

## **Chapter VIII Regulation Norms**

### **Article 17. Management of Payments of National Importance**

1. Ministry of Finance of Georgia shall manage payments of national importance approved by this law – “60 01 – Foreign Debt Service and Payment”, “60 02 - Domestic Debt Service and Payment”, “60 03 - Liabilities Arising from Membership in International Organizations”, “60 04 - Transfers Earmarked for the Autonomous Republics and Local Authorities”, “60 10 – Financial Support for One Off Cash Prizes and National Trophies”, “60 11 –Payment of Liabilities of Georgian Side under the Agreements with International Organizations” and “60 12 - National Collectibles Financed by Donors”.

2. Management of payments of national importance approved by this law – “60 13 – Facilitating Conversion of Bank Loans Issued in Foreign Currency to Physical Entities to National Currency” – shall be managed in accordance with the regulation set by the Government of Georgia (GoG).

### **Article 18. State Budget Funds of Georgia**

1. Governmental Reserve Fund shall be established in the State Budget of Georgia with 40 000,0 thousand GEL and Presidential Reserve Fund with 5 000,0 thousand GEL to finance the expenditures not envisaged in the State Budget of Georgia and they shall be managed under the legislation of Georgia.

2. Regional Project Fund shall be established in the State Budget of Georgia with 260 000.0 thousand GEL and it shall be managed under the legislation of Georgia

3. According to the regulations defined by the GoG decree #23 dated February 7, 2013, “On Approval of Procedures and Criteria for Selection of Local Self-Government and Regional Projects to be financed under Regional Project Fund Envisaged by the State Budget of Georgia” funds will be allocated from the Regional Projects Fund in case of co-financing by local self-government unit.

4. Municipalities shall ensure participation of rural population in selection of the projects to be financed from the Fund envisaged by sub-article 2 of this article in accordance with regulations set by the GoG.

5. Fund for development of high-mountainous settlements shall be set at 20 000.0 thousand GEL and shall be managed under legislation of Georgia.

6. Volume of the liabilities arising in previous years and fund for the execution of court rulings shall be set at 40 000 thousand GEL and it shall be managed on the grounds of the GoG Decrees and legislation of Georgia. Ministry of Finance of Georgia shall record the funds deducted from the single treasury account under the legislation of Georgia in the allocations for the repayment of liabilities arising in previous years and in the execution fund of court rulings.

7. Requests on the allocation of funds from the Governmental Reserve Fund and/or Regional Project Fund submitted by budgetary organizations, local authorities and relevant bodies

of the autonomous republics shall be presented to the Government and/or Prime Minister of Georgia by the Ministry of Finance of Georgia.

#### **Article 19. Payment of Liabilities**

Georgia's state budget financed organizations can use their allocations 2017 providing that they do not accumulate new liabilities, for which these organizations are responsible.

#### **Article 20. State Debt**

1. A sum of 685 000.0 thousand GEL is set for the foreign debt service and repayment in the State Budget for 2017:
  - a) Repayment of the principle– 431 000.0 thousand GEL, including:
    - a.a) Bilateral loans – 138 100.0 thousand GEL;
    - a.b) Multilateral loans – 292 900.0 thousand GEL;
  - b) Interest payment – 254 000 thousand GEL, including:
    - b.a) Bilateral loans – 48 200.0 thousand GEL;
    - b.b) Multilateral loans –119 800.0 thousand GEL;
    - b.c) Service of liabilities arising from the issuance of foreign securities – 86 000.0 thousand GEL.
2. Within the allocations made for the foreign debt service and repayment under the present law and if creditor countries agree, Ministry of Finance of Georgia shall be permitted to compensate the funds from the said sources or to finance relevant programs to the legal entities of the country under the rules defined by the Government of Georgia if designed to service and repay the debt to a creditor country through the sale of goods or services.
3. In line with the Agreement On Debt Repayment to the National Bank of Georgia (NBG) by the Government of Georgia convened by and between the NBG and GoG on March 20, 2006 and amendments thereof, the interest payment to NBG shall be set at 50 932.9 thousand GEL (will be confirmed based on the new agreement between the GoG and NBG), while the principal due shall amount – 35 000.0 thousand GEL.
4. In line with the Agreement On Debt Repayment to the National Bank of Georgia by the Government of Georgia convened by and between the NBG and GoG on March 20, 2006 and amendments thereof, state bonds issued by the GoG on March 15, 2016 in the amount of 360 846.0 thousand GEL shall be refreshed with 320 846.0 thousand GEL and 40 000.0 thousand GEL shall be attributed to state bonds for the open market operations.
5. Adjustment of Domestic Liabilities through the issuance of Treasury Bills and Treasury Bonds shall be set at 400 000.0 thousand GEL net growth. Ministry of Finance shall issue the Treasury Bills and Bonds in line with the Law of Georgia On Sovereign Debt. Ministry of Finance of Georgia shall record the repayment of Treasury Bills and Bonds through the reduction of relevant budget revenues under the applicable line items.
6. Ministry of Finance of Georgia shall be entitled to use the freely available balance kept at the Single Treasury Account instead of issuing the Treasury Bills and Bonds. In addition, the net proceeds from the issuance of Treasury Bills and Bonds and the use of freely available balance kept at the Single Treasury Account instead of issuing the Treasury Bills and Bonds in total shall

