

# EXPENDITURES OF CONTINGENCY FUNDS OF LOCAL MUNICIPALITIES IN 2020



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## Table of Contents

Spending of Reserve Funds of Local-Self Governments in 2020 .....	1
Main Findings.....	4
Introduction .....	6
Municipalities with the Highest Reserve Fund Expenditures .....	7
Tbilisi .....	7
Batumi.....	10
Rustavi.....	11
Kutaisi.....	12
Overview of Expenditures from Reserve Funds of Other Municipalities .....	13
Spending Categories of Municipal Reserve Funds.....	19
Funds Allocated to the Fight Against the Covid-19 Pandemic.....	20
Funds Allocated for Financial Assistance .....	23
Funds Allocated for the Reimbursement of the Damages Caused by Natural Disasters or Other Accidents.....	24
Funds Allocated for Capital Works.....	26
Conclusion.....	27

## Main Findings

- ❖ In 2020, GEL 14.7 million were spent from the reserve funds of 54 municipalities.
- ❖ In 2020, 63% (9.26 million GEL) of the expenditures from the reserve funds of 54 municipalities were from the reserve funds of the 4 largest cities (Tbilisi - 6.21 million GEL, Batumi - 1.25 million GEL, Rustavi - 1.18 million GEL, Kutaisi - 620 thousand GEL).
- ❖ The largest amount of expenditures from the Tbilisi Reserve Fund (GEL 2,404,700) was spent on various measures aimed at preventing the spread of the novel coronavirus. For example, a total of GEL 724,064.20 was spent to purchase anti-infectives for the protection of City Hall employees.
- ❖ In 2020, despite an increase 1.6 million in the Tbilisi Reserve Fund compared to the previous year, the reimbursement of medical expenses of citizens from the Reserve Fund was reduced by 26%, largely due to the significant amount of money being spent on various types of measures directed against COVID-19.
- ❖ 1.09 million GEL was spent on material assistance for citizens from the reserve fund of Batumi Municipality, and 151.5 thousand GEL was spent on transportation of citizens from quarantine areas.
- ❖ In 2020, the reserve fund of Rustavi Municipality grew by 836 thousand GEL compared to the previous year, which was then spent, for the most part, on activities carried out within the context of the Coronavirus pandemic.
- ❖ In 2020, about 90% (555.9 thousand GEL) of the Kutaisi Municipality Reserve Fund was spent on material assistance to citizens.
- ❖ Of the other 50 municipalities' reserve funds, 28% (GEL 1.54 million) was spent in 2020 to fund various activities aimed at combating the pandemic, 23% (GEL 1.24 million) on material assistance for citizens, and 14% (GEL 744.2 thousand) on the reimbursement for losses caused disasters or other accidents, 8% (425.4 thousand GEL) on various capital expenditures, and in the case of the remaining 27%, the purpose of the expenditures is completely unknown.
- ❖ The low utilization rates of reserve funds in a number of municipalities were a significant problem in the context of the coronavirus pandemic. For instance, no expenditures were made from the Mtskheta Municipality Reserve Fund.
- ❖ In 2020, capital projects, the purposes of which did not entail an inability to take them into account in the budget planning process and, consequently, the need to finance them from the reserve, were financed from the reserve funds of various municipalities.

- ❖ Information on the management of reserve funds by municipalities is recorded inconsistently in the budget documentation, which is mostly related to the cases of transferring funds from the budget reserve fund allocations to other program codes.
- ❖ Conflicting data on the management of reserve funds have been publicly disclosed by individual municipalities.
- ❖ The current legislation does not include important regulations pertaining to the management of reserve funds. This creates risks of misuse of finances and unsubstantiated spending of budget funds.

## Introduction

The state budget of Georgia includes reserve funds, the purpose of which is to cover unforeseen expenses incurred during the year. As with the state budget, reserve funds are also included as part of the budgets of local self-government units.

The reserve fund of a local self-government unit encompasses the funds allocated by the municipal budget for the purposes of financing unforeseen, emergency, and other events of local importance. Therefore, the purpose of the reserve fund is to cover expenses incurred during the year that could not be taken into account due to objective circumstances in the budget planning process, such as natural disasters, epidemics, environmental and other disasters. Consequently, the situation created by the Covid-19 virus pandemic in 2020 necessitated the financing of certain measures to fight the virus from the reserve funds.

IDFI studied the practice of spending the reserve funds of local self-government units in 2020. The analysis of the expenditure of the reserve funds discussed in the study is based on the data reflected in the budget spending reports of the municipalities. The study also utilized information on current expenditures from reserve funds that had been requested from municipalities in September 2020. Out of 64 municipalities, 9 municipalities left IDFI's request regarding the reserve funds unanswered. Specifically, the city halls of the municipalities of Adigeni, Akhalkalaki, Akhmeta, Akhmeta, Bolnisi, Lanchkhuti, Lentekhi, Sighnaghi, Shuakhevi, and Kharagauli neglected the obligation to provide public information as prescribed by the legislation of Georgia.

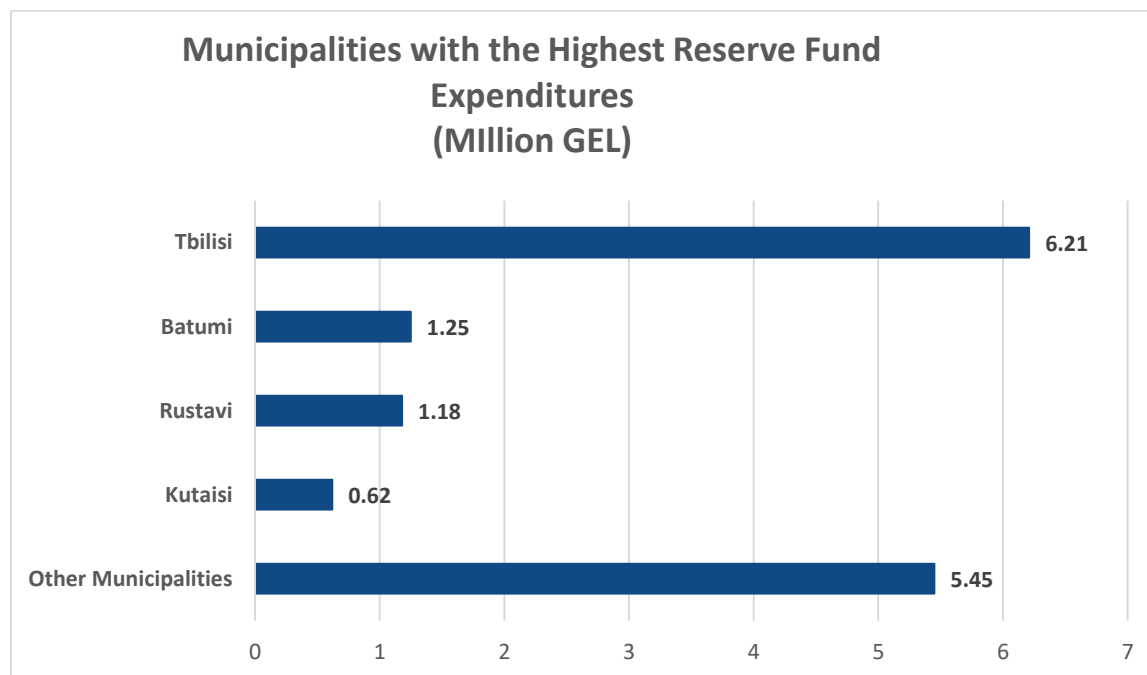
It should also be noted that, in the case of 6 municipalities, the information provided to IDFI regarding the expenditures from the reserve funds was incomplete. For example, the mayors of Chokhatauri and Tsalka provided IDFI with only a list of measures for which funds were allocated from the reserve fund, although no information was provided on the precise allocation of funds for each of these. In other cases, the municipalities did not indicate the exact purpose of the funds spent from the reserve funds.

The research process was also significantly complicated by the inconsistent practice of accounting for expenditures from reserve funds by local governments in 2020. In particular, within the context of the pandemic, a program of emergency measures was created in the budgets of individual municipalities, where a certain part of the funds was allocated from the reserve funds. As a result, the information on the expenditures from the reserve funds under the new program were inconsistently reflected in the narrative of the budget spending reports as well as in the information provided to IDFI.

Given these circumstances, IDFI analyzed information on expenditures totaling GEL 14.7 million from the reserve funds of 54 municipalities. Among them, in the case of 48 municipalities, it was possible to break down the expenditures from the reserve funds into specific categories. Namely, the analysis covers issues such as: funds allocated for financial assistance, funds for the fight against the Covid-19 pandemic, funds allocated to compensate for damage caused by natural disasters or other accidents, funds allocated for capital works, and other costs.

