out, this is the first time that such a short-term new policy direction is reflected in the document.⁶¹ It can be concluded that the BDD takes into account impacts on the budget and, despite the absence of a 3-year forecast, the document meets 2020 alternative target outcome indicator in both parts.

Therefore, the implementation of this indicator is completed and the status is **fully implemented**.

The 2nd outcome indicator of the 1st objective is assessed based on PEFA – Public Expenditure and Financial Accountability⁶² Report. The PEFA assessment has been used by different governments in the process of analyzing Public Finance Management reforms since 2005.⁶³ The goal is to prepare objective analysis of public finance management system of a country by applying PEFA indicators,⁶⁴ resulting in the identifica-

⁶⁰ Basic Data and Directions (BDD) Document.

⁶¹ Interview with the representatives of the Ministry of Finance.

⁶² Public Expenditure and Financial Accountability (PEFA) Assessment is developed by different actors, such as the EU Commission, International Monetary Fund and the World Bank. Its purpose is to review Public Finance Reform in Georgia. It assesses the results of reforms carried out in previous years and of those implemented by the Government after the PEFA assessment.

⁶³ Jens Kromann Kristensen et al (eds.), PEFA, Public Financial Management, and Good Governance, World Bank Group, 2019, p. 4, available at: <https://bit.ly/2O947go>, updated on: 21.05.2021.

⁶⁴ Public Expenditure and Financial Accountability (PEFA) Assessment Report, The Ministry of Finance, The Ministry of Finance Website, 29 June, 2018, available at: <https://bit.ly/2XvE2c8>, updated on: 21.05.2021.

tion of weaknesses and their elimination.⁶⁵

The Action Plan applies the 3rd PEFA indicator (PI – 3.1), which assesses the difference between the initially approved budget and actual revenue at the end of the year,⁶⁶ while 3.1. subindicator assesses the total revenue performance.⁶⁷

According to the 2018 report, which covered 2013-2016, Georgia is rated with the best (A) score, against the sub-indicator applied in the Action Plan. Therefore, the target indicator of the Action Plan implies the maintenance of the same indicator.⁶⁸

Based on the PEFA methodology, in order to obtain A score, the forecast performance results should be between 97% and 106%. According to the Status Report of the Ministry of Finance, consolidated budget revenues were implemented by 91.1%, against the initial plan, including taxes – by 89.1%, grants – by 144.4% and other income – by 99.2%. However, as explained by the Ministry, the deviation is caused by COVID-19 pandemic and such factor is impossible to be predicted; in addition, this was a one-off deviation and will not affect the accuracy of forecasts for upcoming years.⁶⁹ According to the Report, amid increased risks in the region, the accuracy of medium-term macroeconomic forecasts is also expected to deteriorate.⁷⁰

It is noteworthy that the PEFA document assessing 2019-2020 period has not yet been issued. It is expected to be elaborated in 2021 and reflect on the situation of previous 4 years. Because of the absence of PEFA document for the period foreseen by the action plan, the monitoring group was **unable to measure the performance of this indicator for 2019-2020.**

To sum up, the 1st outcome indicator of the 1st objective is fully implemented, while it is not feasible to verify the implementation of the 2nd outcome indicator. However, according to the forecasts made by the responsible agency, within the scope of PEFA methodology, despite the deviation, the next assessment may still range around the same score, or the methodology might change, considering the challenges facing the country. Since, in relation to this indicator, only PEFA document needs to be issued, the objective itself may be considered as **mostly implemented.**

⁶⁵ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2019), Administration of the Government of Georgia, 2020.

⁶⁶ Public Expenditure and Financial Accountability (PEFA) Assessment Report, p. 17.

⁶⁷ *Ibid.*, p. 18.

⁶⁸ *Ibid.*

⁶⁹ The Status-Report of the Ministry of Finance.

