



## **Fiscal Governance in Georgia and its compatibility with EU practice**

**(2016)**

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## **1. Introduction**

This fiscal governance study is in compliance with PFM III requirements that were requested as per General Conditions set out for the 2nd Variable Tranche requirements, Q/1 2016. This study is split in two parts in order to comply with the General Conditions:

The first part describes the current status of Georgia Fiscal Governance in relation to EU Fiscal Governance.

The second part presents the main medium and long term perspectives for Georgia to approximate with EU fiscal governance.

This study reflects achieved goals and future plans within public finance reform process.

## 2. Fiscal Policy Frameworks and Discipline in EU member countries<sup>1</sup>

Fiscal frameworks can be defined as the set of elements of the institutional policy setting that shape fiscal policy making at the national level. They comprise the arrangements, procedures and institutions governing the planning and implementing budgetary policies. The main components of domestic fiscal frameworks are:

### Numerical fiscal rules

- ✓ Independent fiscal institutions (i.e., specific public bodies acting in the field of budgetary policy)
- ✓ Budgetary procedures governing the preparation, approval, and implementation of budget plans.  
As part of the latter category
- ✓ Medium-term budgetary frameworks (MTBFs) for multi-annual budgetary planning are specifically considered apart because of their importance in fostering medium term horizons for fiscal policies

The policy of the EU countries in the direction of Public Finance Management serves three main objectives:

- ✓ Effective budgetary policy, control of deficit and Prevention of unsustainable fiscal policies;
- ✓ Reducing fiscal policies cyclic path;
- ✓ Increasing the efficiency of public finances expenditure.

In order to achieve the abovementioned, it is important to introduce rules in order to reducing Pro-cyclical policies by the policy makers, a fiscal planning will be oriented on the long-term results and to be avoided the policy timed of the short-term goals. Fiscal management allows better coordination between different levels of government.

The most common definition from the fiscal policy rules establishes quantitative targets. More concretely, it represents continually pressure for the fiscal policy, which is reflected in the results of fiscal indicators, such as deficit, public debt, expenditure and revenue ratio to GDP and other similar options.

A primary role of fiscal rules is to put into practice the fiscal discipline. It also helps better policy coordination between different levels of government. Fiscal rules are used of better forecasting fiscal policy development in the future and in order to avoid unforeseen situations. However, the practical implementation of fiscal rules and outcomes is possible only if when there are appropriate institutions, which carry out proper monitoring and create effective mechanisms for their implementation. For this to happen it is necessary Independent fiscal institutions to be supported with strong political commitment.

The budget deficit, efficiency of fiscal rules and whether it is strictly protected, largely depends on its institutional setup. DG ECFIN – General Directorate for Economic and Financial Affairs - has developed a

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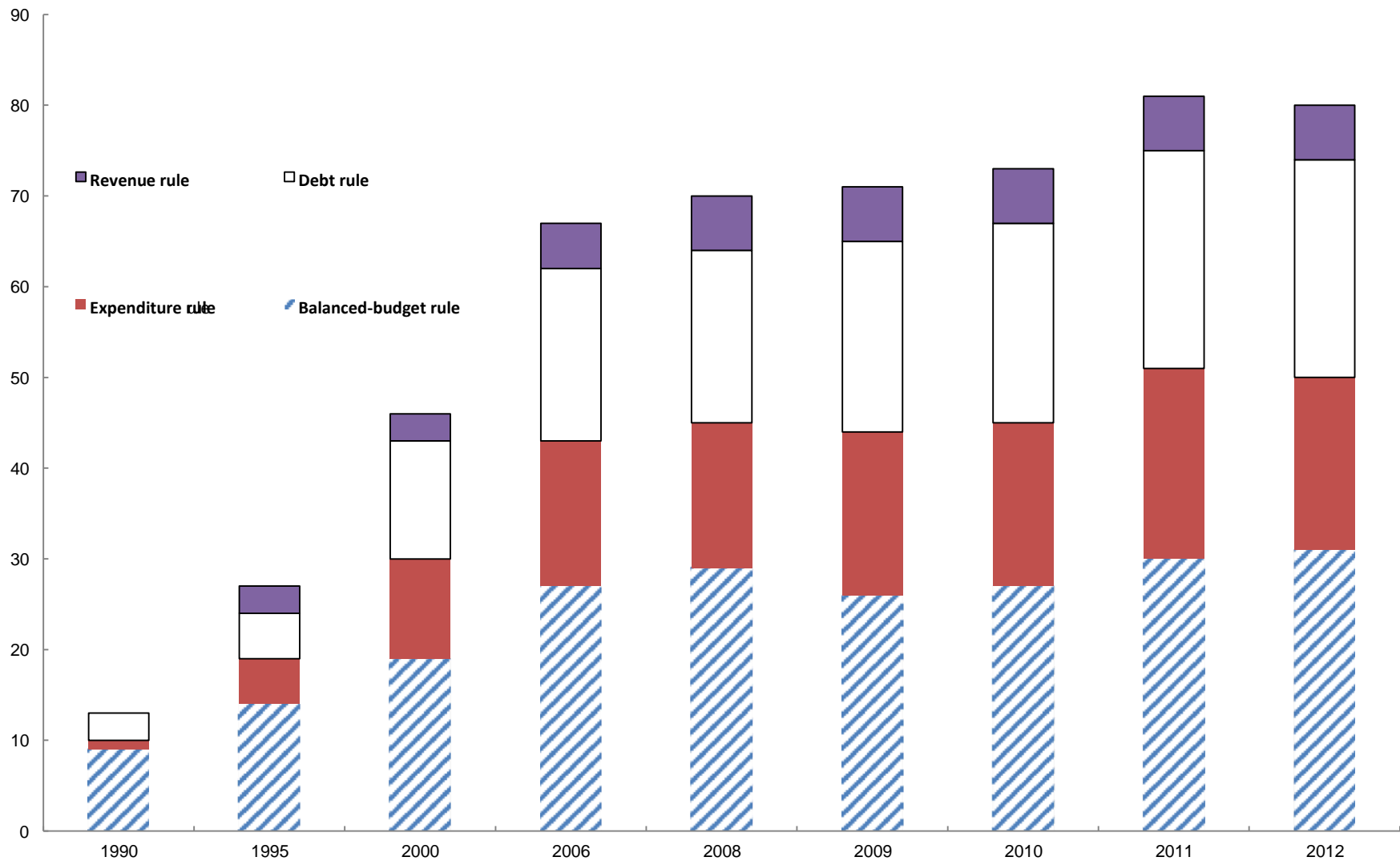
<sup>1</sup> [http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/index\\_en.htm](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/index_en.htm)

strength index of fiscal rule, which includes the following information: rules of legislative basis, establishing purposes and reviewing the degree of freedom, Institutions which are responsible for monitoring of the implementation of the rules, implementation mechanisms of the rules, perception of the rules and quality of coverage toward media (*Fiscal Rule Index FRI – See Annex 1 and Annex 2*).