## Municipalities with the Highest Reserve Fund Expenditures

In 2020, 63% (GEL 9.26 million) of the total expenditures (GEL 14.7 million) from the reserve funds of 54 municipalities originated from the reserve funds of budgets of the 4 largest cities. More specifically, in 2020, 6.21 million GEL was spent from the Tbilisi Reserve Fund, Batumi - 1.25 million GEL, Rustavi - 1.18 million GEL, and Kutaisi - 620 thousand GEL.



### Tbilisi

In 2020, Tbilisi City Hall allocated 6.4 million GEL for various expenditures from the reserve fund, of which a total of 6.2 million GEL was utilized.

The largest amount of expenditures from the reserve fund, namely 2.4 million GEL, was spent on various measures to prevent the spread of the novel coronavirus COVID-19 in Georgia. Among them:

- **724 thousand GEL** - with the goal of preventing the spread of COVID-19, to purchase anti-infectives for the employees of the Tbilisi City Hall system.
- **170.7 thousand GEL** - transportation of medical personnel and citizens in quarantine zones.
- **80 thousand GEL** - reimbursement of the costs of the specific laboratory polymerase chain reaction (PCR) research service for the employees of the Tbilisi City Hall.
- **75 thousand GEL** - treatment/disinfection of Tbilisi streets (spraying with the so-called cold spray disinfectant solution).
- **56 thousand GEL** - minibus service in order to provide free meals for the beneficiaries of free diners at their residential addresses.

- **16 thousand GEL** - purchasing household detergents for cleaning and washing the streets of Tbilisi.
- **1.16 million GEL (on average, 64 GEL per family)** - taking into account the difficulties caused by COVID-19, during the New Year's Eve period, the one-time provision of food and personal items for 18 thousand socially vulnerable families.

The second largest amount from the Tbilisi Reserve Fund was allocated to the reimbursement of the costs of various medical services to citizens - 1,369,200 GEL. The amount of one-time funding to reimburse medical expenses to citizens varied between 400 and 30,000 GEL. The largest amount of GEL 30,000 in funding for treatment abroad was disbursed to 11 individuals.

The following category includes accidents (fires, explosions due to natural gas leaks, etc.), restoration of damaged houses, purchase, installation, and restoration of damaged elevators, rent, hotel, and other expenses for the affected population, for which a total of 1,338,700 GEL was spent. Among them, the owner of the vehicle damaged as a result of a tree fall on Tamarashvili Street in Vake district received a compensation for the material damage in the amount of 33,000 GEL. In addition, 500 thousand GEL was spent in the form of financial assistance from the reserve fund to the traders affected by the fire in the territory of "Varketili-96" Ltd on June 15, 2020. 227.8 thousand GEL was allocated for insuring the M2 category buses purchased by the Tbilisi Transport Company.

281.8 thousand GEL was allocated for Tbiliservice Group Ltd. from the Tbilisi Reserve Fund to restore the damaged projector of the television tower lights.

171.4 thousand GEL was spent to cover the debt for the cost of drinking water consumed by socially vulnerable beneficiaries. 101.8 thousand GEL was allocated to the reimbursement of the costs of ritual funeral services (various events) for citizens.

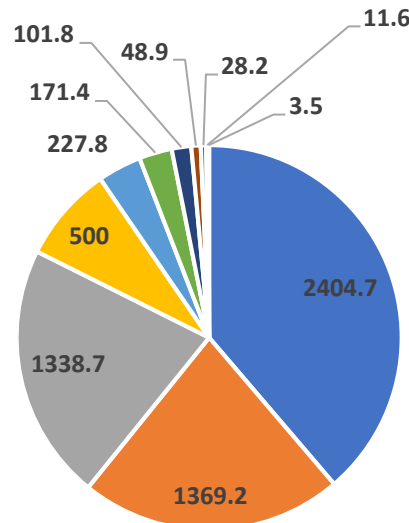
The next category financial assistance allocated to citizens in the amount of 48.9 thousand GEL (the largest one-time assistance was allocated to the citizen B. D. in the amount of 30 thousand GEL). The categories with the lowest allocations are distributed as follows: 28.2 thousand GEL for the promotion of various organizations and events, 11.6 thousand GEL 26 for the purchase of gift baskets for different categories of beneficiaries, and 3.5 thousand GEL was allocated to the citizen N. Dz. to fund tuition.<sup>1</sup>

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<sup>1</sup> Annual budget spending report for 2020 of the municipality of Tbilisi



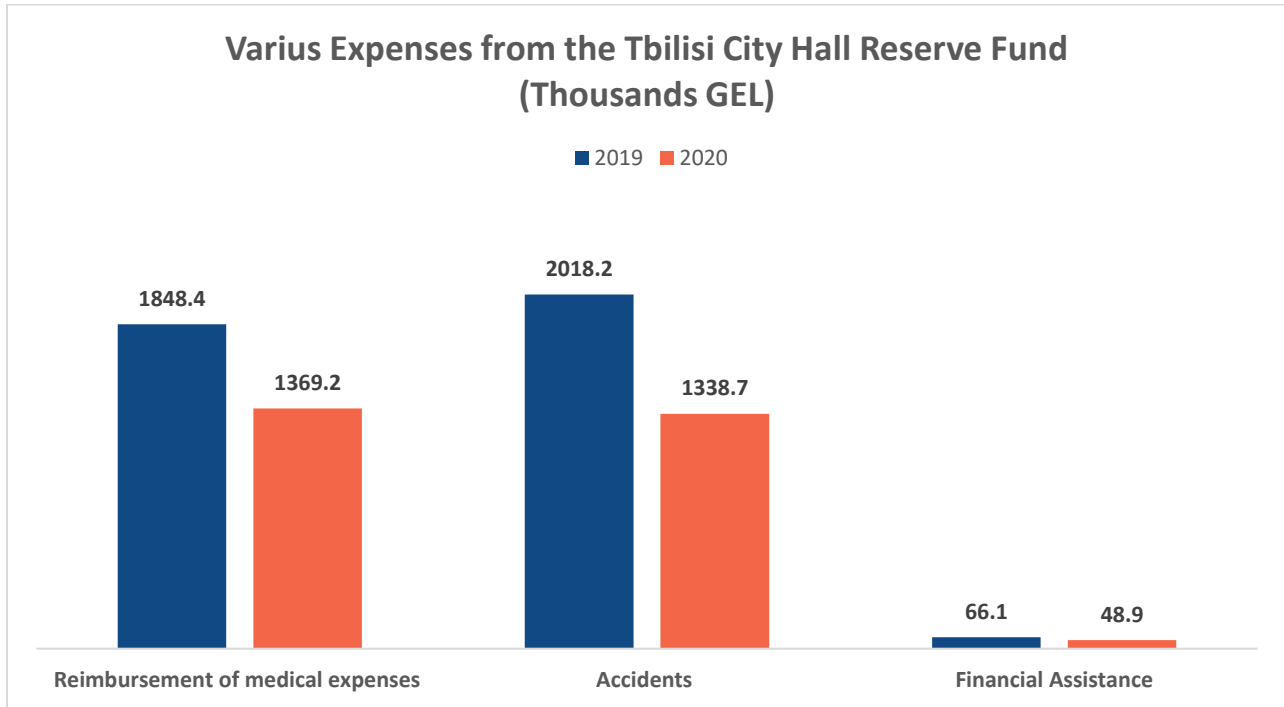
### 2020 Expenditures from the Reserve Fund of Tbilisi budget



- Implement various measures to prevent the spread of the novel coronavirus COVID-19 in Georgia
- Reimbursement of the costs of various medical services
- Accidents
- Financial Assistance to Traders Affected by the Fire in the Territory of Varketili-96 Ltd
- M2 category bus insurance
- Repay debt for the cost of drinking water consumed by socially vulnerable beneficiaries
- Ritual services for the burial of citizens
- Financial assistance to citizens
- Supporting various organizations and events
- Purchase 26 gift baskets for different categories of beneficiaries
- Funding for citizens' education

The volume of the expenditures from the Reserve Fund of the Tbilisi City Hall in 2020 (6.2 million GEL) is about 1.6 million GEL larger than the volume of expenditures in 2019 (4.6 million GEL). Despite the increase in the reserve fund in 2020, the reimbursement of medical expenses of citizens decreased by 26%, the expenses for assistance to the population affected by accidents decreased by 33%, and the financial assistance of citizens decreased by 26% as compared to the previous year.

Against the background of a significant increase in the reserve fund, this kind of reduction in social spending is likely to be due largely to the significant amount - GEL 2.4 million - allocated to the various types of measures against COVID-19.