⁷⁰ *Ibid.*

With regards to activities, there are two of them for the 1st objective:

Activity 5.1.1: Analysis of the impact of current and new policies on the budget

Output indicator:

1. Working meetings on how to prepare analysis on impact of current and new policies on the budget is conducted with representatives of the pilot ministries' policy and financial/economic departments

Alternative indicator: minimum one meeting with at least one representative of policy and financial/economic departments of at least 4 pilot ministries

2. Information about the impact on the budget of the current and new policies is elaborated by at least 4 pilot ministries and is reflected in the BDD

Activity Implementation status: mostly implemented

There are two outcome indicators that quantitatively assess the first activity.

The 1st indicator should be assessed based on the meetings conducted with pilot ministries. This indicator is not fully measurable and does not comply with the S.M.A.R.T. criteria, since it is impossible to determine, how many meetings were to be held and with how many persons. Therefore, as an alternative to this output indicator, the monitoring group has identified the following: minimum 1 meeting with at least one representative of policy and financial-economic departments of at least 4 ministries.

According to the information of the Ministry of Finance, the meeting started from 2019⁷¹ and were resumed from 1 March, 2020. However, in 2020, due to the constraints of COVID-19 pandemics and limited fiscal resources available for the implementation of the policies, no active meetings/workshops were held with pilot ministries⁷² around the topics of current and new policies.⁷³ However, according to the information of the Ministry, the work was being done remotely with all four pilot minis-

⁷¹ Letter N08-02/12379 of 5 February 2020 of the Ministry of Finance.

⁷² Pilot Ministries are as follows: The Ministry of Education, Science, Culture and Sports of Georgia, Ministry of IDPs from Occupied Territories, Labour, Health and Social Affairs, the Ministry of Environment and Agriculture, the Ministry of Economy and Sustainable Development.

⁷³ Letter N08-02/19972 of 22 February 2021 of the Ministry of Finance.

tries.⁷⁴ As a result, new policy directions were reflected in 2021 state budget package, which was submitted to the Parliament.⁷⁵ Although the remotely meetings were not documented as required by the verification source ('meeting attendance sheet'), this indicator is still considered as **fully implemented**.

The 2nd output indicator is measured based on the content of 2021-2024 BDD document. It should include information about the impact of current and new policies of at least 4 pilot ministries on the budget.

2021-2024 BDD document contains information about the impact of existing and new policies on the budget. As indicated by the Ministry of Finance, despite the scarcity of resources, in 2020, 5 new policy directions were reflected in 2021 budget (in BDD and in program budget annex) within the scope of the following three ministries: (1) The Ministry of Education, Science, Culture and Sports, (2) the Ministry of IDPs from Occupied Territories, Labor, Health and Social Affairs and (3) The Ministry of Economy and Sustainable Development.

Risks for the performance of this indicator include limited ability of spending agencies to take decisions on the development of new programs in a rapidly changing environment.⁷⁶ The situation caused by the spread of a corona-virus in the country is named as a challenge.⁷⁷ As revealed at the meeting with the representatives of the Ministry of Finance, the pandemic has significantly hindered the ministries in the development of new policy directions and in the allocation of budget for this purpose. According to the Ministry, it is not mandatory to reflect the impact of new policies in the budgetary documentation,⁷⁸ however, since in 2021-2024 BDD document the information about the impact of current and new policies on the budget is reflected in the scope of 3 ministries instead of 4, the status of the indicator is **mostly implemented**. The activity status, similarly to the status of its indicators, would be **mostly implemented**.

⁷⁴ Interview with the representatives of the Ministry of Finance.

⁷⁵ Letter N08-02/19972 7 of 22 February 2021 of the Ministry of Finance.

⁷⁶ Public Administration Reform Action Plan for 2019-2020.

⁷⁷ Status-Report of the Ministry of Finance.

⁷⁸ Interview with the representatives of the Ministry of Finance.