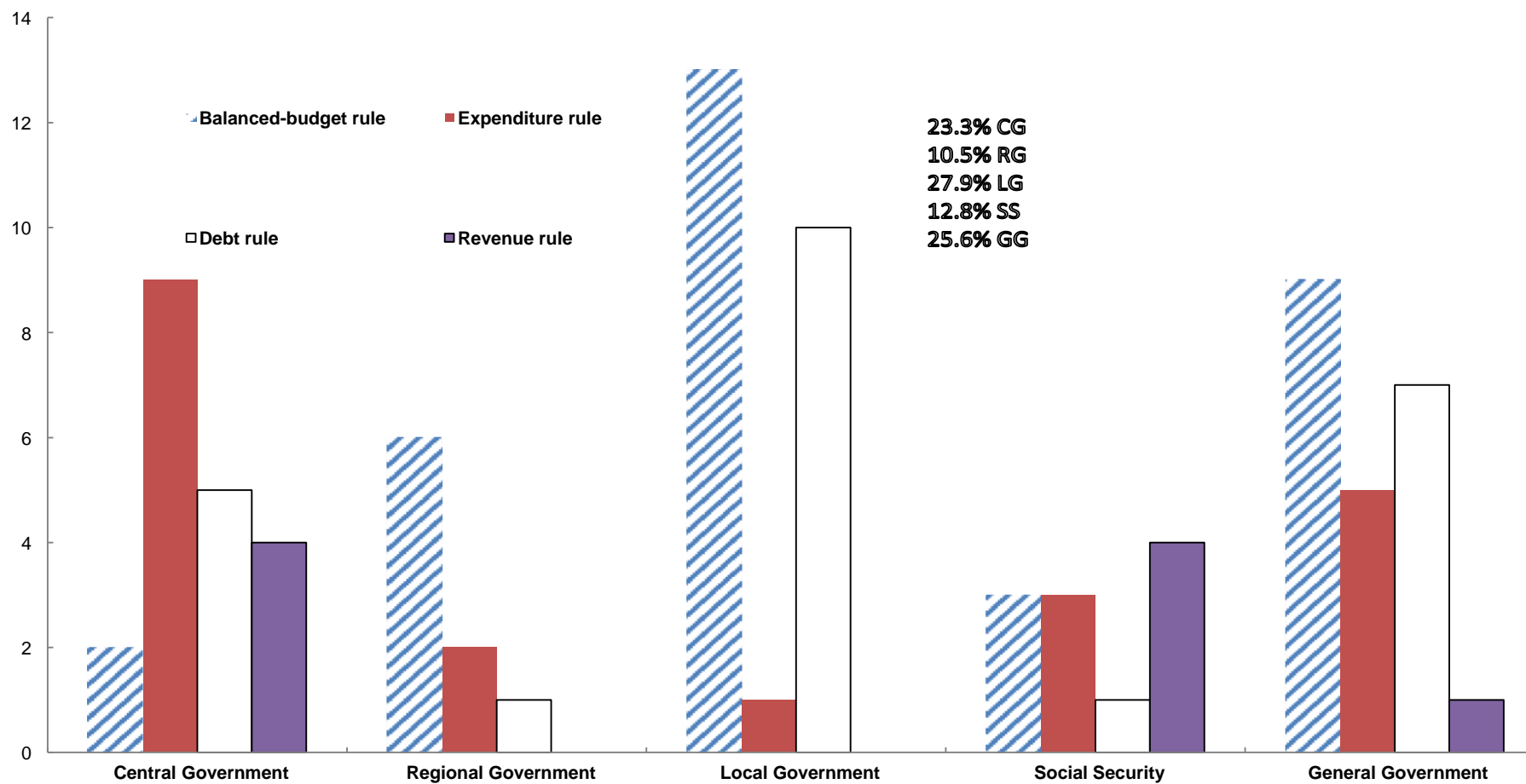
On the basis of fiscal rule strength index, regard with each rule created a complex, in times changeable fiscal rules index for the each member country, according to this happens summarize of all fiscal Rule Strength Index, which weighing to the unified government finance in the order of this rule contain. (For ex: The costs of Government sub-sectors conform of the total costs, to which this rule applies) government's one subsector, coverage by more than one sector. Second, third and fourth rules will be weighed ( $\frac{1}{2}$ ,  $\frac{1}{3}$ , and  $\frac{1}{4}$ ), to reflect the additional rules decreasing marginal benefits. Assigned weight determined by the strength of fiscal rules and its coverage.

*The following graphs describe fiscal rule types and fiscal rule index in EU member countries:*

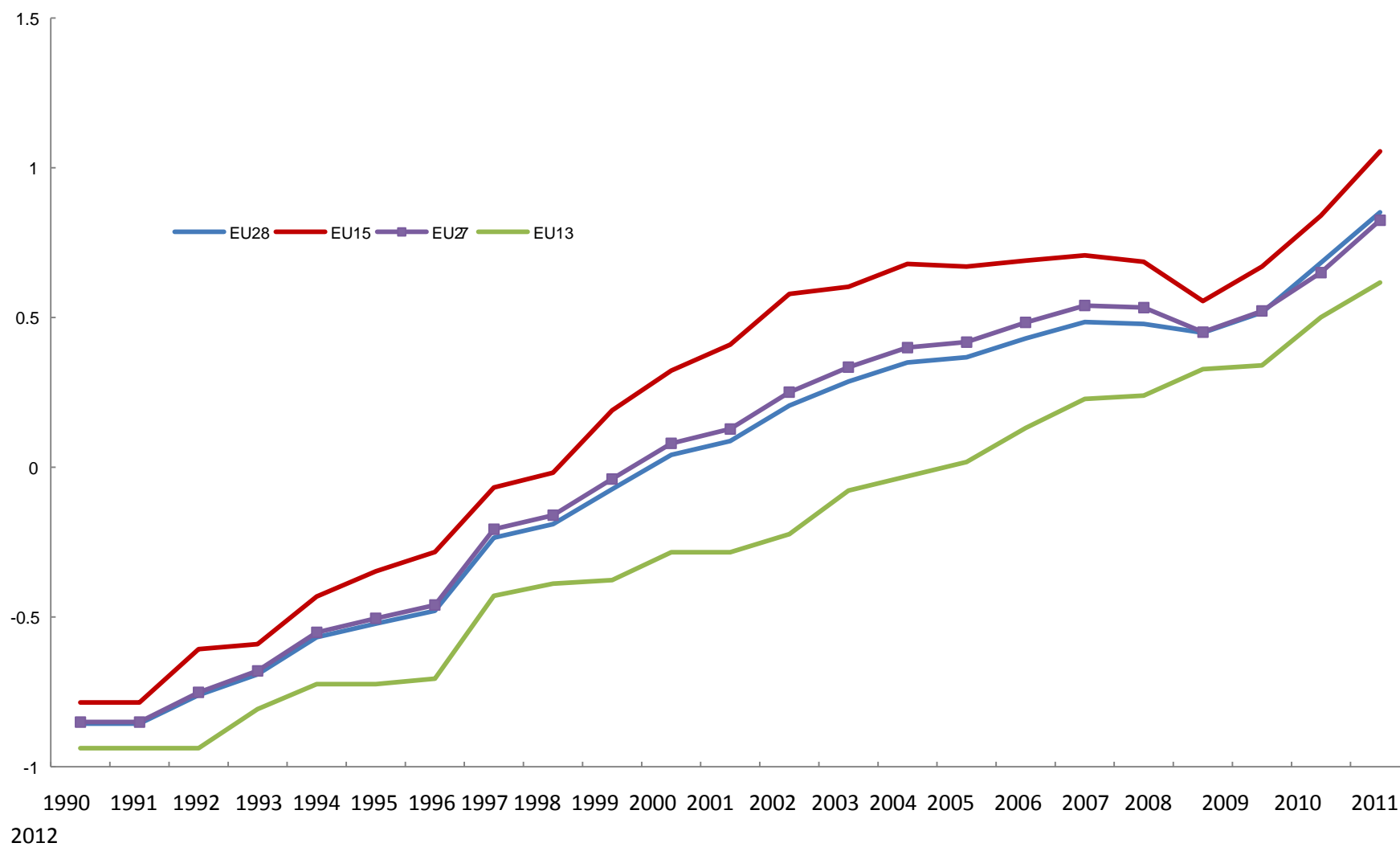
Number of numerical fiscal rules in force in the EU Member States by type, 1990 to 2012



Numerical fiscal rules in EU Member States by type and sector of government, 2012