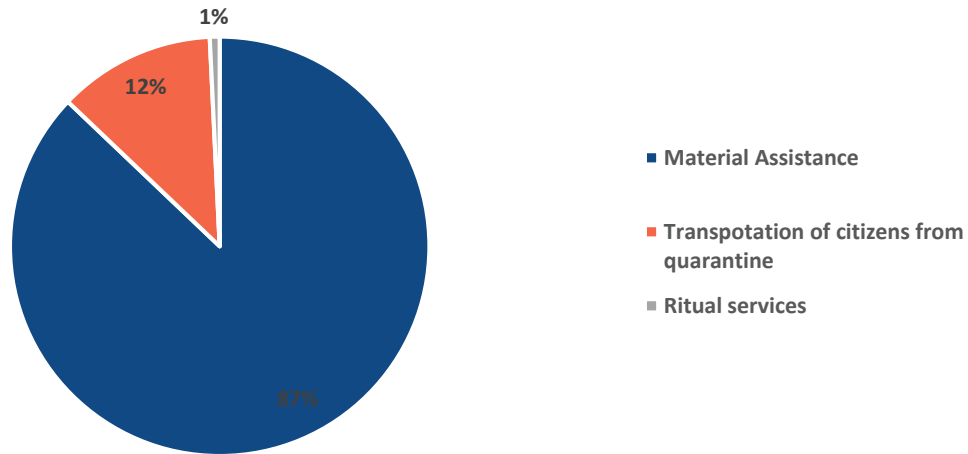
## Batumi

In 2020, the Batumi City Hall allocated GEL 1,250,000 from the reserve fund, of which a total of GEL 1,247,832 was utilized. 87% of the expenditures from the Batumi Reserve Fund (1.09 million GEL) were spent on material assistance to citizens. Among these funds, 642 thousand GEL was spent on social assistance for socially vulnerable and other persons living in the territory of the Batumi Municipality, and the remaining 446.5 thousand GEL was spent on assistance to citizens affected by natural disasters, as well as to provide housing for citizens living in damaged houses and ensure that there would be no interruptions to restoration works.

The one-time largest amount (201,068 GEL) for social assistance to the socially vulnerable and other persons was disbursed on 27 August 2020. This occasion may be related to the deterioration of the pandemic situation in Batumi Municipality during that period.

The rest of the money from the Reserve Fund of Batumi Municipality was spent on transportation of citizens from quarantine areas (151.5 thousand GEL) and ritual services required for the burial of coronavirus victims (9.5 thousand GEL).

### Expenditures of the Batumi City Hall Reserve Fund - 2020



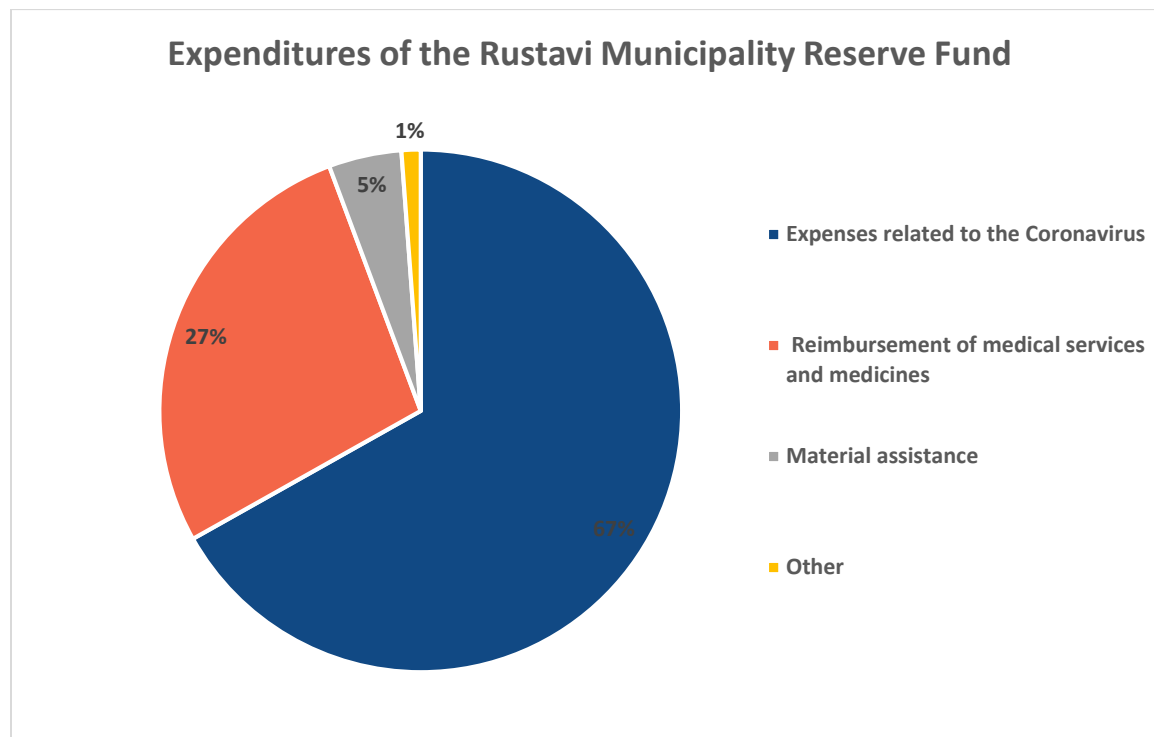
Despite the situation posed by the coronavirus pandemic, the expenses incurred from the Batumi City Hall Reserve Fund in 2020 are 140 thousand GEL less than the 2019 expenses (1.39 million) GEL. In 2019 as well, the largest share of the reserve funds of the Batumi Municipality (93%) were spent on one-time material assistance.

### Rustavi

In 2020, the City Hall of Rustavi Municipality allocated 1.24 million GEL from the reserve fund, of which a total of 1.18 million GEL was utilized., 67% of the reserve fund expenditures (789.9 thousand GEL) for the year were related to the coronavirus pandemic. According to the information in the budget spending report published by Rustavi City Hall, GEL 200,000 of this amount was spent on food aid to citizens during the coronavirus pandemic, 43.7 thousand GEL was spent to provide the population with the necessary medicines in the circumstances created due to the spread of the coronavirus, and 5.2 thousand GEL - to cover the Internet tax to facilitate distance learning for schoolchildren. When it comes to the remaining 541 thousand GEL related to the coronavirus pandemic, it was indicated that the funds were spent on the measures to be taken to prevent the spread of the coronavirus, although it was not specified exactly what kind of measures were funded.

In addition to the expenses related to the coronavirus pandemic, 324.3 thousand GEL was spent from the Reserve Fund of the Rustavi Municipality to reimburse the cost of medical services and medicines to the citizens, while 53.3 thousand GEL was allocated to various types of material assistance, including assistance to citizens affected by fires.

In terms of financing medical services, the lump sums allocated from the reserve fund, for the most part, range between 100 GEL and 2,000 GEL. In only three cases did the amount allocated for this purpose exceed GEL 2,000. Specifically, in one case medical services were funded with 10,000 GEL, in the second case the cost of medicines was reimbursed in the amount of 6,000 GEL, and in the third case the reimbursement for medical services amounted to 4,000 GEL.



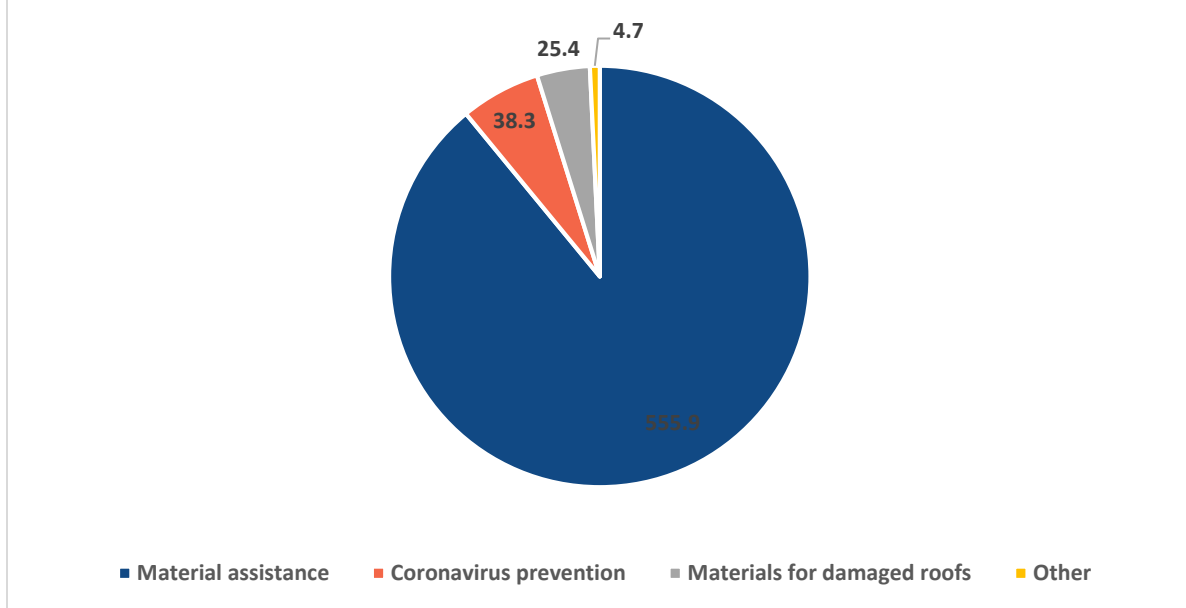
In 2019, the expenses disbursed from the reserve fund of Rustavi Municipality amounted to 344.2 thousand GEL. Accordingly, in 2020, the Rustavi Reserve Fund increased by 836 thousand GEL, which, as shown above, was mostly spent on activities carried out within the context of the Coronavirus pandemic.