Activity 5.1.2: Improvement in budget revenue forecasts**Output indicator:**

Analysis and forecast of macro-economic and fiscal indicators by applying Dynamic Stochastic General Equilibrium Model

Activity Implementation Status: Mostly implemented

There is one activity for this indicator, which assesses it quantitatively.

The goal of the State, in this part, is to improve the process of planning medium-term fiscal framework through the analysis and forecast of macro-economic and fiscal indicators by the applying of DSGE – Dynamic Stochastic Equilibrium Model.⁷⁹ The goal of this model is to describe the dynamics of the development of economy by the analysis of interaction between different macroeconomic decisions.⁸⁰ The publication of the description of DSGE model was planned for 2020, while its full implementation was planned for the end of the year, after which DSGE would become the main formula of macro-economic and fiscal analysis for the Ministry of Finance.⁸¹ As stated by the Ministry, macro-economic forecasts (basic, optimistic, pessimistic) were developed in the second part of 2020, on the basis of which forecasts were prepared for the basic data and indicators of the budget.⁸² Dynamic stochastic General Equilibrium Model, prepared by the Ministry of Finance and International Monetary Fund, was applied for this purpose; the model is tailored to the structure of Georgian economy.⁸³ It covered all essential features of Georgian economy, necessary for an adequate assessment of policy impact.⁸⁴

According to the Status Report of the Ministry, the project of the implementation of the model was completed successfully. The application of the model commenced in

⁷⁹ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2019), Administration of the Government of Georgia, 2020.

⁸⁰ Dynamic Stochastic General Equilibrium, International Encyclopedia of Housing and Home, 2012, available at: <https://bit.ly/3t8sASi>, updated on: 21.05.2021.

⁸¹ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2019), Administration of the Government of Georgia, 2020.

⁸² 2021 State Budget project, The Ministry of Finance website, available at: <https://www.mof.ge/5355>, updated on: 21.05.2021.

⁸³ Letter N08-02/19972 of 22 February 2021 of the Ministry of Finance.

⁸⁴ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2019), Administration of the Government of Georgia, 2020. P. 44.

2019, while in 2020 it was already fully involved in the budgetary process. Through this model, different scenarios of economic development were assessed, including the one related to pandemics. Taking into consideration the fact that the project was being implemented through the technical cooperation from the International Monetary Fund, the publication of its detailed description will only be allowed after the International Monetary Fund publishes the basic data, on the ground of which the Georgian fiscal model was created.⁸⁵ Even though the project is now completed, the Fund has postponed the publication until 2021, therefore, the Ministry of Finance was unable to publish the characteristics of the Model.⁸⁶ The Agency has provided the Public Administration Reform Secretariat with the detailed description of the model as a verification source for the implementation of output indicator.⁸⁷ The document describes the formulas/equations and mechanisms used for the analysis and forecast of macroeconomic and fiscal indicators.⁸⁸ The description has not been published on the Ministry website during the reporting period, however, it is actually being used in practice. Therefore, the implementation status for this output indicator is **mostly implemented**.

Thus, the implementation status for the 2nd activity is also **mostly implemented**.

OBJECTIVE 5.2: STRENGTHEN EFFECTIVENESS OF FISCAL RISK MANAGEMENT IN ORDER TO ENSURE MACRO-FISCAL STABILITY

The stability of macroeconomic policy results in a rapid and healthy economic growth.⁸⁹ By the development of macroeconomic policy framework, the government commits to an obligation of implementing stable macroeconomic policy for combating external risks.⁹⁰

The enhancement of the efficiency of managing fiscal risks implies the development of analysis of macro-economic risks for the sector, as well as the establishment of unified management system for state-owned enterprises. The Strategy for Corporatization of State Enterprises and their classification is aimed at the promotion of the

⁸⁵ Status-Report of the Ministry of Finance.

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

⁸⁸ Interview with the representatives of the Ministry of Finance.