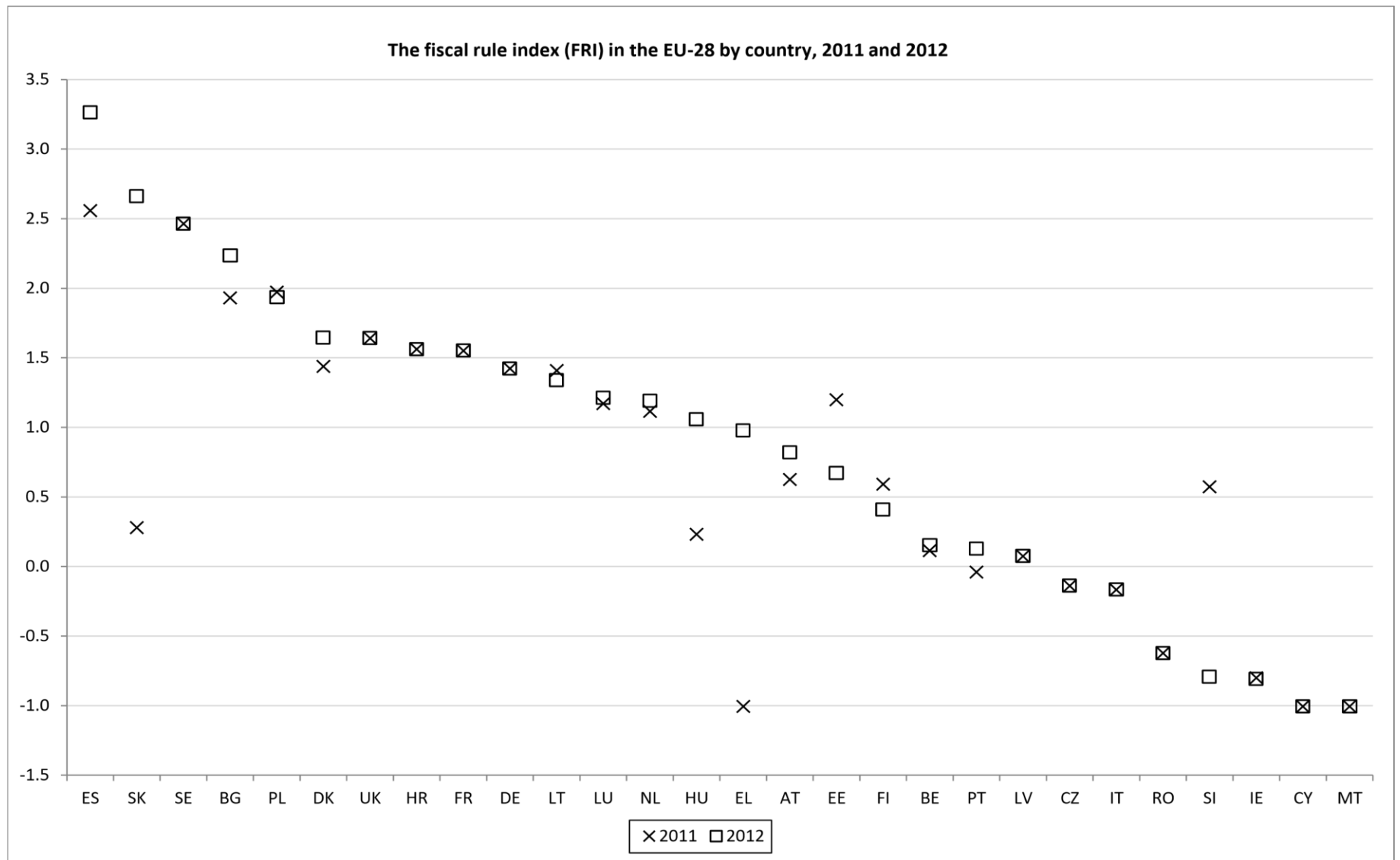


The Fiscal Rule Index (FRI) in the EU and selected groups of Member States, 1990 to 2012

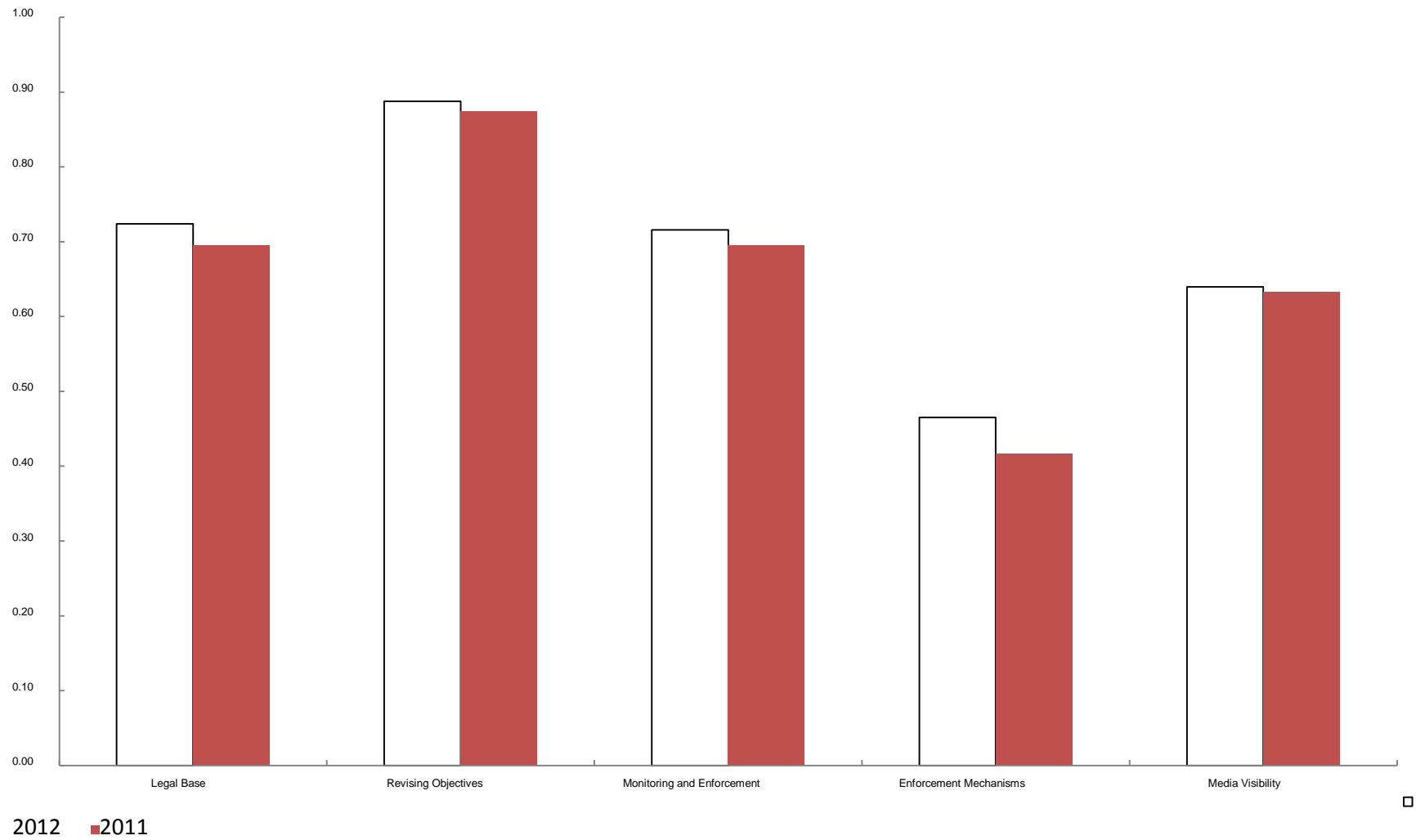








### Average of the dimensions composing the FRI index



*Independent Fiscal Institutions* is determined, as impartial public authorities, which are not representative, nor the National Bank, nor the government, nor parliament and which preparing macroeconomic forecasts for the budget, monitoring fiscal performance parameters, giving advice to the government about fiscal policy issues. Such institutions are mainly financed from the state budget thus they are functionally independent from fiscal authorities. State audit institution may include in the definition but final decisions of budget targets and fiscal forecasts are made by the members of the government. These public bodies can contribute positively to fiscal policy making through:

- ✓ The provision of unbiased inputs for the annual budget preparation, such as macroeconomic forecasts on which budgetary projections are based.
- ✓ The provision of independent analysis on fiscal policy issues. This may include monitoring budgetary developments, assessing compliance with the existing fiscal rules and/or estimating whether the budgetary cost is relevant to the specific policy measures.
- ✓ The issuing of regular assessments and recommendations relating to different aspects of fiscal policy, such as recommendations addressing long-term sustainability issues or proposals containing fiscal targets for the different tiers of general government.

**Important elements in the design of independent fiscal institutions include:**

**The mandate:** The mandate should be clear and unambiguous, specifying the tasks assigned to the institution and the scope of its activities, and backed by strong legal provisions. In this respect the following remarks are pertinent:

The mandate should ensure that the tasks assigned to the institution will be carried out on a regular basis and not only occasionally. Forecasts, monitoring tasks and assessments should be comprehensive and not limited to partial aspects.

Should the mandate include the provision of forecasts and/or monitoring tasks, the institution should be given access to internal information in the national statistical office, ministries and other governmental bodies.

Finally, where the institution is entrusted with the enforcement procedures of fiscal targets and rules, the scope of the measures this independent body can take and the possible connections with the judiciary branch should be unequivocally specified in its mandate and supported by legal provisions.

**Functional independence:** A high degree of autonomy and functional independence vis-à-vis fiscal authorities are important preconditions to ensuring the institution is not hampered by political interference. This can be ensured by:

- ✓ Public financing, preferably stipulated in a legal text.

- ✓ Specific appointment procedures, particularly for the governing board, ensuring its functional independence.

***Involvement in the budget process:*** The involvement of the institution in the budget process emerges as the most crucial element determining its influence on the conduct of fiscal policy. The arrangements in some EU countries have proved to be effective in conveying the policy messages issued by independent bodies. These include, for example, regular hearings in the parliament during the budget preparation, consultation by the government in the course of the budgetary process, or the obligation of fiscal authorities to justify departures from the forecasts or recommendations released by the institution. Delegation of macro forecasts for the budget preparation is an example of strong involvement in the budget process. Country experiences show that independent forecasts result in more realistic macroeconomic scenarios being used to adopt policy decisions, with biases in the growth assumptions due to government optimism being reduced.

Medium-term budgetary frameworks are fiscal arrangements whereby the horizon of fiscal planning is extended beyond the annual budgetary calendar. Their importance stems from the fact that most fiscal measures have budgetary implications going well beyond the yearly budgetary cycle. A well-designed MTBF reflects the impact of past budgetary commitments as well as the future cost of new policy measures. Although the approval of annual budget law remains the key step in which important decisions on budgetary policy are adopted, most fiscal measures have budgetary implications that go well beyond the annual budgetary cycle. As a result, a single year perspective provides a poor basis for sound budgetary cycle. MTBF usually cover the preparation, execution and monitoring of multi annual budget plans and contain both expenditures as well as the resultant budget balances. In general medium-term objectives included in MTBF represent the weaker form of commitment than a pure rule incorporating binding targets. However, they may help ensure fiscal discipline by making more apparent the impact of current policies on the government balance in the coming years. be more obvious and complies with the government's medium-term objectives. Also, existence of MTBF is able to support development monitoring criteria and development dynamics of a correct assessment of the Budget stages. Totaling, well-designed MTBF should reflect the impact of previous budget obligations, as well as, new policy measures of the implications over the duties for the future. Finally, strengthening MTBF promotes to lead effective institutional reforms, planning duties and general, improvement of budgeting process.