### Kutaisi

In 2020, the budget of Kutaisi Municipality provided 640 thousand GEL for the reserve fund, of which 624.3 thousand GEL has been spent. Approximately 90% of this amount (555.9 thousand GEL) was spent on material assistance to citizens.

According to the budget report, in order to prevent the potential spread of the Coronavirus (Covid-19), 38.3 thousand GEL was spent from the reserve fund, and among the remaining 30 thousand GEL, 25.4 thousand was spent on the purchase of materials for damaged roofs of various residential buildings.

### Expenditures of the Kutaisi Municipality Reserve Fund in 2020 (Thousands GEL)

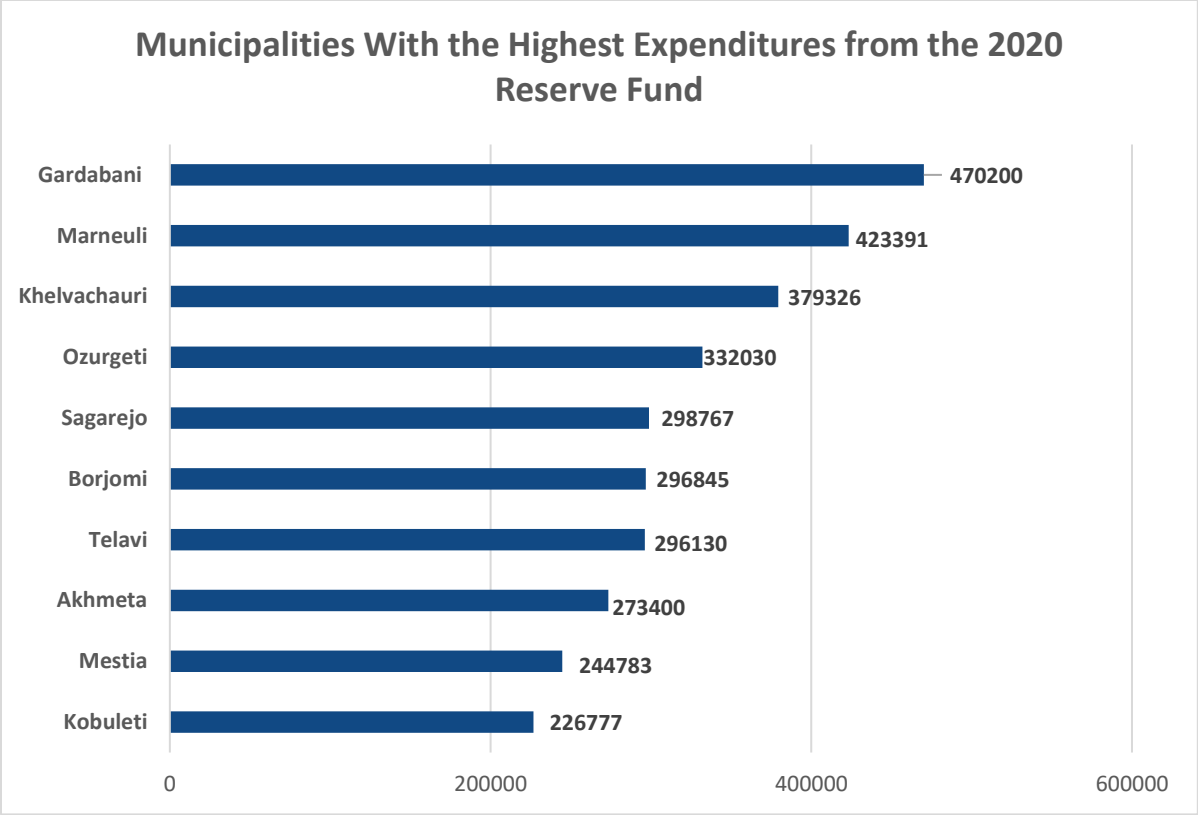


In 2019, the expenditures from the reserve fund of Kutaisi Municipality amounted to 586.5 thousand GEL. Accordingly, in 2020, the reserve fund expenditure increased by about 6% as compared to the previous year. Unfortunately, the 2019 municipal budget report does not reflect the purpose of the expenditures from the reserve fund, therefore, it is not possible to carry out an analysis comparing it with the previous year in this regard.

### Overview of Expenditures from Reserve Funds of Other Municipalities

As a result of the analysis of the municipal budget spending reports and the received public data, IDFI was able to find more or less complete information on the 2020 expenditures from the reserve funds of 50 municipalities, the total amount of which is 5.45 million GEL.

Among these, the most was spent by the Gardabani Municipality - 470.2 thousand GEL. The second place in this regard was taken by Marneuli Municipality - 423.4 thousand GEL. Khelvachauri municipality is in the third place, with 379.3 thousand GEL spent.



A study of the approved budgets of municipalities for 2020 and their spending reports reveals that the complete reflection of information on the management of reserve funds in the budget documentation is a significant problem. This kind of problem is primarily related to the instances of transferring money from the reserve funds to other program codes.

In the rules established by the municipalities regarding the management of reserve funds, we often find a provision, according to which it is prohibited to allocate funds from the reserve fund for such programs, sub-programs, and activities that can be included in the planning of the local budget. Therefore, the use of a reserve fund for a specific program direction requires the transfer of funds to another allocation. According to the Budget Code of Georgia, changes in allocations and among the budget priorities of the local self-government unit are possible only by making changes in the approved annual budget. This restriction does not apply to the allocations under the reserve fund article, which, according to local rules, is specified in the next change of the budget for another purpose based on the order of the mayor.

Local self-governments record the transfer of funds from the reserve fund to other budget programs in the budget documentation in an inconsistent and heterogenous manner, which greatly complicates the analysis of reserve fund planning, adjustment, and execution policies. For example, according to the 2020 budget plan of Sagarejo Municipality, 250 thousand GEL was allocated for the reserve fund. This amount was later adjusted to 7.1 thousand GEL, and according to the program code of the Reserve Fund, the actual expenditure for 2020 was 0 GEL. According to the public information received from Sagarejo Municipality, as well as the narrative report on the spending of the 2020 Sagarejo budget, 298.8 GEL has been spent from the reserve fund. Thereby, during the year, the resources of the reserve fund were directed to other program budget codes, which were no longer reflected in the adjusted and factual utilized amounts. In the case of Marneuli Municipality, the initially planned amount for the reserve fund

was 150 thousand GEL, which was later adjusted to 464 thousand GEL. According to the 2020 budget spending report of Marneuli Municipality, the resources of the reserve fund were used to allocate funds to the codes of various budget programs. Nevertheless, the budget documents of Marneuli indicate that, according to the program code of the Reserve Fund, the factual expenditure for 2020 amounted to 423.4 thousand GEL.

The inconsistent practice of accounting of information related to the management of reserve funds became especially visible in 2020, when new budget, emergency measures programs were created by individual municipalities within the context of the pandemic, wherein a certain part of the funds was allocated from the reserve funds.

<b>Planned Indicators of the Largest Municipal Reserve Funds (Thousands GEL)</b>			
	<b>Plan</b>	<b>Adjustment</b>	<b>Expenditures Made With the Resources of the Reserve Fund</b>
<b>Gardabani</b>	140.0	540.0	470.2*
<b>Marneuli</b>	150.0	464.0	423.4
<b>Khelvachauri</b>	310.0	391.9	379.3
<b>Ozurgeti</b>	350.0	350.0	332.0
<b>Sagarejo</b>	250.0	7.1	298.8
<b>Borjomi</b>	200.0	4.3	296.8*
<b>Telavi</b>	100.0	3.2	296.1
<b>Akhmeta</b>	120.0	280.0	273.4
<b>Mestia</b>	200.0	249.6	244.8
<b>Kobuleti</b>	150.0	310.0	226.8*

\*The data does not reflect the full year

Unsystematized accounting for the use of reserve funds has facilitated the availability of mutually exclusive data in the example of certain municipalities. For instance, the 2020 budget plan of Gori Municipality provided 181.9 thousand GEL for the reserve fund, which was later adjusted to 58.4 thousand GEL. According to the implementation of the budget allocations of the municipality, no funds were spent from the reserve fund. In the same document we find a record, according to which, by the order of the mayor, a total of 14.3 thousand GEL was allocated from the reserve fund for measures aimed at handling natural disasters on January 31 and June 10. At the same time, in response to a public information request, on October 19, 2020, the Gori Municipality City Hall informed IDFI that in 2020 no expenditures were made from the reserve fund. Against the background of the mentioned data, the Mayor of Gori

Municipality, while talking to the media, mentioned that he allocated 200 thousand GEL from the City Hall Reserve Fund to the fight against the pandemic.

