**Information**

**on the implementation of the Government of Georgia Action Plan determined by Decree N1842 of 10 October 2022 of the Government of Georgia on "the possibility of fulfilling in the budget process the comments and recommendations included in the 2021 State Budget Performance Report prepared by the State Audit Office of Georgia"**

|  | **Recommendation** | **Implementation Timeline** | **Responsible Agency** | **Indicator** | **Possibility of fulfilling the recommendation** |
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|  | **To the Ministry of Finance of Georgia** | | | | | |
| 1 | It is advisable to include information on risks arising from lawsuits against the State and their potential impact on fiscal parameters into the Fiscal Risk Analysis Document attached to the State Budget Law. | 2022 | Ministry of Finance of Georgia | State Budget for 2023 - Fiscal Risk Analysis Document, which is published on the website of the Ministry of Finance of Georgia: https://mof.ge/5603  <https://mof.ge/images/File/2023-Biujeti/23-12-2022/danartebi/17.FRS_2022_29.11.2022.docx> | Fulfilled |
| 2 | It is advisable to periodically prepare capital project progress reports and to present them together with the quarterly reports on the execution of the state budget. | 2022-2025 | Ministry of Finance of Georgia | State budget and execution reports of the respective year, published on the website of the Ministry of Finance of Georgia. | Investment projects management reform has been underway since 2016, as part of cooperation with the World Bank and the European Union. Investment projects management guidelines and methods have been developed, and trainings and workshops have been conducted by foreign experts since 2017. In 2022, within the framework of the technical assistance project, trainings were held by foreign experts for representatives of spending institutions, as well as additional working meetings to discuss specific investment projects with the initiator agencies, to issue appropriate recommendations to them, and to improve project concept cards and calculations.  Public Investment Management Assessment (PIMA) is being developed within the framework of technical assistance of the International Monetary Fund (IMF).  Based on this Assessment, international experience and existing practice, the investment/capital project management methodology was approved (by Decree N65 of February 16 of the Government of Georgia), determining the list of information to be presented for the project of relevant category, at the appropriate stage of the investment/capital project management life cycle.  The project concept card was modified, based on the existing practice and international experience, including on climate change and gender issues. According to the methodology, mechanisms for preparing performance reports will be introduced and relevant information will be published step by step. |
| 3 | It is important for the Ministry of Finance to develop a policy/policy document on lending on resources mobilized from external sources of credit, which reflects the full cycle of the lending process and thus ensures a transparent and uniform approach to each stage of the said process. |  | Ministry of Finance of Georgia |  | At this stage, taking a loan from foreign sources and then deciding to lend it on is part of the loan agreement with the donor, and this practice is in line with Government of Georgia Decree N2737 of 28 December 2017 on "Determining the Rules and Principles for Funding of Entrepreneurial Legal Entities from the Budgets of the State, Autonomous Republic of Georgia and Local Self-Governing Bodies". The aforementioned decree also defines the general rule regarding the lending on of budget funds to state enterprises (such subloan is issued from the budget in the amount of more than 50% of operating expenses, providing the loss is recorded for at least 2 of the last 3 years).  At the same time, the reform of state enterprises is underway. After the completion of the reform, the lending process will gradually become more stramlined and transparent, and accordingly, the issue of developing a lending policy document may become relevant.  In addition, the debt management strategy of the government (2022-2025) describes the cases and the manner in which the process of lending to state enterprises should be carried out. |
| 4 | It is advisable for the Ministry of Finance to develop an approach and include into the State Budget Performance Annual Report detailed information on:   * Portfolio of loans issued from foreign credit resources; * Amount and purpose of financing channeled to state enterprises from the state budget during the year. | 2023 | Ministry of Finance of Georgia | 2022 State Budget Performance Report, which is published on the website of the Ministry of Finance of Georgia | Information on portfolio of loans issued from foreign credit resources is available on the website of the Ministry of Finance of Georgia:  mof.ge/sakredito\_resursebidan\_gacemuli\_sesxebi; The foregoing is also included into the 2022 state budget performance report.  As for state-owned enterprises, it will be ensured, based on the amendment made to the Budget Code of Georgia, that the State Treasury begins to render services to state-owned enterprises until 2026.  In 2023, based on the Budget Code of Georgia, the register of sectorization of state-owned enterprises, as well as the list of information to be submitted quarterly and annually by state-owned enterprises of the government sector to the Ministry of Finance of Georgia. and submission deadlines were approved by order of the Minister of Finance of Georgia.  The data submitted by state-owned enterprises of the government sector are being currently analyzed.  The information on the revenues and expenses of state-owned enterprises of the government sector is partially presented in the 2022 Central Budget Performance indicators (Chapter VII), the scope of which will increase before the presentation of the performance report to the Parliament of Georgia.  Besides, it is intended to develop by 15 July an action plan for re-categorizing state-owned enterprises of government category as receivers of services of the State Treasury during 2024-2025.  In addition, the Fiscal Risk Analysis Document includes information on finances - subsidies given to state-owned enterprises. Information on the purpose of subsidies will be reflected in the Fiscal Risk Analysis Document attached to the 2024 State Budget. |
|  | **To the Government of Georgia** | | | | | |
|  | It is advisable to formally approve an action plan for the implementation of the program budget, which will outline specific activities to be carried out within the scope of the reform and will indicate relevant deadlines and responsible agencies. |  | Government of Georgia |  | With the support of international partners, trainings and working meetings are held with selected ministries to improve program budgeting. The format and content of the program budget is gradually being improved.  At the same time, as part of the public finance management reform, which has been piloting since 2023, the electronic budget management system allows the spending institutions to link their programs/sub-programs with a policy classifier (e.g. UN Sustainable Development Goals - SDG, climate change, gender, etc.), which is reflected in the program budget annex.  Besides, within the framework of the public finance management reform strategy, it is planned to carry out relevant measures for improving the program budget. |