### **Key elements in the design of MTBFs**

***Coverage:*** MTBFs should ideally cover the general government sector, or at least the central government plus the social-security sub-sectors, over a period of three or four years. A breakdown of the general government budgetary projections into sub-sectors should also be provided.

***Expenditure projections:*** Effective MTBFs are usually based on binding expenditure limits. An appropriate breakdown of these projected spending ceilings according to the main expenditure areas is required in order to incorporate spending policy priorities and the envisaged expenditure adjustments in the medium-term fiscal planning.

**Revenue projections:** Expenditure projections should be complemented by plausible revenue projections based on cautious macroeconomic assumptions. Similarly to the expenditure side, an adequate breakdown by main type of revenues should also be provided in order to show the budgetary impact of tax policy measures.

**Analysis of departures from the envisaged fiscal path:** The previous year's actual budgetary outcomes should be compared to the projections initially set out in the MTBF. Differences and deviations should be explained and justified. Likewise, measures implemented to offset deviations from the medium term path of fiscal projections should also be spelled out. All this information should be included in the MTBF documentation.

**Macroeconomic assumptions:** The baseline projections and the corresponding macroeconomic assumptions should be supplemented by the inclusion of alternative scenarios. This should allow the identification of budgetary priorities in case an unforeseen increase or decrease in revenues materializes, which in turn could also be instrumental in reducing the need to resort to ad-hoc supplementary budget.

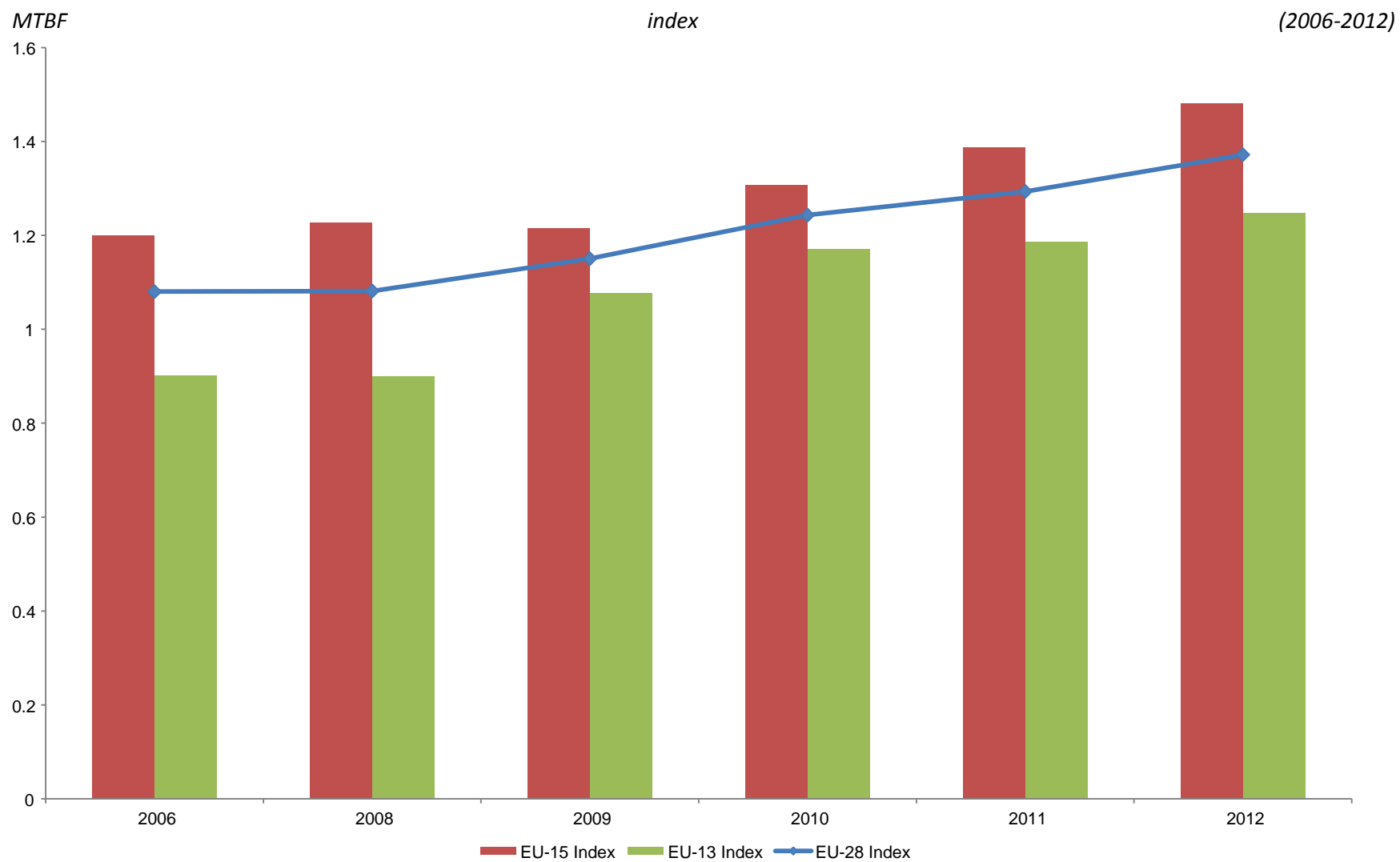
**Accounting system:** The correspondence between fiscal projections on a cash basis and their values based on ESA 95 concepts should be clearly specified. While the cash figures allow more timely monitoring, the corresponding ESA95 data increase transparency and the consistency of the current medium term budgetary planning in relation to the fiscal targets relevant for compliance with the SGP to be checked.

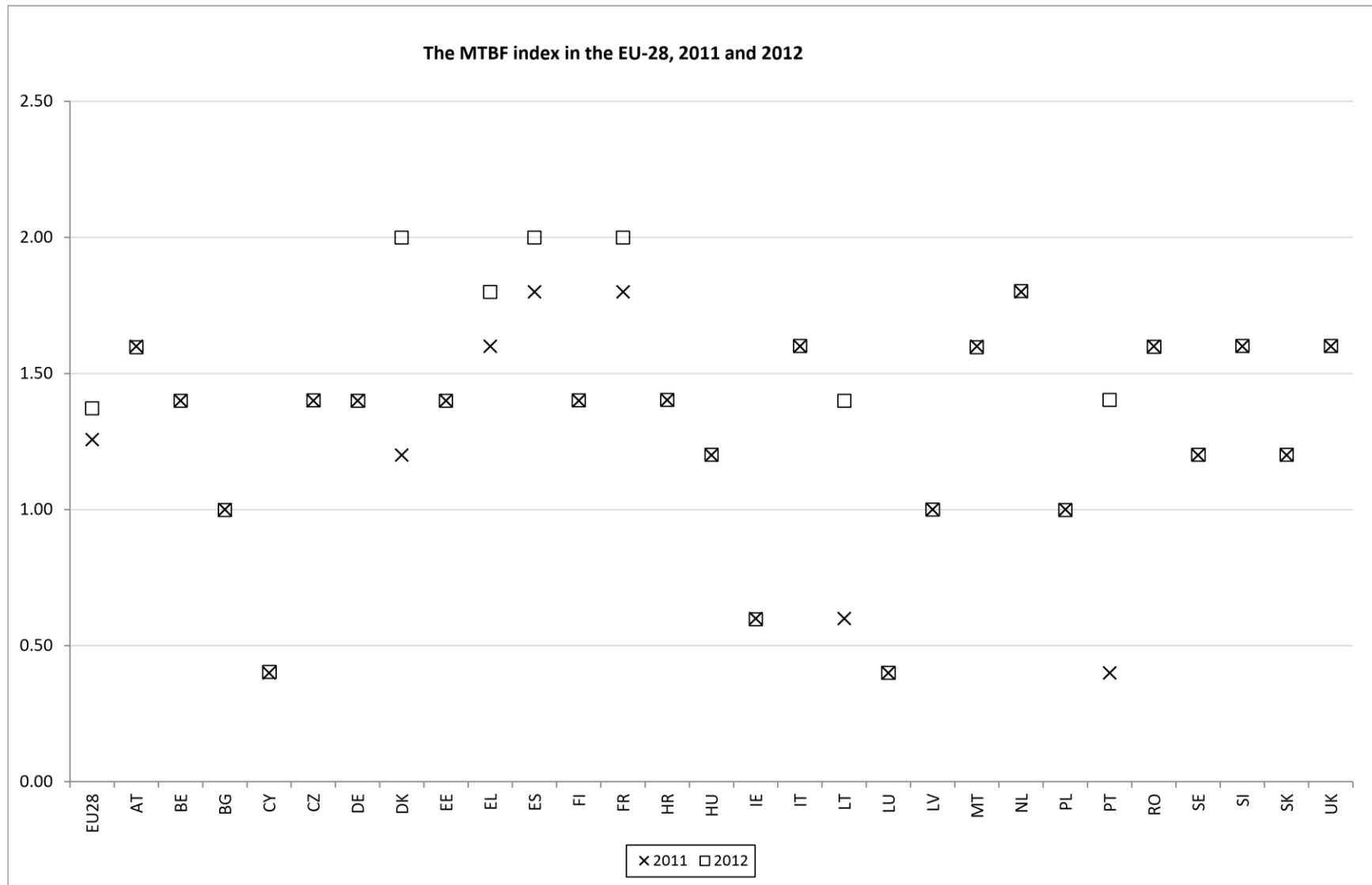
**Input into the annual budget law:** The projections and objectives included in the medium term framework should form the basis on which the budget law is prepared. In this respect, the role played by the Parliament in the MTBF preparation should be strengthened: the projected fiscal path, particularly the expenditure targets, should formally be presented, discussed and approved in the Parliament before the submission of the annual budget law.