01 02	საერთო დანიშნულების ხარჯები	1,101.1	8,0	1 093,1	910,5	8,0	902,5
	ხარჯები	680.2	8,0	672,2	548,1	8,0	540,1
	არაფინანსური აქტივების ზრდა	58.4	0,0	58,4	0,0	0,0	
	ვალდებულებების კლება	362.5	0,0	362,5	362,4	0,0	362,4
01 02 01	სარეზერვო ფონდი	58.4	0,0	58,4	0,0	0,0	0,0
	არაფინანსური აქტივების ზრდა	58.4	0,0	0,0	0,0	0,0	0,0
	წინა წლებში წარმოქმნილი						

Excerpt from the 2020 Budget Spending Report of the Gori Municipality

საანგარიშო პერიოდში მუნიციპალიტეტის სარეზერვო ფონდიდან მუნიციპალიტეტის მერის 31 იანვრის №819-ს ბრძანებით და 10 ივნისის №3477-ს ბრძანებით განხორციელდა სტიქიის სალიკვიდაციო ღონისძიებების დაფინანსება. კერძოდ: სოფელ ორმოცში ხანძრის სალიკვიდაციო მომსახურების ანაზღაურება 3 600 ლარის ოდენობით და ქ. გორში სტალინის ქუჩაზე მდებარე №1 საცხოვრებელი კორპუსის დაზიანებული სახურავის რეაბილიტაცია 10 704 ლარის ოდენობით.

Excerpt from the 2020 Budget Spending Report of the Gori Municipality





## გორის მუნიციპალიტეტის მერია



წერილის ნომერი: 20-202029081  
თარიღი: 19/10/2020  
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გადაამოწმეთ: [document.municipal.gov.ge](http://document.municipal.gov.ge)

ბატონო გიორგი,

თქვენი განცხადების პასუხად (№FOI09/20-063, 09.09.2020, მერიის რეგ. №20162, 14.09.2020) წარმოგიდგინებ ინფორმაციას პუნქტობრივად და განვიმარტავთ:

7. გორის მუნიციპალიტეტის მერიას ტანამდებობის პირებზე გაპიროვნებული 2 ავტომობილი აქვს. მათგან TOYOTA CAMRY-ის წვის საშუალო მანქანებელი 9-12 ლიტრია 100 კმ-ზე, ხოლო TOYOTA PRADO-სი- 16-20 ლიტრი. აღნიშნული ავტომობილების მიერ გავლილი კილომეტრაჟის აღრიცხვა არ წარმოებს;

8. გორის მუნიციპალიტეტის სარეზერვო ხარჯებიდან 2020 წელს თანხა არ გახარჯულა;

### Response of the Gori Municipality City Hall to IDFI's Public Information Request Regarding 2020 Expenditures from the Reserve Fund

*"პანდემიის პერიოდში თანხების გადატანა სარეზერვო ფონდიდან მოხდა, 200 000 ლარი გადავიტანეთ. სპეციალური, ორგანიზაციული კოდი შეიქმნა ამ პანდემიასთან დაკავშირებით და იქ იყო ეს თანხა, მაგრამ მთლიანად არ დახარჯულა, რამდენადაც ვიცი 100 000 ლარია დარჩენილი კიდევ და თუ მოითხოვა სიტუაციამ მეორე ტალღის შემთხვევაში, ამ დარჩენილ თანხასაც აითვისებს მუნიციპალიტეტი. ამაში საკრებულო აღარ სჭირდება მერიას, შეუძლია ბრძანებით გადაიტანოს სარეზერვო თანხა, საგანგებო სიტუაცია აძლევს ამის უფლებას", - თქვა დავი რაზმაძემ*

### Excerpt from the Gori City Hall Interview Regarding the Management of the 2020 Reserve Fund

According to the Tsalenjikha Municipality 2020 budget spending report, a total of 7.9 thousand GEL was allocated from the reserve fund, of which 5 thousand GEL was transferred to the targeted code of emergency measures, and 2.9 thousand GEL - to the program code of the City Hall for the measures aimed at regulating the populations of wolves and golden jackals. Considering the transfer of funds from the mayor's reserve fund to other program codes, the planned amount of the reserve fund was adjusted from 30 thousand GEL to 22 thousand GEL, from which, according to the report, the expenses were no longer incurred. In response to a public information request from IDFI, Tsalenjikha Municipality provided a completely different estimate of the management of the reserve fund. Specifically, according to the information provided on September 22, 2020, GEL 54,054 had already been spent from the reserve fund. Of which, in addition to the above costs, GEL 46,109 was spent on funding various activities related to the pandemic. Among them: 32,500 GEL - various food products, 7,495 - disinfectants, bio-toilet services - 3,354 GEL, and more.

**სარეზერვო ფონდის (პროგრამული კოდი 01 02 01)** გეგმა 2020 წლის ბიუჯეტში განისაზღვრებოდა 30.0 ათასი ლარით, საანგარიშო პერიოდში სარეზერვო ფონდიდან გამოიყო 7.9 ათასი ლარი, აქედან წალენჯიხის მუნიციპალიტეტის მერის 11.03.2020წ N2-1/107 და 24.03.2020 წ N2-1/126 ბრძანებით 5.0 ათასი ლარი გადატანილ იქნა 01 02 06 საგანგებო მდგომარეობასთან დაკავშირებულ ღონისძიებათა მიზნობრივი პროგრამის კოდზე წალენჯიხის მუნიციპალიტეტში ახალი კორონავირუსის შესაძლო გავრცელების აღსაკვეთად შენობა ნაგებობების, სპეციალური სადებინფექციო საშუალებებით დამუშავების მომსახურების შესყიდვის მიზნით, წალენჯიხის მუნიციპალიტეტის მერის 01.07.2020წ N2-1/272 ბრძანებით 2.9 ათასი ლარი გადატანილ იქნა 01 01 02 მუნიციპალიტეტის მერიის ორგ. კოდზე წალენჯიხის მუნიციპალიტეტის ტერიტორიაზე მგლისა და ტურას რაოდენობის რეგულირების ღონისძიების განხორციელების მიზნით.



პროგ.კოდი	დასახელება	დამტკიცებული	ცვლილება 1	სხვაობა (+/-)	ცვლილება 2	სხვაობა (+/-)	სულ სხვაობა (+/-)	საფუძველი
01 01 02	მუნიციპალიტეტის მერია	1994.9	1994.9	0	1997.8	2.9	2.9	1) მერის ბრძანება #2-1/272 01.07.2020წ
01 02 01	სარეზერვო ფონდი	30	25	-5.0	22.1	-2.9	-7.9	მერის ბრძანება #2-1/107 #2-1/126 #2-1/272

ორგ.კოდი	დასახელება	2020 წლის გეგმა	2020 წლის ფაქტი	შესრულების %
01 00	მმართველობა და საერთო დანიშნულების ხარჯი	3139.2	3010.0	96%
01 01 01	მუნიციპალიტეტის საკრებულო	663.0	676.48	102%
01 01 02	მუნიციპალიტეტის მერია	1964.8	1894.2	96%
01 01 03	სამხედრო აღრიცხვისა და გაწვევის სამსახური	100.4	93.2	93%
01 01 04	მუნიციპალიტეტის საჯარო მოხელეთა პროფესიული განვითარება	15.0	14.6	97%
01 02 01	სარეზერვო ფონდი	22.0	0	0%

2020 წელს სარეზერვო ფონდიდან გახარჯული თანხების ჩამონათვალი:

- 1) დებინფექციასთან დაკავშირებულ მომსახურებებზე გამოიყო და გაიხარჯა 4995 (ოთხიათასცხრაასოთხმოცდათხუთმეტი) ლარი. აღნიშნული თანხები გაიხარჯა საჯარო სკოლების, საბავშვო ბაღების, საჯარო დანესებულების შენობების ანტისეპტიკური ხსნარით დამუშავებაზე.
- 2) ნადირობასთან დაკავშირებული მომსახურებისთვის გამოიყო 2950 (ორიათასცხრაასორმოცდაათი) ლარი. ბუნებიდან მგლის და ტურის ამოღების მომსახურებაზე გაფორმებულია შესაბამისი ხელშეკრულება.
- 3) კორონა ვირუსის პანდემიის დროს დაფინანსებული ღონისძიებები:
  - ა) შენობა ნაგებობების სადებინფექციო სამუშაოები - 4995 ლარი
  - ბ) ერთჯერადი ხელთათმანები - 480 ლარი
  - გ) სადებინფექციო საშუალებები - 2500 ლარი
  - დ) დისტანციური თერმომეტრები - 2280 ლარი
  - ე) სხვადასხვა სახის საკვები პროდუქტები - 32500
- ვ) ბიო ტუალეტის მომსახურება - 3354 ლარი

**Information Regarding Expenditures From the Reserve Fund Provided by the Tsalenjikha Municipality on September 22, 2020.**

In the context of the coronavirus pandemic, in the light of the challenges facing residents in the municipalities, low rates of utilization of reserve funds in a number of them should be considered a significant problem. For example, according to the 2020 budget plan of Mtskheta Municipality, 280 thousand GEL was allocated for the reserve fund, which was later adjusted to 200 GEL, from which no funds were spent at all. The Samtredia Municipality Reserve Fund was planned at 150 thousand GEL, which was later adjusted to 145 thousand GEL, ultimately remaining unused. The discrepancy between the planned budget and the adjusted figure was likely to be directed at other budget allocations.