not exceed 400 000.0 thousand GEL.

#### **Article 21. Position Ranking Salaries, Bonuses, Overheads and Allowances**

1. Portfolio and State Ministers of Georgia shall be entitled to define the staff list and salaries for their ministry employees, subordinated institutions and territorial units in agreement with the Government of Georgia, in line with the regulation set by the GoG, no later than March 1, 2017. Staff list and salaries for the State Chancellery of the Government of Georgia shall be defined by the Prime Minister of Georgia.

2. Agreement with the Government of Georgia in line with the regulation set by the GoG shall be solicited by March 1, 2017 also for adjustments to the approved staff list and salaries, excluding the cases when one month's salary fund, the staff list, positions and/or salaries are intended to remain unchanged after the referred adjustment.

3. Bonuses, overheads and allowances to the employees of entities and organizations funded under the State Budget of Georgia, Autonomous Republic of Abkhazia, Autonomous Republic of Ajaria and local authorities throughout 2017 shall be issued within allocations approved by respective budgets.

4. Spending units funded under the State Budget of Georgia throughout 2017 shall be entitled to increase the allocations approved for the economic classification of Remuneration under their expenditure line item by no more than 1/12 of the allocations approved for them under the referred line item of the budget in agreement with the GoG.

5. Spending units are entitled to apply the provision of Sub-Article 3 of Article 71 of the Law of Georgia

On Civil Service #1022-1b (Parliament Herald, №45, 21.11.1997, page 55) issued on October 31, 1997 only to those public servants that were subject to the referred line item prior to January 1, 2006.

#### **Article 22. The Number of Outsourced Staff, Their Remuneration and Salaries at Legal Entities of Public Laws**

1. Number of outsourced staff at budget organizations and legal entities of public law (LEPL) shall not exceed 2% of the corporate staff list. If an organization has a staff list with less than 5 individuals constituting 2%, the number of outsourced staff shall not exceed 5 people.

2. Average remuneration of outsourced staff shall not exceed that of the full time staff at budgetary organizations.

3. Salary paid to the manager of a LEPL shall not exceed that of the First Deputy Minister of Georgia.

4. Average salaries of staff at LEPLs shall not exceed 1 500 GEL.

5. Annual amount of bonus fund of a LEPL shall not exceed 20% of the annual salary cost envisaged for the staff list.

6. Restrictions stipulated in the present article shall not apply to the autonomous republics and local authorities as well as to LEPLs and Non-commercial Legal Entities established by them that are deemed as religious organizations under the legislation of Georgia, to Public Broadcasting Company LEPL, public schools, vocational education institutions and higher education institutions, also to those LEPLs for which the allocations of the State Budget, Autonomous Republics and local authorities within the applicable economic classification does not exceed 25% of their overall revenues.

7. Exceptions to the restrictions stipulated in this article may be made in agreement with the Government of Georgia.

8. Exception to this article stipulated before March 1, 2017 does not need to be agreed with the GoG in accordance with sub-article 7 of the same article if the amount does not exceed amount of the agreed exception, which was allowed to a budget organization/to which a budget organization was subject to during 2016.