**Monitoring and corrective mechanisms:** Monitoring mechanisms should be specified with respect to the frequency of assessments and the body responsible for undertaking these and corrective procedures pre-defining actions in case of deviation from the envisaged fiscal path should be clearly stipulated. Where a MTBF relies on a multiannual spending rule, these mechanism should be closely linked to those for the monitoring the expenditure ceilings. The same institution should monitor and enforce both elements of the fiscal framework where these tasks are assigned to an independent body.

The Commission services have surveyed the existing medium-term budgetary frameworks and current budgetary procedures across EU Member States via several rounds of questionnaires (2006, 2008-2013). The information collected on budgetary procedures, medium-term frameworks and financial stability and connectedness with the budget (including supplementary and corrective budgets). Using the above survey information, DG ECFIN constructed an index on the quality of **MTBF** using 5 criteria (see Annex 4).

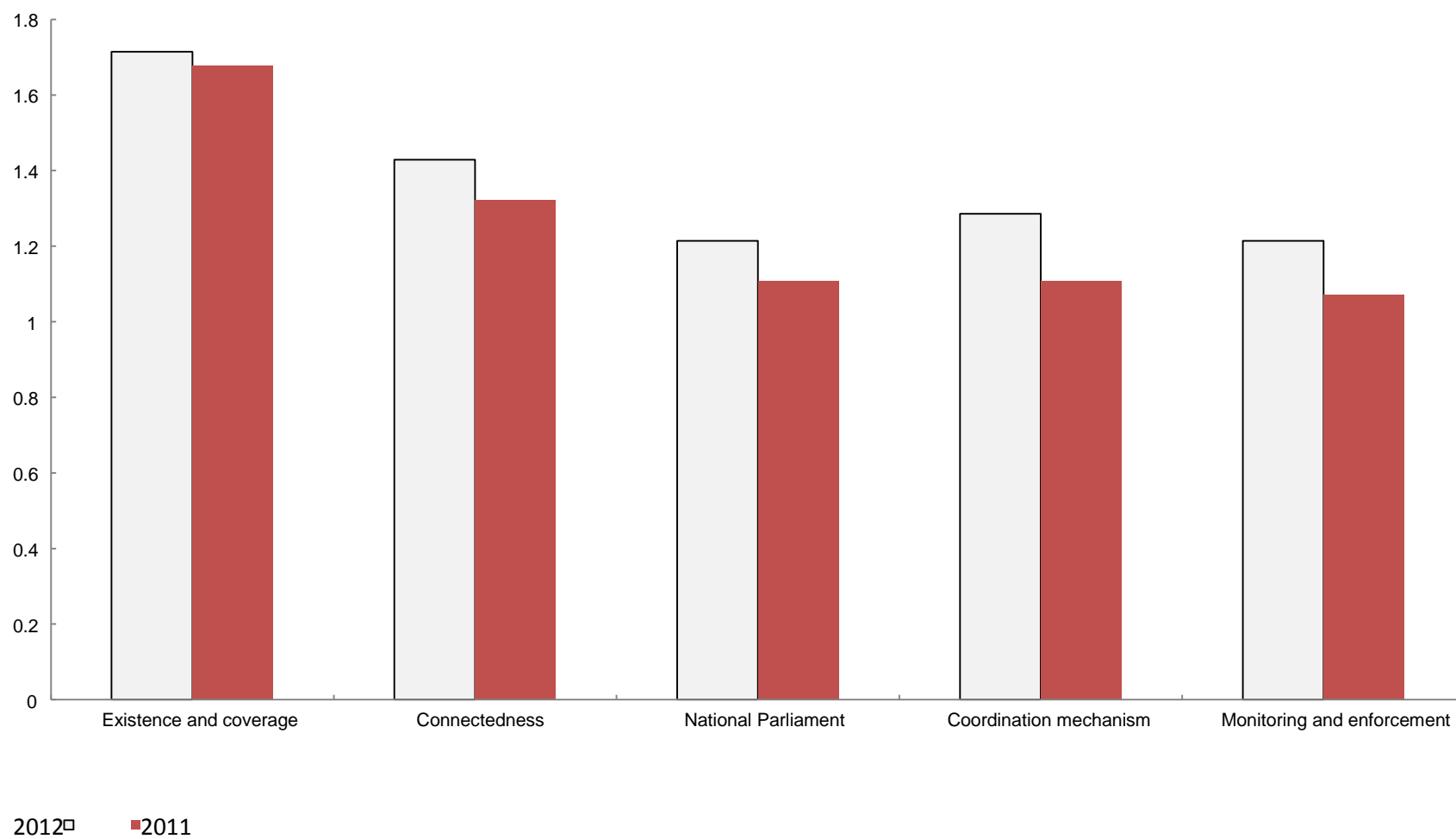
*The following graphs describes MTBF strength index in EU member states.*