<b>Planned Indicators of Reserve Funds with Zero Expenses (Thousands GEL)</b>			
	<b>Plan</b>	<b>Adjustment</b>	<b>Fact</b>
<b>Mtskheta</b>	280.0	200.0	0
<b>Samtredia</b>	150.0	145.0	0

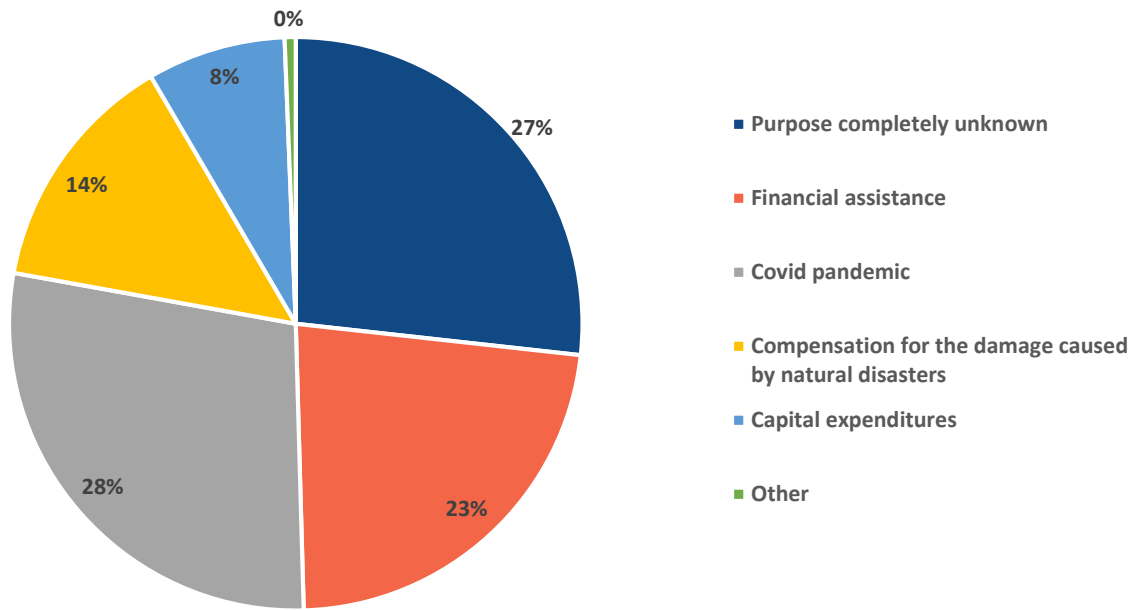
## Spending Categories of Municipal Reserve Funds

During 2020, the largest share of expenditures from the reserve funds of municipalities (except Tbilisi, Batumi, Kutaisi and Rustavi) - 28% (1.54 million GEL) - was spent on financing various measures aimed at managing the Covid-19 pandemic. 1.24 million GEL (23%) was spent on material assistance to the residents of municipalities (reimbursement of medical services, one-time financial assistance, assistance with food and construction materials, etc.). The amount allocated for compensation for damage caused by natural disasters or other accidents was GEL 747,188 (14%). Finally, GEL 425,416 (8%) was spent from reserve funds on various capital expenditures.

33.9 thousand GEL was allocated for expenses that do not fit into any of the above categories. For example, the Kobuleti Municipality allocated 15 thousand GEL for arable land, the Dmanisi Municipality allocated 2.5 thousand GEL from the reserve fund for the production of 100 copies of the book "Dmanisi City", while the Chiatura Municipality allocated 880 GEL for the 2020 membership dues for the European Regional Assembly.

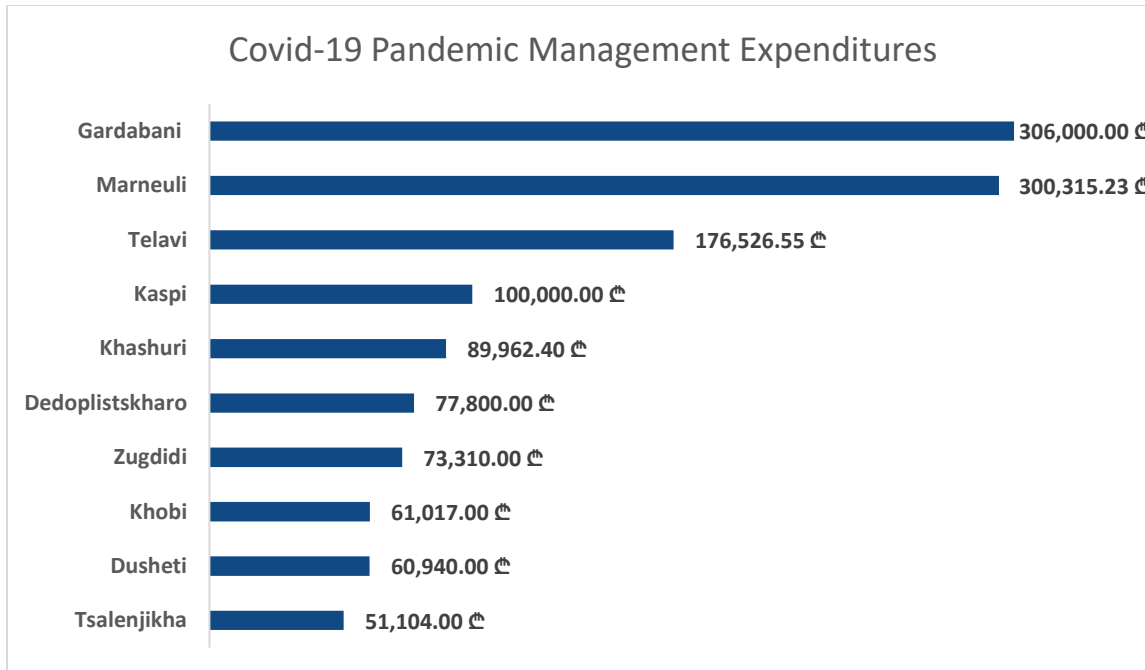
It should be noted that in the case of the remaining 27% of total expenditures (1.46 million GEL), the purpose is completely unknown.

### Purpose of Municipal Reserve Fund Expenditures



#### Funds Allocated to the Fight Against the Covid-19 Pandemic

In 2020, 23% of the total amount spent from the reserve funds was allocated for the fight against the Covid-19 pandemic. The study found that over the course of 2020 a total of 26 city halls had allocated funds from the reserve funds to fight the Covid-19 pandemic. At the same time, compared to other municipalities, the largest amount was allocated from the reserve fund of the Gardabani and Marneuli municipalities.



65% of the funds allocated to the fight against the Covid-19 pandemic were used to provide assistance to the pandemic-affected population. For example, 253.7 thousand GEL was allocated from the Gardabani Municipality Reserve Fund in connection with the pandemic to provide assistance to families living below the poverty line; the Marneuli Municipality Reserve Fund spent 243.6 thousand GEL on the purchase of various food products for the population in relation to the pandemic; the Kaspi Municipality spent 100 thousand GEL, and the Telavi Municipality - 90 thousand GEL.

11% (GEL 164,479) of the expenditures related to the pandemic were spent on disinfection and personal protective equipment. For instance, the Gardabani Municipality City Hall spent 52.3 thousand GEL on the purchase of virus protection products for the benefit of its population. Meanwhile, the Marneuli Municipality City Hall spent 22.8 thousand GEL on disinfectants and various disinfection measures. The Zugdidi Municipality City Hall allocated 15.5 thousand GEL from the reserve fund for similar purposes. Among them, disinfection of buildings amounted to 12.6 thousand GEL, contactless thermometers - 1.9 thousand GEL, and disinfection treatment for various places of public gathering - 900 GEL.