### **Article 23. Activities to be Implemented and Restrictions for Sustaining Set Macroeconomic Parameters**

With consideration of authorization defined by Article 155<sup>1</sup> of the Organic Law of Georgia, Code of Local-Self Governance, in order to maintain to the extend possible macroeconomic parameters set by Organic Law of Georgia on Economic Freedom:

a) GoG is authorized to suspend the payments to ministries under the budget earmarking by individual classification coders and line items;

b) According to the regulations set by Article 31 of the State Budget Code of Georgia transfer of pay payments earmarked for investment/capital projects when finalizing annual budget is permitted only in agreement with the GoG;

c) The GoG is authorized to define classification codes in line with Common Procurement Vocabulary (CPV) under which conduct of state procurement by a procuring organization requires preliminary consent from the GoG;

d) Within 10 days after completion of a quarter ministries of Georgia shall submit to the Ministry of Finance of Georgia information on savings arising as a result of biddings conducted in line with Law of Georgia on State Procurement by them or budget organizations under them using budget funds earmarked for them under this law and on how the savings were used;

e) Ministry of Finance shall submit to the GoG information envisaged by Sub-Article D of this Article. Based on the decision of the GoG savings defined by the same Sub-Article or part of the savings can be channeled in line with the Georgian legislation to common payments of national importance;

f) Municipalities shall be requested to carry out respective activities in order to ensure that administrative/operation costs (under items “Salaries”, “Goods and Services” and Subsidies” of economic classification of main expenses) of budget organizations of self-government units financed by the Budget 2017 (excluding pre-school educational institutions) shall not exceed 90% of 2016 (expected) execution;

g) Compliance with restriction set by Sub-Article F of this article shall be defined as a criterion for project financing in the regulation defined by the GoG decree #23 dated February 7, 2013, “On Approval of Procedures and Criteria for Selection of Local Self-Government and

Regional Projects to be financed under Regional Project Fund Envisaged by the State Budget of Georgia”.

**Article 24. Spending Revenues Generated by Diplomatic Missions and Consulates of Georgia Overseas**

In line with the Presidential Order N835 On Recording and Application Rules of Service Fees and Other Budget Revenues Generated by Spending Units under the System of the Ministry of Foreign Affairs of Georgia for the Delegated Consulate Services dated October 15, 2010 the service fees and other budget revenues generated by diplomatic missions and consulates of Georgia overseas for the services rendered by consulate officers within the delegated authority shall be spent on the spot, within the allocations approved for the mission and institution with this law.

**Article 25. Funding Certain Activities by the Parliament of Georgia**

Parliament of Georgia shall be entitled to finance the funeral service and cemetery costs if an MP passes away within the allocation approved with the present law.

**Article 26. Funding Certain Activities by the Ministry of Defense of Georgia**

1. Ministry of Defense of Georgia shall be entitled to finance the works carried out with the allocations envisaged under the Expenditure and Non-Financial Asset Growth line items in 2016, which are required to be consistently implemented in a uninterrupted manner for the building of the armed forces and improved defense potential to honor the commitments of the state within the allocations approved for the Ministry of Defense under this law by Expenditure and Non-Financial Asset Growth line items.

2. In cases envisaged by the individual administrative and legal deed of the Minister of Defense and within the limits set for the goods, works and services to be acquired by the territorial units (divisions) of the Ministry of Defense, the referred units (divisions) of the Ministry of Defense defined in the said deed shall be deemed as acquiring organizations and shall bear the authority and responsibility defined by the legislation of Georgia on public procurement.

**Article 27. Activities to be Carried out by the Ministry of IDPs from Occupied Territories, Resettlement and Refugees of Georgia**

Funding of administrative expenses of residential space under IDPs legal ownership (where IDPs were resettled by the Government and which are registered in the database of the Ministry of IDPs from Occupied Territories, Resettlement and Refugees of Georgia as IDP settlements (in an organized manner), also where the Ministry used to reimburse administrative, household and communal service costs (including water consumed by IDPs, refugees and persons with humanitarian status residing at the settlements, also their garbage collection, assenisation, disinfection-deratisation, repairs, maintenance expenses) shall be defined by GEL 2 per IDP. This

funding shall be carried out in line with contract liabilities. Ministry of IDPs from Occupied Territories, Resettlement and Refugees of Georgia sets the contract conditions and the documents necessary to sign the contract.

**Article 28. Activities to be Implemented by the Ministry of Labor,  
Health and Social Security**

1. Co-financing principle shall be continued and in essential cases introduced for certain activities implemented within the system of the Ministry of Labor, Health and Social Security and under the budget allocations approved under the present law for the said Ministry, whereby the other part of the cost shall be incurred by general public. Rules, forms and volume of the referred co-financing shall be defined by the GoG.

2. Rules and major principles of finding, co-financing and cost settlement for the activities implemented under the Ministry of Labor, Health and Social Security's programs – "Social Protection of Population", "Population Healthcare", Medical-Social Expertize and Control", "State Control of Healing Means" -within the budget allocations approved under this law for the Ministry of Labor, Health and Social Security shall be defined by the GoG, if not otherwise defined by the legislation of Georgia.