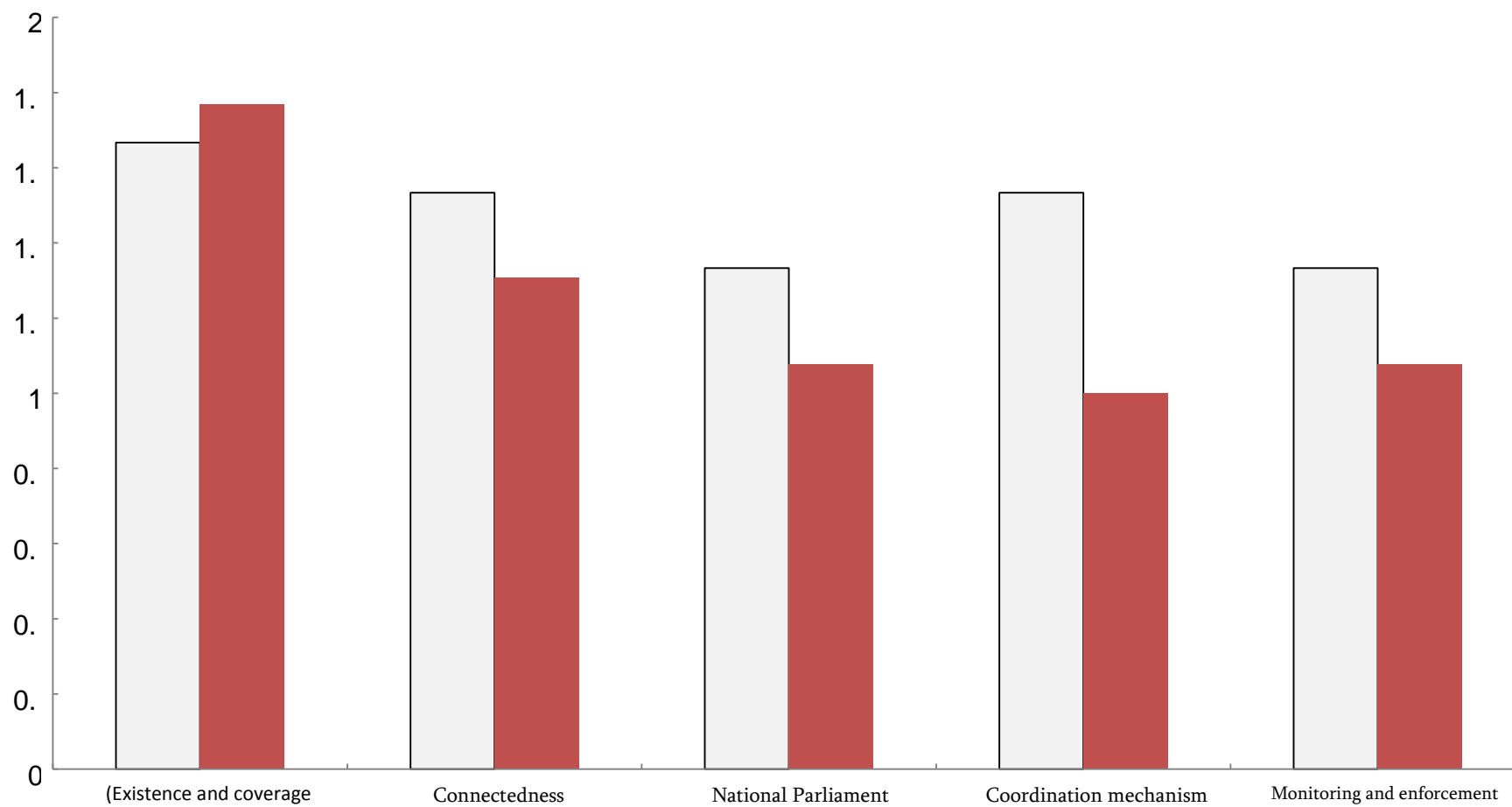




### Average of the dimensions composing the MTBF index



Average MTBF index in 2012



■ EU 15 ■ EU 13

### 3. Fiscal Policy and Discipline of Georgia

#### 3.1 Public Finance Reform, budget process and Basic Data and Direction document (BDD)

##### 3.1.1 Public Finance Reform

Public Finance Reform that started since 2004 included introducing MTEF, improving main aspects of budgeting, implementing GFSM 2001 classification for all levels of the Budget and moving to Program Budgeting. New regulations introduced in Budgeting was depicted in the New Budget Code of Georgia, which has been elaborated and adopted by the Parliament in 2009 and is in force since 2010. The Budget Code incorporated in itself all the laws regulating the whole Budgetary System on central level as well as for the Budgets of Autonomous Republics and Local Self-governments. The new code also declared the will of Georgia to gradually move to program Budgeting from 2012 for State Budget and from 2013 for the Budgets of the Autonomous Republics and Local Self-Governments.

A lot has been done in the context of MTEF. The Basic Data and Directions document has undergone several changes since it has been first prepared in 2005. New Budget Code secured on legislative level close links between BDD and Annual Budget preparation process. Gradually priorities and midterm expenditure plans of each spending agency of the State Budget and Autonomous Republic and Local Self-Governments have been included in the Document. MOF, in close cooperation with line Ministries used to prepare the four-year Basic Data and Directions (BDD) document in consistence with the Budget Code. The BDD document reflected the medium-term priorities of the Ministries and spending agencies, and goals, outputs and funding for the programmes and activities targeted at achieving those priorities. In addition, BDD sets expenditure and staff ceilings for each spending agency of the State Budget for the coming year. The document is a kind of framework for the Budget and part of the Budget Draft package submitted to the Parliament and final version of the document is submitted to the Finance-Budget Committee of the Parliament of Georgia in January of the year to be planned in accordance with the terms determined in the Budget Code of Georgia.

Due to introducing program budgeting on the State Budget level from 2012 the format of the 2012-2015 Basic Data and Directions document was changed in order the document to be in compliance with State Program Budget. 2012-2015 BDD reflects the medium-term priorities of the Government (10 point Government Plan) and programs of Ministries and spending agencies and funding for the programmes targeted at achieving those priorities. BDD as usual determined aggregate level information including expenditure and staff ceilings for each spending agency of the State Budget.

As determined by the Budget Code, State Budget for 2012 had to be the first annual budget to be prepared completely in program budget format. Before this point a lot of preliminary activities have been done. For the implementation of programme budget exercise, the GoG approved Decree No. 284 on March 10, 2010 on the Programme Budgeting Implementation Plan, which identified programme budget activities for 2010, 2011 and 2012. In 2009 and 2010 the main works have been done in cooperation with pilot ministries. At first there were three pilot ministries (Ministry of Justice; Health and Social Protection and Education and Science of Georgia) chosen in order to prepare their program budgets together with

ordinary organizational budgets, in 2010 three more (the Ministry of Corrections and Legal Assistance; the Ministry of Agriculture; and the Ministry of Environmental Protection) were added. 2011 Programme Budget documents of the pilot ministries, along with the final draft of 2011 Annual Budget Law were submitted to the Parliament of Georgia in December 2010.

Taking into consideration recommendations of the IMF, WB and other international organizations and examples of other countries and based on the experience of the Pilot Ministries and suggestions worked out during the meetings with spending agencies, Programme Budget Methodology was prepared and approved by the decree No. 385 of July 8, 2011 of the Minister of Finance. The methodology also includes instructions on Capital Budget and Performance Reporting forms.

Before September 1, 2011 spending agencies of the State Budget submitted their Budget Proposals first time in Program Budget Format. Budget proposal forms were specially elaborated in order to meet the Program Budget requirements by the Ministry of Finance of Georgia and were available for the Spending Agencies in the Budget Management Electronic System (E-Budget). E-Budget is one component of the Budget Sector reform; this is a special web-based program which is available for the finance departments of all spending agencies of the State Budget and MoF Budget Department Staff. This program allows MoF and spending agencies to prepare State Budget Draft Law electronically. In 2011 E-Budget was harmonised with the Treasury Electronic System (E-Treasury) which allows spending agencies to manage their Budget Resources comfortably and accurately minimising paper-work and bureaucratic procedures.

Spending agencies started working on their budget proposals according to the terms determined in the Budget Code and instructions described in the Program Budget Methodology. After the spending agencies submitted their Budget proposals Ministry of Finance started working on the 2012 State Budget Draft Law which was fully program based. Draft Law and its annexes included description of the programs and subprograms for each line ministry, their midterm financing and information about the outputs/outcomes of the programs/subprograms and their performance measurement indicators, as well as information about capital projects and program implementers. The Budget draft law was adopted by the Parliament in December 2011.

Stemming from the reforms in the Public Finance Management area, legislation harmonization activities were carried out. Programme budget methodology, changes in Budget Classification, new instructions on taking obligation on payments and the rules of payments for the budget organisations financed by Autonomous Republics' and Local Self-government entities' budgets were prepared. Necessary changes have been prepared in the Budget Code related to the Programme Budget implementation process and adopted by the Parliament in October 2011. Normative Acts concerning budgeting have been revised and updated in order to fit the Program Budget related aspects.

In 2015 the program budget methodology has been updated. New methodology proposes new regulations which recommends to the line ministries (describes Action Plan preparation procedures within the line ministries) how to develop programs and subprograms, how to prepare costing for each kind of programs (such as administration and management, service delivery, subsidies or infrastructure programs), determine the expected outputs and outcomes and performance indicators based on their

medium-term plans, sector strategies and available resources. Additional information is requested to spending agencies to submit their program budget annex, such as the baseline of indicators, targeted indicators/data, deviations from targeted indicators and possible risks for each program and subprogram. The programs/subprograms/activities in the abovementioned Action Plans or sector strategies should be relevant to Annual budget and BDD document.

In 2016 state budget program budget part has been prepared according to the New Methodology. In 2015 detailed Medium Term Action Plans has been prepared by five pilot ministries. In 2016 all line ministries have been prepared detailed Medium Term Action Plans for 2017-2020 according to the methodology. During 2016 MOF organized series of meetings with line ministries, discussing action plans and program budget principles, challenges and difficulties, considering the recommendations given to them, all line ministries adopted their costed action plans.

The main finding of the 2012 PEFA is that "Georgia has advanced significantly its budgetary and financial management systems since the previous assessment (2008). The basic set of systems has been put in place for strategic budget planning, budget formulation and execution. Key modules of Integrated Public Financial Management Systems (PFMS) are in place. Robust systems for budget preparation and execution are in place as well as adequate chart of accounts. Important progress has been achieved in program-based budgeting.

Legal framework governing public procurement was further amended, Electronic Government Procurement (E-GP) introduced and linked to the treasury information system thus providing full information sharing".

The law on the State Audit Office of Georgia was amended to be closer to international standards.

Five out of six types of information that are assessed by the PEFA methodology are publicly accessible: 1) annual budget documentation, 2) in-year budget execution reports, 3) year-end financial statements, 4) external audit reports, 5) contract awards.

The EU report (July 2014) highlights these findings stating that 'Georgia has been noted for significant advancement in its budgetary and financial managements systems. The budget classification system captures all administrative, economic and functional elements and is relevant to GFS2001. The basic set of systems is in place for strategic budget planning, budget formulation and execution. The introduction of international good practice in the budget cycle of the Government is well advanced, including robust systems for budget preparation, adequate chart of accounts, reliable execution (including accounting and reporting,) and sufficient controls.

The basic requirements for budgetary transparency are in place in Georgia. According to Open Budget Survey 2015 Georgia received relatively good marks – 66 and is ranked 16<sup>th</sup> among 102 countries in the world (according the same survey in 2012 Georgia received 55 and ranked 33<sup>rd</sup>) and is among substantially transparent countries<sup>2</sup>.