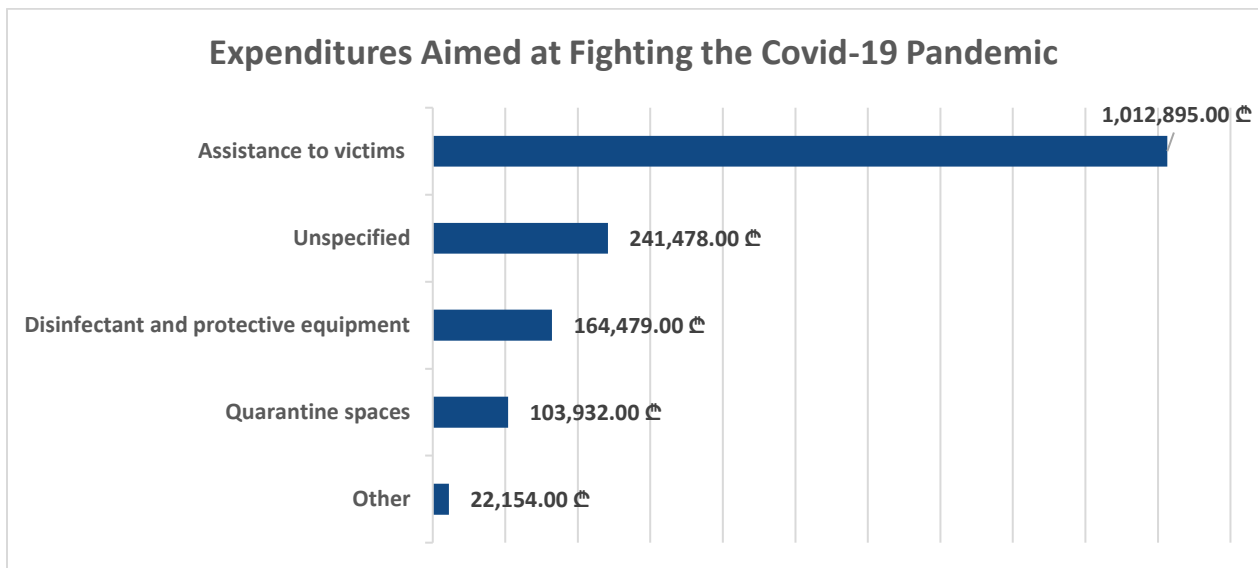
The Tsalenjikha Municipality City Hall allocated GEL 4,995 for antiseptic treatment of public schools, kindergartens, and public buildings, while the Oni Municipality allocated GEL 2,750 for disinfection of city hall and city council buildings alone.

The Oni Municipality City Hall also allocated GEL 2,500.00 for disinfection of Oni central streets and squares, while the Ambrolauri City Hall spent GEL 300 for disinfecting streets and sidewalks.

103.9 thousand GEL from the reserve funds was spent on quarantine spaces. Among them, the Zugdidi Municipality allocated 22.5 thousand GEL to reimburse the costs of transportation services for the citizens who had undergone mandatory quarantine from the quarantine zone of Anaklia Ganmukhuri to their residential addresses, and 11.4 thousand GEL housing IDPs dismissed from the quarantine zones, in addition to 11.4 thousand GEL for food for the staff and patients of Rukhi University Clinic for two weeks.

The Marneuli Municipality City Hall allocated 6.8 thousand GEL for the hotel expenses of the citizens in quarantine, 20.5 thousand GEL for the transportation of the citizens stuck in the Marneuli Municipality, and 3.5 thousand GEL for the field hospitals. 9.9 thousand GEL was spent on transportation services for the quarantined persons from the reserve fund of the Dusheti Municipality. The Gurjaani City Hall allocated GEL 979 for the purchase of essential medicines for the quarantine zones (Kachreti, Ambassador, and Akhashani Hotel), while the Ambrolauri City Hall allocated GEL 500 for the full equipment of the quarantine area.

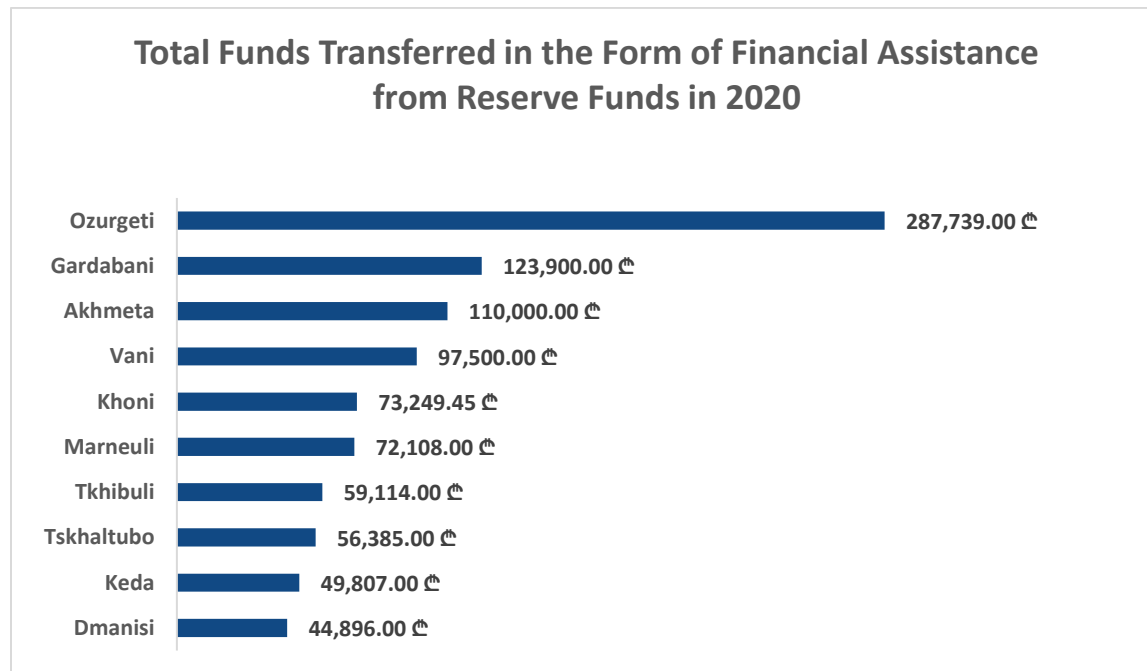
In the context of the pandemic, other expenses incurred by the reserve funds of various municipalities amounted to 22.2 thousand GEL. For example, the Telavi Municipality City Hall spent 3.9 thousand GEL to ensure uninterrupted communication with the population from rural dispensaries through the internet. The Khashuri Municipality has allocated GEL 1,175 for rewarding one of the doctors for his activities within the framework of the pandemic.



## Funds Allocated for Financial Assistance

In 2020, approximately 23% of the amount spent from the reserve funds of 48 municipalities - GEL 1.26 million - was spent on providing financial assistance. Said amount includes financial assistance to people living below the poverty line, through the transfer of financial assistance or financing their other needs, such as reimbursement of medical services, assistance with the payment of utility bills, assistance with food and construction materials, and more. This category does not include financial assistance that indicated that assistance from the reserve fund was provided as part of pandemic activities and/or to compensate for damage caused by natural disasters.

The study found that during 2020 a total of 30 city halls had allocated funds for this type of financial assistance from their reserve funds. Additionally, compared to other municipalities, the largest amount of financial assistance, 287.7 thousand GEL, was allocated from the reserve fund of the Ozurgeti City Hall. A large part of this amount, 127.6 thousand GEL, was spent on co-financing of medical services, 89.7 thousand GEL was transferred to the personal accounts of citizens, 37.9 thousand GEL - to purchase medicines, and 31.9 thousand GEL - in the form of assistance with ritual expenses.



Based on the documents provided by 30 municipalities that have provided financial assistance from the reserve funds, in some cases the purpose of said financial assistance is unclear. In particular, what specific

purpose the assistance was provided for is not indicated, and part of the expenditures is assigned a generic category. For instance, according to the information provided by the Vani Municipality, in 2020 (in the first 9 months), 97.5 thousand GEL was issued from the reserve fund under the article of social security, although who was the beneficiary of the assistance and what was the basis for such assistance is entirely unknown.

In the case of the municipalities where the purpose of the financial assistance is indicated, the largest assistance was provided for the reimbursement of medical services and food assistance to the population. For example, the Akhaltsikhe Municipality allocated 7.2 thousand GEL for funding medical examinations that had to be conducted abroad, the Dmanisi Municipality allocated 5 thousand GEL for specific treatment abroad, the Terjola Municipality provided 5 oncological and 5 hepatitis C patients each with assistance amounting to 1,500 GEL.