3. State pension and state compensation shall be issued under the "Provision of Pensions of Population".

4. The amount of state pension for pension age pensioner shall be set at GEL 180.

5. Under "Social Assistance of Target Groups of Population":

a) Funding of cash payments/payouts under the "Social Package";

b) Issue household subsidy in accordance with GoG decree #4 dated January 11, 2007 "About Monetization of Social Benefits";

c) Continue issuance of subsistence allowance and re-integration allowance envisaged under GoG Decree N145 On Social Allowances dated July 28, 2006 in line with rules and conditions defined by the GoG;

d) Continue provision of allowance to IDPs, refugees and persons with humanitarian status: monthly allowance per IDP, refugee or a person with humanitarian status shall be set at GEL 45;

e) Continue provision of assistance in accordance with the rules and conditions set by the Ministry of Labor, Health and Social Security for pregnant, child birth and child care, as well as adoption of a newborn and for temporary inability to work;

f) Funding assistance for reimbursement of losses due to the damage to health of an employee while fulfilling employment contract requirements, GoG shall define rules for entitlement and issuance of the assistance;

g) Funding all activities necessary for implementation of the activities under this Sub-Article;

h) Funding other activities defined by the GoG.

6. Government of Georgia shall be entitled to define the state programs, their activities and volumes within the labor, health and social security areas of 2016 which shall be continued without interruption from January 1, 2017 prior to the adoption of state programs for 2017 within the system of the Ministry of Labor, Health and Social

Security and prior to the identification of suppliers under the referred programs in line with the requirements of the Law of Georgia On Public Procurement or by taking into consideration the voucher conditions.

7. Prior to the adoption of activities and their components to be implemented in the system of the Ministry of Labor, Health and Social Security within the budget allocations under the present law and/or prior to the execution of requirements laid out in the Law of Georgia On Public Procurement or prior to the identification of relevant suppliers in accordance with the voucher conditions all the activities shall be continued as defined in the state programs for health, labor and social security in 2016 that are essential to be continued without interruption to honor the state commitments and to convene relevant agreements with suppliers. In addition, information on the above shall be notified to the Parliamentary Committee of Health and Social Security, along with the LEPL Public Procurement Agency.

8. Funding of the Ministry of Labor, Health and Social Security shall be continued within the state programs implemented in 2016 from the budget allocations approved under the present law to the Ministry of Labor, Health and Social Security.

9. Vouchers issued in 2011 within the state programs of the Ministry of Labor, Health and Social Security of Georgia (by taking into account the relevant conditions of vouchers) and decisions agreed with the GoG for the medical support components defined for the victims of the natural disasters, emergencies, residents of conflict zones and other circumstances under the state program of referral services that failed to be financed in 2016 shall be funded from the budget allocations for the relevant programs under the present law.

10. Procurement of vaccines and syringes for the program code „35 03 02 02 – Immunization“ as approved under this law shall be carried through a simplified procedure with support of UNICEF, while the vaccines and syringes that are not eligible to the UNICEF support shall be purchased in line with the Law of Georgia On Public Procurement.

11. Procurement of pharmacy and medical goods, including HIV/AIDS and TB healing first and second line medicine for the program code „35 03 02 07 – Tuberculosis (TB) Management“ under the program “Sustainability of Quality Diagnosis and Universal Accessibility of All Types of TB in Georgia” (GEO-T-NCDC) activities and for the program “35 03 02 08 – HIV/AIDS Management” under the “Program for Strengthening and Ensuring Sustainability of HIV/AIDS Prevention, Healing and Care“ (GEO-H-NCDC) within allocations under this law shall be carried through unified international procurement mechanism and agents, including electronic form of procurement defined by the Global Fund to Fight AIDS, TB and Malaria and procurement of those pharmacy and medical means that can not be procured through international procurement mechanism and agents defined by the Global Fund to Fight AIDS, TB and Malaria – shall be procured in accordance with the Law of Georgia on Public Procurement.

12. Under the program code „35 03 02 07 – Tuberculosis (TB) Management“ citizens of Georgia receive social assistance in line with the rule set by the GoG during whole healing process providing they abide by the TB healing regime in order to facilitate abidance by TB healing regime.

13. Activities required for the proper operation of the emergency medical service in Tbilisi shall be financed out of Tbilisi budget under the rules defined by the legislation of Georgia.