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<sup>2</sup> <http://www.internationalbudget.org/wp-content/uploads/OBS2015-OBI-Rankings-English.pdf>

Macroeconomic Risk Analysis of Fiscal sector for 2016-2020 have been prepared with International Monetary Fund (IMF), which includes the contingent liabilities. This information as an annex is attached to the state budget 2017<sup>3</sup>.

Each year “Citizens Guide” to the State Budget is prepared by Ministry of Finance of Georgia and published (in Georgian and in English language) on the MOF website.

Georgian Government has approved strategic documents for Public Administration Implementation – “Georgian Public Administration Reform guide 2020” and “Policy Planning System Reform Strategy 2015-2017”. “Action Plan for Open Government Partnership”, “National Anticorruption Strategy and Action Plan”, “Digital Georgia – E-governance Strategy and Action Plan”, “Public Finance Reform Strategy and Action Plan” are consolidated together in one Public Administration Action Plan.

Public Finance Reform Action Plan 2014-2017 and State Audit Strategy 2014-2017 has been approved with the 2015 Action Plans.

Within the framework of Public Finance Reform all level of budget and all budget organizations were fully integrated in Single Treasury Account. Ministry of Finance of Georgia has done a lot to implement abovementioned reform the issue has been discussed with National Bank of Georgia. LEPL – Financial-Analytical Service of Ministry of Finance of Georgia updated relevant modules in public finance management system and from January 1, 2015 all budget organizations and all levels of budget has integrated in single electronic system, both in the Planning and Execution stages. As a result of this reform concept of Budget Organization has expanded and budget code regulates all level of budget organization (established by central, autonomous republics and local government). It helps achieving budget process to be more transparent.

The fiscal information is accessible on the websites of the Ministry of Finance, the State Audit Office, Competition and State Procurement Agency and the Parliament of Georgia. The National Bank and Georgian statistic office publishes comprehensive fiscal information including monthly updated statistics on external debt. Information about budget planning and accountability contains donor funding projects. Budget classification is consistent with international standards.

The format and presentation of the budget is substantially improved with respect to incorporating a results orientation, a multiyear perspective and taking necessary steps towards linking strategic planning and budgeting.

From 2012 onwards, the state budget includes a separate annex on investment projects, presenting the capital projects in the medium term perspective.

The MTEF framework has developed at the state and local government levels since 2007 and includes expenditure allocations and budget ceilings.

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<sup>3</sup> <http://mof.ge/images/File/biujetis-kanoni2017/damtkicebuli/SFR-2016-Total-bind.pdf>

A fiscal risk statement together with the 2015 budget comprising disclosures on macroeconomic and debt-related risks was issued.

Within the framework of World Bank technical assistance Government of Georgia adopted Investment Project Management Guideline (government decree M191, 22.04.2016)<sup>4</sup>, which identifies six essential features in the Investment project management process (project screening/pre-selection, project appraisal, project selection/budgeting, project implementation, project monitoring, and ex-post evaluation). Guideline introduces the rules and management procedures of Investment project management process, roles and responsibilities of at all stages of the process. On the bases of the Guideline Investment Project Management Methodology have been adopted by the Ministry of Finance (MOF decree N165, 22.07.2016)<sup>5</sup>.

### **3.1.2 Fiscal policy**

#### **3.1.2.1 The main fiscal rules in Georgia**

Public finance management institutions and discipline in this field is determined by the Constitution, Budget Code and the organic law of "Economic Freedom".

Stable macroeconomic policy is a necessary for fast and healthy economic growth. Developing macroeconomic policy framework government takes obligation to carry out a stable macro-economic policy for overcoming external risks, implement structural reforms for macroeconomic stability and maintain the reputation in order to the government of fiscal responsibility. It is defined by the Georgian Constitution that, „long-term, fundamental principles of the stable economic growth are established by the organic law. Limit violation of the macroeconomic parameters set and deviation from the limits during the special needs, also, organic law determines the implementation of measures for the purpose of returning to the parameters".

Georgia adopted the organic law on "Economic Freedom", in 2011, by which it is estimated guaranteed the economic rights and freedoms. For this law, government provides the economic rights and freedoms, which are the basis for the development of society, for the people's well-being and long-term economics' stable growth. Freedom is a basic principle of economic policy, which envelope in the government's small size, responsible macroeconomic policies and in low taxes.

Through economic long-term and stable growth, secure well-being and control each further generation reduced financial obligations with the program of the country in order to promote established macroeconomic parameters following maximum limits:

**Expenditure Rule** – the ratio of sum of the consolidated budget expenses and the growth of non-financial assets to the GDP - not more than 30 %;

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<sup>4</sup> <https://matsne.gov.ge/ka/document/view/3265745>

<sup>5</sup> <https://matsne.gov.ge/ka/document/view/3348189>

**Balance Rule** - the consolidated budget deficit's ratio to the gross domestic product (GDP) – not more than 3%;

**State debt Rule** – states debt's ratio to the gross domestic product (GDP) – not more than 60%;

**Revenue rule** – the organic law prohibits the growth of any tax rate, except excise tax.

If voted budget approved by the parliament do not comply limit or limits with the law, the Georgian government shall work out and submit to parliament a further two-year budget options, which shall include return plan within the period of set limits.

Inadequate limit or limits mentioned by Georgian parliament pass the budget only can in the case, if the current budget limit/limits were appropriate, except emergency or martial situation and/or economic recession.

Except general framework parameters required by the law government will provide medium-term macroeconomic and fiscal parameters. The parameters are agreed by the International Monetary Fund (whether the program is implemented with IMF or not) and include forecasts to the different financial institutions.

Fiscal parameters set for the medium-term period is based on as the general rules which are defined by legislation, as analyses of macroeconomic situation of the country and the region.

### **3.1.2.2. The Budget System and budget code of Georgia**

The Budget Code defines the principles of the formation of the budget system; regulate Georgian state, autonomous republics and local government units in the preparation budgets, review, approval, execution, reporting and control of rules, also, Georgia's central, autonomous and local government budgetary relations and responsibilities.

The budget code of Georgia determines the budgetary system and each stage of the budget process. Budget Calendar defined by code and parties involved each stage in the budget process powers and responsibilities. Budget Code defines the basic principles of the budget system, which is based on the daily activities all parties involved in budgetary process.

The basic principles of the budget system are:

**Comprehensiveness** - Complete reflection of the relevant budgets all budget revenues, payments and change of credit;



**Transparency** – discussing Project budgets in the representative authorities about revenue procedures openness for the public and for the mass media; Approved budgets and reports of their execution; information about budget (except the secret information) access to any physical and legal person;

**Accountability** - Responsibility of all participants in the budget process, its executed activities and presented information about Budget;

**Independence** - The state budget, autonomous republic budgets and local self-government budgets independence, which provides its own revenues and credit(balance), also their payments independently determining the right accordingly of Georgia's legislation;

**Unity** - general basis, unified budget classification, single accounting system, state Financial Control of uniform principles Leadership by governments of the state, autonomous republic and local self-government units.

**Universality** – apply all budget revenues to finance all payments, except in addition of this Code. Farther, none of the revenue except financed by donors, should not be directed specifically, financing specific payments. By the budget organizations to keep received revenues for its purposes is impermissible, except that cases, when budget organization is a legal entity or/and non-entrepreneurial (non-commercial) legal entity.

**Consolidation** - All levels of budget revenues conversion accounting of the state treasury system and pay payments according to the established rule of Georgian legislation, state treasury's single account management by state treasury and their placement in the National Bank and / or other banking institutions.

### **3.1.2.3 Basic Data and Direction Document (BDD)**

Budgeting process begins when starting to work on Basic Data and Direction Document (BDD) takes place. BDD is a main development plan of Government, which includes information about medium term macroeconomic and fiscal forecasts, as well as information of main directions of Georgian Central, Autonomous Republics and Local Self-Government Bodies. The document is four year document and it is revised annually.

Preparation of BDD starts on preparing annual budget. Each year on the 1<sup>st</sup> of March state spending agencies begin to work on medium-term planning. Annually Georgian Government defines the stages of preparing the document, the list of information which should be included in the document and the dates when the draft version, revised and final version of BDD should present to Government and the Parliament. And according to this document line ministries are preparing medium-term action plans.

BDD is approved by Government of Georgia for next year and +3 by 10<sup>th</sup> of July.

### **The structure of Basic Data and Direction Document (BDD)**

First part: BDD is the program of Georgian government, which they introduce to parliament while giving a speech before them.

Second part:

- ✓ Macroeconomic analysis and forecasts of main budget and macroeconomic parameters (nominal and real GDP, economic growth, inflation, investments and etc.).
- ✓ Analysis of final results of last fiscal year's budget execution and current fiscal year's final forecasts.
- ✓ Forecasts of coming and +3 years' budget parameters.

Third part:

- ✓ Priorities of budget expenditures according to government program;
- ✓ Budget and personnel Ceilings for spending units (for upcoming 4 fiscal years);
- ✓ Programs and medium-term budgetary frameworks within budget priorities.