⁸⁹ Georgian Fiscal Policy and Management and its' Compliance with the EU Practice, p. 25.

⁹⁰ *Ibid.*

above.⁹¹ The enhancement of monitoring and prevention mechanisms of contingent liabilities and other fiscal risks deriving from their operations is also important in order to achieve the main outcome of the Action Plan and to increase the share of state-owned enterprises covered by the document of fiscal risk analysis.⁹²

Outcome indicator:

The share of State-owned enterprises covered by the of Fiscal Risk Analysis document

Baseline (2018): 85%

Target (2020): 95%

Objective implementation status: mostly implemented

The performance of the 2nd objective is assessed quantitatively, based on one outcome indicator.

Fiscal Risks Analysis document, adopted in 2020, should have reflected information about 95% of state-owned enterprises. 2018-2021 document includes data on 235 state-owned enterprises. 159 out of these are owned by central government and 77 - by the local government.⁹³ In 2020, 352 state-owned enterprises are presented in the Fiscal Risks Analysis document, 179 owned by the central and 173 - by the local governments. The latter covers 92% of the enterprises.⁹⁴ The baseline indicator is improved (it was 85% in 2018 and 2019), however, 2020 target outcome (95%) is not achieved. According to the Status Report, the implementation process is still ongoing. Based on the percentage data, the indicator of the 2nd objective is **mostly implemented**.

⁹¹ Public Finance Management Reform Strategy 2018-2021, p. 3.

⁹² Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2020), Administration of the Government of Georgia, 2020.

⁹³ Fiscal Risks Analysis 2018-2021, the Ministry of Finance of Georgia; available at: <https://bit.ly/3f6XZ2Y>, updated on: 21.05.2021.

⁹⁴ Fiscal Risk Analysis Document, State Enterprises, PPP Projects, Natural disasters, November 2020, The Ministry of Finance of Georgia, p. 7, available at: <https://bit.ly/3401e5X>, updated on: 21.05.2021.

There are three activities for the 2nd objective:

Activity 5.2.1: Elaboration the Strategy for the Corporatization of State-owned Enterprises⁹⁵

Output indicator:

1. The Strategy is approved by the relevant normative act of the Government of Georgia or the Minister of Finance
2. Guiding principles are elaborated by the Ministry of Finance

Activity implementation status: Partly implemented

There are 2 output indicators for the 1st activity of the 2nd objective, assessing it quantitatively.

The aim of the Strategy document for the Corporatization of State-owned enterprises is to establish basic corporate governance principles for the enterprises. The strategy and the classification of enterprises is aimed at the promotion of the establishment of unified management system of state-owned enterprises.

2021-2024 Government Program also considers the state enterprise reform as a crucial component of overcoming the crisis caused by the pandemic and of further development of the economy.⁹⁶ According to the Status report of the Ministry, before the commencement of the reform, it is essential to develop a comprehensive strategy, that would outline the objectives, main components and activities of the reform, implementing agencies, parties involved, deadlines, and main principles of legislative framework.⁹⁷ The Ministry of Finance has already started working on this topic, the draft strategy that defines the afore-mentioned principles, has been prepared.⁹⁸

According to the information of the Ministry of Finance, the Fiscal Risks Analysis document, prepared and published in the 2nd half of 2020, includes data on the State-owned Enterprises reform.⁹⁹ The Ministry has also prepared draft government reso-

⁹⁵ Even though 2020 is defined as the deadline for the activity implementation, the responsible agency started implementation process earlier.

⁹⁶ Government Programme 2021-2024 toward building an European State, Georgian Government website, available at: <https://bit.ly/3mxmlbJL>, updated on: 21.05.2021.

⁹⁷ Status Report of the Ministry of Finance of Georgia.

⁹⁸ Annual Implementation Monitoring Report of the Public Administration Reform Action Plan for 2019-2020 (January-December 2020), Administration of the Government of Georgia, 2020, p. 64.