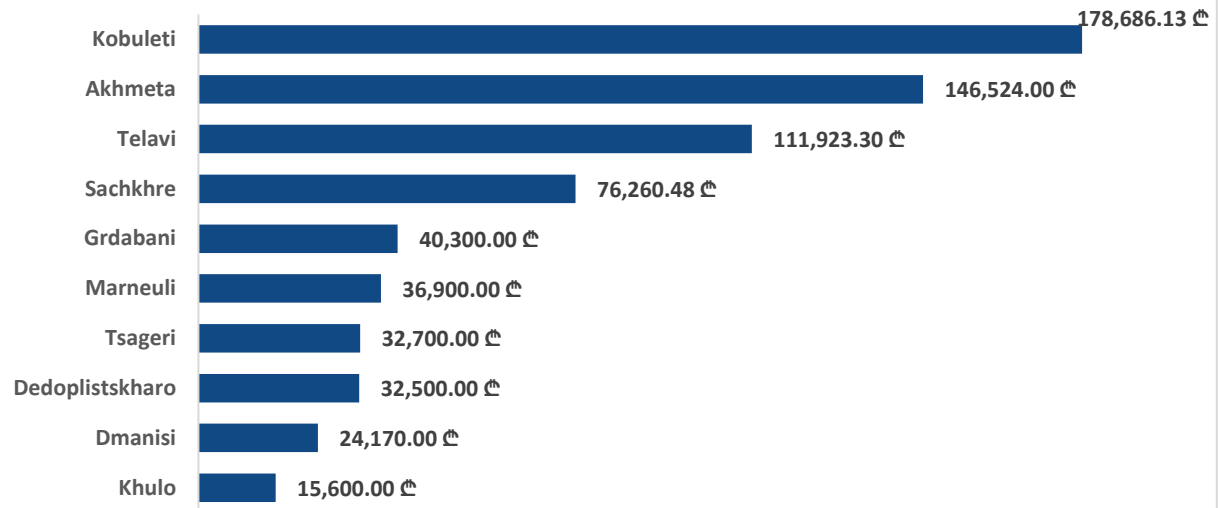
In the case of specific municipalities, we encounter instances where financial assistance has been issued for other purposes. For example, the Dmanisi Municipality City Hall allocated a one-time financial assistance of 4 thousand GEL for the participation of a judoka in the Grand Slam tournament in Germany and to cover the travel expenses of his personal trainer; the Chiatura Municipality disbursed GEL 1,930 from the reserve fund in the form of a one-time financial assistance to the participant of the 66th International Pianist Competition in Barcelona; the Gurjaani Municipality for financing the education of socially vulnerable orphan students - 2,250 GEL; the Dusheti Municipality City Hall purchased solar glass system for two persons living in the villages of Dolaskeda and Daviturni, amounting to 1.4 thousand GEL.

### Funds Allocated for the Reimbursement of the Damages Caused by Natural Disasters or Other Accidents

After the financial assistance and the fight against the Covid-19 pandemic, the municipal city halls allocated the largest share from the reserve funds, amounting to GEL 747.2 thousand, to compensate for the damages caused by natural disasters or other accidents and to carry out relevant works. A total of 22 municipalities allocated funds to cover such costs, of which 67% were used to compensate individuals or carry out relevant reconstruction works, and 33% were spent on the restoration and repairs of public spaces.



### Funds Allocated to Cover Damages Caused by Natural Disasters or Other Accidents in 2020



## Funds Allocated for Capital Works

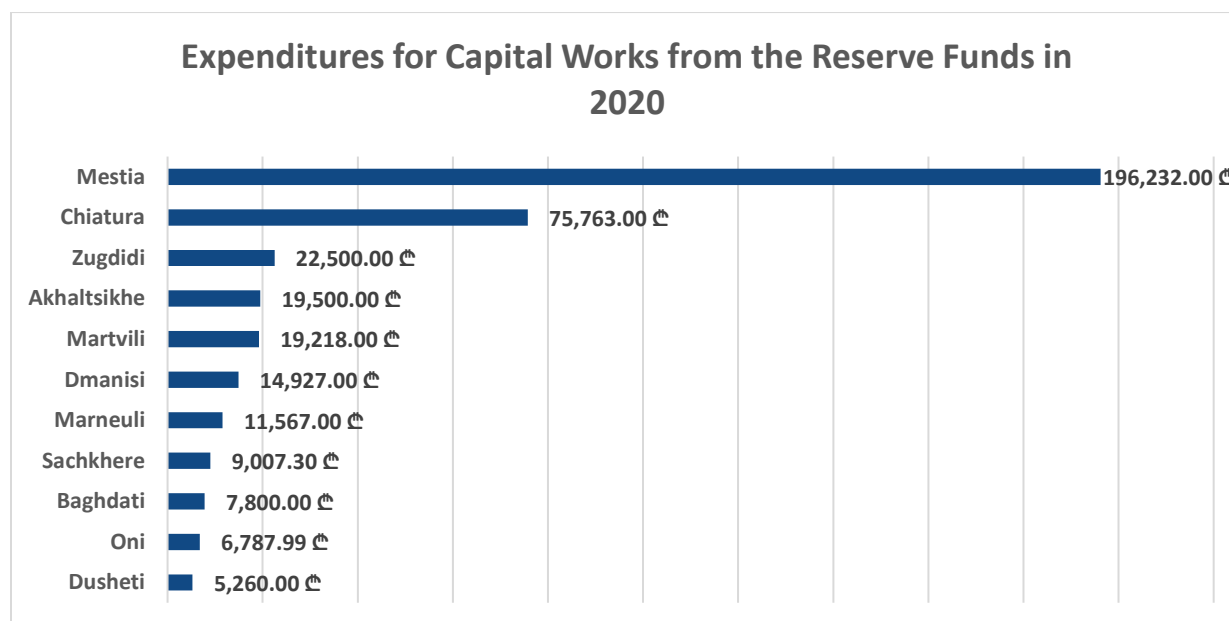
In addition to the capital works carried out to restore the infrastructure damaged by natural or other disasters, in 2020, various projects were funded from the reserve funds of various municipalities, the purposes of which leave no indication that it would have been impossible to take them into account during the budget planning process, thereby putting the necessity of utilizing reserve funds into question.

According to the documentation processed within the study, this category of expenditures was made by 19 municipalities, amounting to a total of 425.4 thousand GEL. The largest amount of 196.2 thousand GEL was disbursed from the reserve fund of the Mestia Municipality. In particular, 78 thousand GEL was spent for ongoing road repairs, 56.5 thousand GEL for the construction of the road retaining wall in the village of Mulakhi, and 61.8 thousand GEL for the unloading of the gutters.

The Zugdidi City Hall spent 14,000 GEL with the purpose of improving the provision of electricity to its administrative building. The Marneuli Municipality City Hall used funds to purchase materials for the ritual halls of Ifnari and Mamulo villages in the amount of 10.8 thousand GEL.

The Chiatura Municipality allocated GEL 25.4 thousand from the reserve fund for the restoration of the damaged bridge in the village of Fabagrebi, and GEL 21,804.00 for the restoration of the damaged bridge over the river Katskhura in the village of Katskhi. Also in Chiatura, the City Hall allocated 18,250.00 GEL for conducting geolocation surveys of the foundation of a residential building at Giorgadze st. #6.

The Dusheti Municipality City Hall spent 4,500 GEL on the placement of bio toilets at the territory of the Bazaleti Lake.



## Conclusion

The analysis of the expenditures incurred from the reserve funds of various municipalities in 2020 showed that in different municipalities, the practice of determining the amount of reserve funds and their uses is significantly different.

Some municipalities incur expenditures, the need for funding from the reserve funds of which is questionable, while individual municipalities are unable to utilize the funds provided for in the reserve fund at all. The minimal utilization of the reserve fund should be assessed as particularly problematic in 2020, given the background conditions created by the coronavirus pandemic.

The inconsistent and heterogeneous practice of managing reserve funds by municipalities is clearly evidenced by the practice of allocating funds to fight the pandemic in 2020. For instance, during the fight against the pandemic, only 26 city halls expended resources from their reserve funds. At the same time, the practice of allocating funds by municipalities has little to do with the epidemiological situation in the given municipality. For example, the Batumi Municipality, where the epidemiological situation was most complicated, reduced the expenses from the reserve fund in 2020 compared to the previous year. The Oni Municipality, where no significant difficulties were observed in terms of the spread of the virus, expended resources from the reserve fund for disinfection of central streets and squares.

Incomplete regulations of the current legislation related to the management of the reserve funds can be considered a significant problem, as they create risks of misuse of finances and unjustified spending of budget resources. Also problematic is the practice of inconsistent recording of information on expenditures from the reserve fund in the budget documentation made by a number of municipalities and the disclosure of conflicting data regarding the management of reserve funds by individual municipalities.

The transparent process of managing reserve funds is also significantly hampered by a number of municipalities refraining from disclosing detailed information on expenditures from their reserve funds. For example, most of the resources allocated from the reserve funds are directed to financial assistance to citizens. The opaque nature of this process poses significant risks in terms of unfair distribution of budget funds.