**Article 29. Compensation for the Cost of Natural Air Consumed by Population of High-mountainous Villages of Kazbegi and Dusheti Municipalities**

1. Allowance of 700 m<sup>3</sup> (350 m<sup>3</sup> in May and October) of natural air consumed in the periods of December 1, 2016 through May 15, 2017 and October 15, 2017 to November 30, 2017 for permanent residents (subscribers) of high-mountainous villages of Kazbegi Municipality and Dusheti Municipality (Seturni, Zakatkari, Jagmiani, Bedoni, Benian-Begoni, Iukho, Muduru, Tskere, Tskhimiani, Sviana-Rostiani and Korogo, as well as the villages that were assigned high-mountainous status according to Georgian legislation) shall be defined. Also, the subscribers shall be allowed to use allowance unused during respective reporting periods of the above periods during the period including May 15, 2017 and the allowance to be canceled on May 16, 2017, and the unused allowance from October 15, 2017 to be used in the period including May 15, 2018, and the allowance to be cancelled on May 16, 2018.

2. Natural air distribution company is obliged to record in registration cards of the subscribers eligible for the allowance in accordance with the first Sub-Article of this Article amount of the allowance limit in the beginning of each month and unused allowance balance in the reporting period.

3. Ministry of Energy of Georgia shall reimburse cost of natural air used within the limit set by the first Sub-Article of this Article and allowance unused in the reporting period by population of high-mountainous villages of Kazbegi Municipality and Dusheti Municipality (Seturni, Zakatkari, Jagmiani, Bedoni, Benian-Begoni, Iukho, Muduru, Tskere, Tskhimiani, Sviana-Rostiani and Korogo, as well as the villages that were assigned high-mountainous status according to Georgian legislation) permanent residents during the periods of December 1, 2016 through May 15, 2017 and October 15, 2017 to November 30, 2017 based on the respective reports submitted by the natural air distribution company and approved by the Municipality Gamgeobas’.

**Article 30. Activities to be Carried out by Temporary Administrative-Territorial Unit Administration - South Ossetia Administration on the Territory of Former South Ossetia Autonomous District**

During 2017 Head of Temporary Administrative-Territorial Unit Administration - South Ossetia Administration on the Territory of Former South Ossetia Autonomous District is



authorized to issue one off allowances out of the allocations approved by this law for the Administration.

### **Article 31. Activities to be Carried out by the Ministry of Corrections of Georgia**

1. Authorize Ministry of Corrections of Georgia to fund work carried out under the program “Provision of Equivalent Medical Service for Convicts and Defendants” in 2016 out of the allocations approved for the Ministry of Corrections by this law.

2. Funding activities to be carried out in relation to reorganization of penitential institutions of the Ministry of Corrections and liquidation/reorganization of the restriction of freedom institution of the LEPL National Probation Agency under the Ministry due to amendment to Georgian legislation shall be carried out of the allocations for the Ministry of Corrections under this law. In order to ensure the above restrictions, set by Sub-Article 3 of Article 31 of the State Budget Code of Georgia and program codes of this law, shall not apply to re-allocation of the Ministry’s budget among program codes providing that whole parameter of the number of the employees working for the Ministry is not violated.

### **Article 32. Activities to be Carried out for Operation of Common Courts**

According to the Article 15 of this law the number of employees defined for common courts does not restrict appointment of judges of common courts and related employees (assistance, adviser, etc.).

### **Article 33. Activities of the LEPL – Public Broadcaster**

LEPL – Public Broadcaster shall be requested to fund expenses related to broadcasting events defined by GoG within the allocations under this law.

### **Article 34. Activities of Certain LEPLs**

1. LEPLs shall be obliged to channel at least 10% of (own) revenue permitted by Georgian legislation and generated by LEPL during 2017 to state budget in accordance with Sub-Article 4 of Article 12 of the Law of Georgia on Legal Entity of Public Law;

2. Respective LEPL shall channel funds in the amount of no less than 10% of quarterly revenue to state budget on the last working day of a quarter in order to fulfill requirement of the first Sub-Article of this Article.

3. Provisions of this article do not apply to grants received by a LEPL.

### **Article 35. Activities of the GoG**

GoG shall be requested to ensure:

a) Implementation of respective activities aimed at optimization of operation/administrative expenses of budget organizations financed by state budget of Georgia;

b) Implementation of respective measures for liquidation of the staff of the Economic Council;

c) Preparation of draft amendments to Georgian legislation for liquidation of the LEPL – National Investment Agency of Georgia and for merging functions of the agency with the functions of existing bodies.