⁹⁹ Fiscal Risk Analysis Document, 2020, p. 71.

lution on ‘the Establishment of State Enterprise Reform Council’.¹⁰⁰ The council was established as a result of Government’s resolution of 7 April 2021.¹⁰¹ The function of the Council is to develop State Enterprise Reform Strategy and to submit it to the government for approval before 1 September 2021.¹⁰² The document has not yet been approved. Therefore, the 1st output indicator of the 1st activity of the 2nd objective is **mostly implemented**.

The 2nd output indicator of this activity is to develop relevant guidelines. This implies the definition of basic principles for the corporate governance of enterprises, also envisaged by the regulation of State Enterprise Reform Council within the scope of the Strategy.¹⁰³ As noted by the representative of the Ministry of Finance, there is no intention to separately approve the document, as it is included in the strategy document.¹⁰⁴ However, since this activity indicator is presented separately, its performance will also be evaluated as part of the monitoring. As noted in the evaluation of the performance of the 1st indicator, the Ministry of Finance has prepared the Strategy but its approval has been postponed until 1 September 2021. Since the process of developing the strategy has not yet been completed, and the Council responsible for the creation of final draft was only established in the 4th month of 2021, there is still an important part of work that needs to be done in order to implement the indicator. Therefore, 2nd output indicator of the 1st activity of 2nd objective is **partly implemented**, and the activity is also **partly implemented**.

Activity 5.2.2: Define state-owned enterprises as ‘Public Interest Enterprises’ in compliance with the Law of Georgia on Accounting, Reporting and Auditing

Output indicator:

A relevant normative act is elaborated and approved by the Government of Georgia or the Ministry of Finance, in order to identify state-owned enterprises as public interest enterprises

Activity implementation status: fully implemented

¹⁰⁰ Letter N08-02/19972 of 22 February 2021 of the the Ministry of Finance of Georgia.

¹⁰¹ Decree N156 of 7 April 2021 of the Government of Georgia on the establishment of State Enterprise Reform Council.

¹⁰² *Ibid.*

¹⁰³ Article 3, Statute of State Enterprise Reform Council, approved by decree N156 of 7 April 2021 of the Government of Georgia on the establishment of State Enterprise Reform Council.

¹⁰⁴ Interview with the representatives of the Ministry of Finance

There is one indicator for the 2nd activity of the 2nd objective, which qualitatively assesses its performance.

In 2019, the Government's decree defined the criteria of those state-owned enterprises that can be identified as Public Interest Entities (PIE).¹⁰⁵

The purpose of identification of state-owned entities as PIEs is to: increase the accountability of enterprises, increase the trust in them; protect the interests of partners and third parties.¹⁰⁶

Although, according to the Action Plan, the implementation period was the 4th quarter of 2020, this indicator was implemented in 2019. In addition, the Accounting, Reporting and Auditing Supervision Service of the Ministry of Finance approved the updated list of public interest entities in the 4th quarter of 2020.¹⁰⁷

The afore-mentioned government decree is a confirmation that the output indicator and, therefore, the activity itself is **fully implemented**.

Activity 5.2.3: Elaborate requirements for quarterly and annual reports of state-owned enterprises in order to improve the fiscal strategy on the mitigation of timing and risks in Fiscal risks identification

Output indicator:

Reporting requirements are approved by the Government of Georgia or the Ministry of Finance

Activity implementation status: partly implemented

There is one indicator for the 3rd activity of the 2nd objective, which quantitatively assesses the outcome.

According to the Law of Georgia on Accounting, Reporting and Auditing, state-owned enterprises are obliged to submit reports, including the audit one, immediately, but

¹⁰⁵ Decree N584 of 29 November 2019 of the Government of Georgia on the approval of criteria for the definition of legal entity as a public interest entity by the Accounting, Reporting and Auditing Supervisory Service.

