*September 28, 2023*

**Compliance of Government Sector Strategies with Medium-Term Fiscal Parameters**

**Meeting N1**

**Participants:**

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| **Giorgi Kakauridze** | First Deputy Minister of Finance of Georgia; |
| **Ekaterine Guntsadze** | Deputy Minister of Finance of Georgia; |
| **Ilya Ghudushauri** | Deputy Minister of IDPs, Labor, Health and Social Protection of Georgia; |
| **Gela Geladze** | Deputy Minister of Education and Science of Georgia; |
| **Ilia Begiashvili** | Deputy Minister of Regional Development and Infrastructure of Georgia; |
| **Ioseb Baghaturia** | Deputy Minister of Culture and Sports of Georgia; |
| **Giorgi Khaindrava** | Deputy Minister of Defense of Georgia; |
| **Vakhtang Tsintsadze** | Deputy Minister of Economy and Sustainable Development of Georgia; |
| **Giorgi Butkhuzi** | Deputy Minister of Internal Affairs of Georgia; |
| **Tengiz Nasaridze** | Deputy Minister of Environmental Protection and Agriculture of Georgia; |
| **Erekle Gvinianidze** | Deputy Minister of Justice of Georgia; |
| **Vladimir Konstantinid** | Deputy Minister of Foreign Affairs of Georgia; |
| **Vakhtang Katamadze** | Head of the Policy Planning and Government Coordination Department of the Georgian Government Administration; |
| **Natia Gulua** | Head of the Budget Department of the Ministry of Finance of Georgia; |
| **Nato Mokverashvili** | Head of the Budget Policy Unit of the Budget Department of the Ministry of Finance of Georgia. |

***Discussed:***

1. **In 2023-2026, in order to ensure compliance of government sectoral strategies with medium-term fiscal parameters, consideration of the sample annex to the state budget (annex N1).**

Within the framework of the public finance management reform, it is important to strengthen the linkages between the budget and policy directions. In this direction, within the framework of the public finance management reform strategy, work has been actively underway over the past few years. To enhance the alignment between strategic and policy documentation and the budgetary framework, the "tagging" tool was incorporated into the e-budget system. The **"Policy Classifier"** component within this tool enables all spending units to link their programs/sub-programs with the relevant policy classifier, including Sustainable Development Goals (SDG), Gender Equality, Climate Change, Sectoral Strategies, and others. The information about these linkages is reflected in the Program Budget;

According to the policy classifier, relevant expenses will be identified and reflected in the budget documentation

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Currently, the electronic budget management system (e-budget.ge) includes the following policy classifiers:

* **Sustainable Development Goals - SDG** (17 Goal);
* **Human Capital Goals;**
* **Gender Equality;**
* **Climate Change** (Climate Change – Mitigation; Climate Change – Adaptation; Climate Change - Mitigation and Adaptation);
* **Rural Development;**
* **Human Rights;**
* **Energy Efficiency.**

In the 2023 budget planning process, 55 programs (49%) and 53 sub-programs out of 112 programs implemented by the ministries of Georgia are linked to one or more of the above-mentioned policy classifiers. The information about the mentioned linkages (Tag) is presented in the program budget annex of the state budget for 2023.

PFM reform strategy 2023-2026 includes the relevant activities to strengthen the linkages between budget programs and policies. EU budget support program envisages to implement relevant measures to strengthen the linkages of the budget programs with strategic directions. One of the directions is to ensure the compliance of the medium term fiscal parameters and Government Sectoral Strategies during 2023-2026. Target for 2023 is to prepare the template of an annex to the annual state budget package to “tag” government sectoral strategies with the budget programs and discuss this template with the relevant stakeholders.

Ministry of Finance of Georgia has developed a template of the annex „Medium-term Fiscal impact of government strategies", to link budget programs with the government sector strategies (Annex No.1). In addition, fiscal impact of government sectoral strategies will be presented according to the Table N1 of Annex N1 and table N2 of the annex N1 will present the information about the medium-term fiscal impact of each government sectoral strategies by budget programs/subprograms.