¹⁰⁶ Annual Implementation Monitoring Report for the Public Administration Reform Action Plan for 2019-2020, Administration of the Government of Georgia, 2020, p. 66.

¹⁰⁷ Decree oN575 of 25 November 2020 of the Accounting, Reporting and Auditing Supervisory Service of the Ministry of Finance of Georgia on the amendments to decree N1781 of 23 December 2019 of the head of Accounting, Reporting and Auditing Supervisory Service on granting the status of public interest entity to legal entities; available at: <https://bit.ly/3yuVz5G>, updated on: 21.05.2021.

no longer than 1 October of the year following the reporting period.¹⁰⁸ In 2021 the Government of Georgia adopted a decree setting out interim deadlines for the submission of different report by the enterprises.¹⁰⁹ The decree is an individual legal act and does not fully meet the criteria required by the indicator. In addition, the decree was approved after the completion of the reporting period (even though it was prepared by the Ministry in 2020). Nevertheless, given the existence of the reporting document, this output indicator, as well as the activity itself, is considered as **partly implemented**.

OBJECTIVE 5.3: ENSURE FURTHER TRANSPARENCY OF THE BUDGET PROCESS AND CITIZEN PARTICIPATION IN ORDER TO ENHANCE ACCOUNTABILITY

The third objective of the direction of public finances is aimed at achieving better transparency of the budgetary process and more inclusion of citizens. It implies the ability of interested entities to plan next year's budget according to the priority or the spending agency. This should increase the level of transparency of the budgetary process.

Outcome indicator:

Open Budget Index Assessment on citizen participation and transparency

Baseline (2018): 22 points (2017)

Target (2020): Improve the score (at least, maintain)

objective implementation status: impossible to measure

The third objective is assessed quantitatively on the basis of the score assigned by the Open Budget Index.¹¹⁰ The objective is aimed at improvement or at least maintenance of the previous score.

Informing society about budgetary decisions of the State is of crucial importance,

¹⁰⁸ Status-report of the Ministry of Finance of Georgia

¹⁰⁹ Decree N217 Of 11 February 2021 of the Government of Georgia on the establishment of deadlines for the submission of reports by enterprises operating by States share participation, defined as public interest enterprises', available at: <https://bit.ly/321HWMw>, updated on: 21.05.2021.

¹¹⁰ The Open Budget Index is developed by International Budget Partnership (IBP). IBP actively cooperates with states, businesses, civil society and other stakeholders. The Open Budget Index is assessed once in every 2 years.

since these are the decisions that affect their well-being and equality of social life the most. The extent to which the State fulfils this obligation is assessed by the Open Budget Survey. The document verifies the accessibility of budgetary processes to citizens in three directions: transparency, engagement of citizens and budgetary oversight.¹¹¹

In 2017 report of the Open Budget Survey Georgia earned 82/100 points (Open Budget Index) in the part of transparency and 22/100 points in the part of citizen engagement.¹¹² According to 2019 report, which assessed the two previous years, the Country earned one point less in transparency, while earning 28/100 (6 points more) in citizen engagement.¹¹³ Since this assessment takes part once in every two years, no data exists for 2019 and 2020 yet.

As it turns out, Georgia's result in the part of citizen engagement has been improved in comparison to 2015-2016 in two following years by 6 points, and has deteriorated by 1 point in the part of budget transparency. It is noteworthy that the direction of public finance management of 2019-2020 Action Plan of the Public Administration Reform has selected the condition 4 years prior to the commencement of its implementation as a baseline indicator for the 3rd objective, while the target indicator is set for 2020. In order for the target indicator to be deemed as implemented, the data for the reporting period of the Action Plan should exist. These data is not yet published during the monitoring period. Taking these circumstances into consideration the improved score in 2019 open budget index cannot be considered as the achievement of target indicator, as it related to 2017-2018. Therefore, measuring the achievement of mentioned outcome indicator for the purposes of 2-year monitoring of 2019-2020 Action Plan **is impossible**. Same is true for the implementation of the objective.

Activity 5.3.1: ensure accessibility of Guidelines for citizens on budget doc-

¹¹¹ Open Budget Survey, available at: <https://bit.ly/2RzDOLA>, updated on: 21.05.2021.

¹¹² Open Budget Survey 2017: Georgia.

¹¹³ Open Budget Survey 2019: Georgia.

umentation, including the law on State budget, its performance reports and BDD

Output indicator:

Budget documentation in editable format is available on the website of the Ministry of Finance

Additional output indicator: increased number of users of the Ministry of Finance website

Activity implementation status: mostly implemented

The 1 activity of the 3 objective is assessed quantitatively, by one output indicator.

Budget documentation, such as the State Budget Law, BDD document, consolidated budget, information on debt and others, are available in an editable format – in MS Word and Excel – on the Ministry of Finance website. In addition, in 2019-2020 the Ministry prepared citizen guides for 2020 and 2021 State budget laws, respectively.¹¹⁴ Their aim is to inform the society about key issues around the budget. The published documentation contains the following information:

- What does the term ‘budget’ stand for;
- What are the components of the budget system;
- Levels of the budgetary process;
- Legal basis for conducting the budgetary process;
- Recent reforms in the direction of public finance management;
- Priority directions of 2020 state budget.¹¹⁵

The Ministry of Finance has also developed brief information/brochures¹¹⁶ about 2020 and 2021 budgets for citizens.¹¹⁷ All the afore-mentioned documents are publicly available on the website of Ministry of Finance in the section of Citizen Guides.

However, the publication of documentation in editable format is not sufficient to verify

¹¹⁴ Citizen Guide – 2020 State Budget Law, The Ministry of Finance of Georgia, The Ministry of Finance website, available at: <https://bit.ly/3v2kifD>, updated on: 21.05.2021.

¹¹⁵ *Ibid.*

¹¹⁶ ‘Budget 2020’, The Ministry of Finance of Georgia, The Ministry of Finance website, available at: <https://bit.ly/35yNki0>, updated on: 21.05.2021.

¹¹⁷ Citizen Guide – 2020 State Budget Law.

the objective of accessibility for citizens. Therefore the monitoring group has defined additional output indicator for measuring the accessibility of budgetary documentation: increased number of users of the Ministry of Finance website. This indicator allows to assess the interest of citizens in budget and related information, as well as to identify the growing trend of this interest compared to previous year. It will also verify the accessibility to citizens and the accountability of the responsible agency.

According to the information received from the Ministry of Finance, the number of users interested in different budget documentation was as follows: ¹¹⁸

	2019	2020
CITIZEN GUIDES	2,003	2,630
STATE BUDGET	17,850	27,862
IMPLEMENTATION REPORTS	2,551	2,423
BDD DOCUMENT	4,014	3,933
PUBLIC FINANCE MANAGEMENT	1,497	2,068

As confirmed by the data, in 2020, the interest in 2 out of 5 documents has decreased compared to previous year. Therefore, taking the additional indicator into consideration, as of 2020, the activity can be considered as **mostly implemented**.

Activity 5.3.2: Develop Citizen Participation mechanisms on the website of MoF that enable citizens to plan next year's budget by priorities or spending agencies¹¹⁹

Output indicator:

A platform that enables citizens to participate in budget planning process is developed

Additional indicator: '1/5 of users registered on the electronic platform of budget transparency and participation, actually use the platform'.

Activity implementation status: partly implemented

There is one output indicator for the 2nd activity of the 3rd objective, which assesses

¹¹⁸ Letter N08-02/60481 of 17 May 2021 of the Ministry of Finance of Georgia

¹¹⁹ Even though the deadline for the activity implementation is defined as 2020, the responsible agency started implementation earlier.

it qualitatively.