In many cases, the sector strategy does not have costing and the strategy action plans are prepared for a period of 1-2 or 3 years, which is accompanied by the cost estimates for the appropriate years. In such cases, the linkage to the strategies of the programs/ sub-programs is based on action plans and depending on the duration of the strategy, in the following years (if the action plan is prepared for a period of less than 4 years), the expected forecasts should be filled according to the duration of the strategy.

**Sample of №1 Annex:**

**Medium-term fiscal impact of government strategies**

**Table №1**

**/** **Thousand GEL /**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Policy Classifier** | **Budget Year** | **Budgeted Year +1** | **Budgeted Year +2** | **Budgeted Year +3** |
| ***Sector Strategies*** |  |  |  |  |
| *Strategy 1* |  |  |  |  |
| *Strategy 2* |  |  |  |  |
| *Strategy 3* |  |  |  |  |
| *---* |  |  |  |  |
|  |  |  |  |  |
| ***% with Expenditures*** |  |  |  |  |
| ***Sector Strategies*** |  |  |  |  |
| *Strategy 1* |  |  |  |  |
| *Strategy 2* |  |  |  |  |
| *Strategy 3* |  |  |  |  |
| *---* |  |  |  |  |

**Table №2**

**/** **Thousand GEL /**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Policy Classifier** | **Budget Year** | **Budgeted Year +1** | **Budgeted Year +2** | **Budgeted Year +3** |
| **Strategy 1** |  |  |  |  |
| **Program 1** |  |  |  |  |
| **Sub-Program 1** |  |  |  |  |
| **Sub-Program 2** |  |  |  |  |
| **Sub-Program 3** |  |  |  |  |
| **----** |  |  |  |  |
| **Program 2** |  |  |  |  |
| **Sub-Program 1** |  |  |  |  |
| **Sub-Program 2** |  |  |  |  |
| **Sub-Program 3** |  |  |  |  |
| **----** |  |  |  |  |
| **Program --** |  |  |  |  |
| **Sub-Program 1** |  |  |  |  |
| **Sub-Program 2** |  |  |  |  |
| **Sub-Program 3** |  |  |  |  |
| **----** |  |  |  |  |
| ***% with Expenditures*** |  |  |  |  |
| **Strategy 1** |  |  |  |  |
| **Program 1** |  |  |  |  |
| **Program 2** |  |  |  |  |
| **Program --** |  |  |  |  |
| **----** |  |  |  |  |

Target for 2027 is to link budget programs/subprograms with all government sectoral strategies and the relevant annex should be the part of the 2027 draft state budget law package. According to the above-mentioned during the preparation of the 2025 draft state budget law it is planned to select one pilot strategy and ensure that budget programs are linked to the activities of the strategy document. The linkages of the budget programs with the strategies approved by the Government of Georgia will be reflected in the program budget annex for 2025 and for 2027 budget the relevant expenses will be identified and fiscal impact will be presented for the medium-term period. This template is recommended version and it can be modified based on the comments and suggestions of relevant stakeholders.

To enhance the linkages of budget and strategies additional functionality should be added to the electronic system of budget planning to not only link the programs and strategies but also indicate the corresponding expenses. Through the electronic system, it will be possible to generate separate annex that presents information on medium-term fiscal impact by each policy classifier.

**For more details please see attached presentation (annex).**

Ministry of Finance will continue to work in coordination with the Policy Planning and Coordination Unit of Administration of the Government of Georgia. Starting from 2025 discussions will be held with pilot line ministries and other relevant stakeholders whose role is crucial to properly implement the reform.

The template has been approved by the involved stakeholders. The line ministries along with the relevant responsible persons will continue to strengthen their effort during the process of introducing the mentioned reform.

**First Deputy Minister of Finance of Georgia**

**Giorgi Kakauridze**