With the support of USAID, the Ministry of Finance has developed eBTPS – electronic Budget Transparency and Participation System, for which a separate website has been created.¹²⁰ Through this website, all stakeholders are able to get information about the state budget, main priorities of the country, budget programs and to plan it according to own views. This activity was, by Plan, envisaged for the 4th quarter of 2020, but was implemented in 2019. As well as the accessibility indicator, the creation of the platform is not sufficient for measuring whether citizen engagement in budget planning process is ensured. In order to measure this, it is necessary to add such an indicator, that would determine how many citizens used this platforms, the rate of editing document, number of comments added etc. Therefore, the monitoring group developed an additional output indicator, that will measure how well the citizen participation mechanism is functioning: 1/5 of users registered on electronic Budget Planning and Participation System actually use the platform. The proposed share is not so unreal or artificial, to not be achieved.

According to the Ministry of Finance, 81 users are registered on an electronic platform, while the budget planning mechanism was used by 7 of them.¹²¹ This data reveals that this system is not yet popular among citizens. In addition, as it turned out at the meeting with the Ministry of Finance, the portal is still operating in a pilot mode and its popularization is planned for the future, supposedly increasing the number of users.¹²² Despite very low rate of the usage of portal, its existence and citizens' ability to use it in practice, indicate the **partial implementation** of 2nd output indicator of the 3rd objective and of the activity itself. It should be noted that the responsible agency shall carry on the implementation of the activity in the future and focus on the rate of actual apply of the portal.

¹²⁰ eBTPS Budget Transparency and Participation System website, the Ministry of Finance of Georgia, available at: <https://bit.ly/3c3Sk9D>, updated on: 21.05.2021.

¹²¹ Letter N08-02/60481 of 17 May 2021 of the Ministry of Finance of Georgia.

¹²² Interview with the representatives of the Ministry of Finance of Georgia.



5. CONCLUSION AND RECOMMENDATIONS

ment Reform Action Plan none are unimplemented and this is welcomed. However, partially implemented indicators, that require additional work, still remain. Several measures that needed to be completed in 2020 are still in an active phase and will, supposedly move to the next plan. This indicates inadequate timelines for the implementation of foreseen activities. For several indicators, monitoring deemed to be impossible, since the issuance of documentation verifying their implementation did not coincide with the monitoring period. Therefore, the report was unable to determine implementation status for relevant objectives.

In order to eliminate gaps revealed as a result of monitoring and for the consideration of next action plans, the present report offers following recommendations to the agencies responsible for the coordination and implementation of the reform:

- ▶ The Roadmap, as a strategic policy document of public administration should not be limited by the implementation of a specific Action Plan only;
- ▶ Activities and indicators envisaged by the Action Plan should be sufficient for the implementation of relevant objectives and for the achievement of goals. Their partial inclusion negatively affects the implementation status of activities and objectives since, on the one hand, they are not measurable and, on the other hand, they do not provide sufficient ground for the consideration of an objective/activity as implemented;
- ▶ In order to ensure the awareness of citizens about budgetary documentation and their participation in budget planning process, the Action Plan should include indicators that indicate positive trends in this direction. It is also necessary to popularize relevant portals;
- ▶ The Action Plan should not include indicators that are not specific and measurable, the indicators should also be sufficient for verifying the implementation of the activity and objective;
- ▶ Several measures envisaged by 2019-2020 Action Plan are still in an active phase, even though their completion was planned for the final quarter of the 2-year period. Therefore, it is necessary that each agency rationally determined deadlines for remaining activities, in order to avoid the termination of deadlines;
- ▶ In a 2-year Action plan the government should distribute activities between the quarters as evenly as possible, to allow the assessment of implementation progress in interim periods;
- ▶ The Government should avoid duplicating objectives/activities across different documents;
- ▶ The Government should consider new ambitious objectives for the direction of finance management of the Public Administration Reform.