BDD document is part of draft budget package that are presented to the parliament and correspondingly it is presented to the parliament with draft budget. The final version of the document also includes priorities of local self-government units and is presented to financial and budget committee of the parliament for informative purposes.

#### ***3.1.2.4 Preparation of Annual draft budget***

Before 10<sup>th</sup> of July in the Basic Data and Direction document determines ceilings of budgets and number of personnel for spending units, within the ceilings spending units submits budget requests to the Ministry of Finance by the 1<sup>st</sup> of September. Spending units prepare budget request forms in public finance management system (PFMS). They can also fill the budget request forms above the ceilings in this system. Budget Code of Georgia regulates what information would budget requests include.

In July 2011 according to the Budget Code program budget methodology was prepared in which different instructions of preparing program budget are presented.

According to budget requests, fiscal rules and defined parameters draft budget law is prepared. Dates of preparing budget, presented it to the parliament, reviewing and approval procedures are defined in the budget code of Georgia. The budget code determines information of what kind of information needs to be included in draft budget that is presented to the parliament.

Draft budget law is presented to the parliament before 1<sup>st</sup> of October, the parliament of Georgia discuss the document and sends it back to government with remarks. The government of Georgia presents draft budget law to the parliament two more times, taking into consideration recommendations (no later than 5<sup>th</sup> and 30<sup>th</sup> of November).

### **Structure of State Budget:**

- ✓ In the first four chapters main parameters of budget are given, including total revenues and expenditures according economic and functional classification, budget deficit and sources of funding and state debt value and etc.
- ✓ Fifth chapter includes priorities and description and objectives of programs and subprograms (programs are grouped according to priorities).
- ✓ In sixth chapter programs are grouped by the budget institutions implemented programs and the chapter represents each program's funding. This chapter also includes determination of amount of national spending.
- ✓ Seventh chapter includes detailed information about transfers for autonomous republics and local self-government bodies.
- ✓ In eighth chapter, budget regulations and rules are given.

For ensuring transparency, when presenting draft budget to the parliament it includes information annexes, which shows information about programs and capital projects in detail, such as:

- ✓ Program Budget annex includes description of each program and subprogram, their expected results and performance indicators.
- ✓ Capital Budget annex includes information about capital projects that are planned within budget (including *total cost of project*, financing sources, project completion dates - deadlines etc.).
- ✓ Detailed information about programs and budget institutions that are implementing each program.

### **Draft State Budget includes:**

Explanatory note of draft state budget, which includes the following information:

- ✓ Forecast and description of main macroeconomic indicators (nominal and real GDP, economic growth, inflation, investments and etc.);
- ✓ Forecast and description of fiscal indicators;
- ✓ Information of main programs and activities that are financed from the state budget;
- ✓ Short review of current fiscal year's state budget execution;
- ✓ Package of legislative changes required for enactment of the Law on Annual Budget;

Additional information of programs/subprograms that are implemented within budget, their expected outcomes and performance indicators.

It is the part of fiscal discipline, that except the framework of main parameters that are approved by organic law, budget code establishes additional limits and regulations. According to annual budget law, except programs and subprograms of budget institutions, budget code also determines the role of General

State Appropriations and law regulated what can be this type of expenditures, including reserve funds and the limits for reserve funds are set (no more than 2% of whole budget expenditures).

Budget code also establishes regulations of allocation of budget funds within approved state budget.

The mechanisms of adjustment of budget allocations are determined in the Annual Budget Law.

Budget institutions are responsible for spending and collection revenue within their competences.

Budget Code defines responsible entity for supervision of organizing and managing budget execution (ministry of finance of Georgia) and defines authority of parliament of Georgia to control the lawfulness of spending budget funds and react accordingly.

Within five working days of the day State Budget Law is published, spending agencies present information to the Ministry of Finance of Georgia about quarterly/monthly budget allocations given to them. Minister of finance of Georgia takes a decision in the time determined by budget code about quarterly/monthly allocations of State and consolidated budgets, foreseeing presented information and actual resources.

#### ***3.1.2.5 Consolidated budget, budgets of different levels, balance of budget and sources of financing of deficit***

##### **State Budget**

##### **Republican Budget of Autonomous Republics**

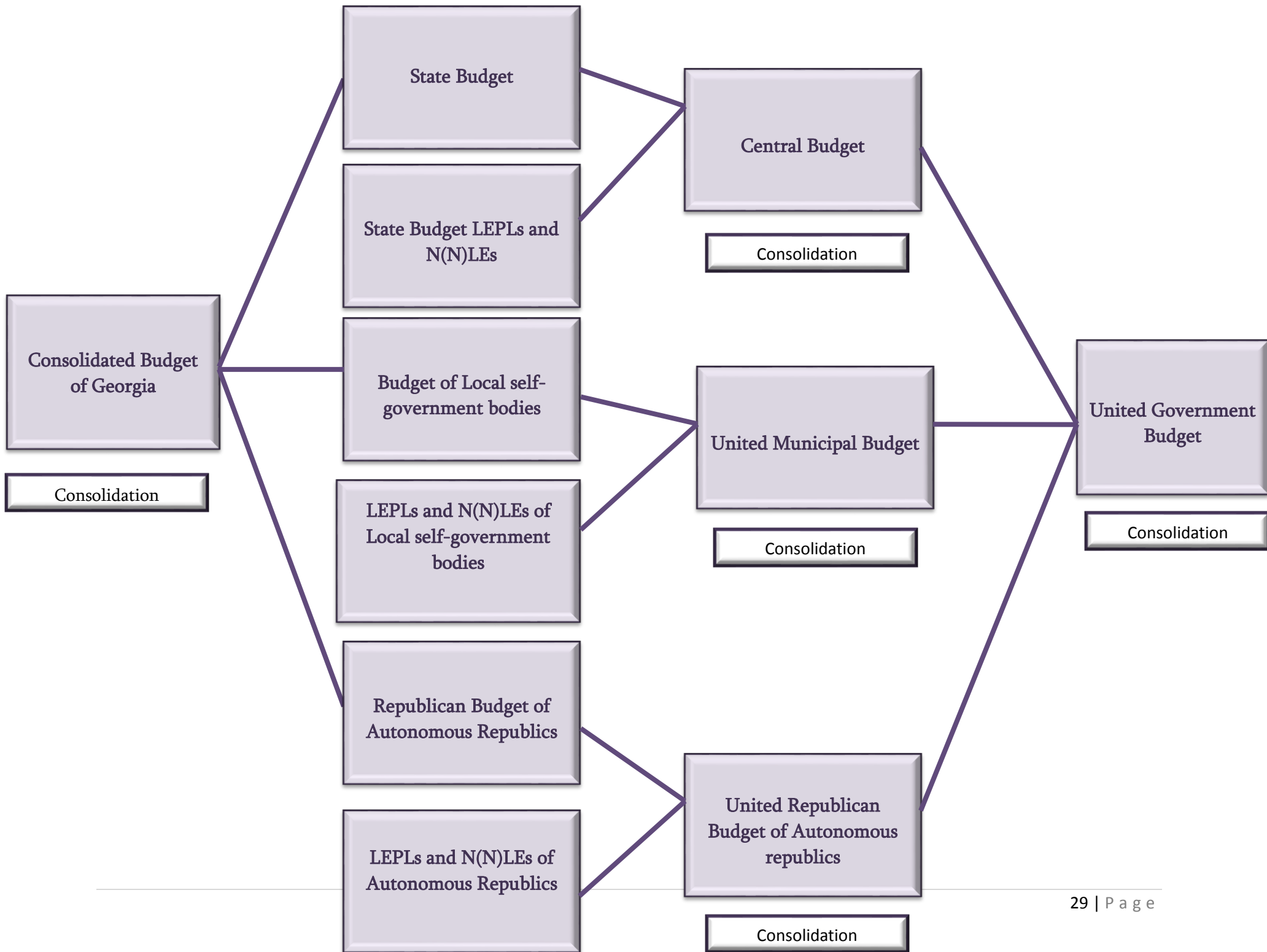
##### **Budget of local self-government bodies**

Consolidated budget of Georgia includes State budget, budget of autonomous republics and local self-governed bodies consolidated budget. Consolidated budget is not subordinated to be approved by neither of governing institutions.

Ministry of Finance is responsible for preparing statistical information about consolidated budget of Georgia.

Budget code defines regulating standards and budget regulations connected to budget process formulation, presenting the budget, budget hearings and budget approval. It also forms calculating formulas of equalization transfers and types of transfers. Budget code also defines rules of apportionment of budget incomings.

Budget code defines the terms such as United Government Budget, Central Budget, United Municipal Budget, United Budget of Autonomous Republics, and United Republican Budget of Autonomous Republics:



Budget code defines regulations of budget preparation, submission, discussion and adoption of Autonomous Republics, local-self-government bodies. Also defines different types of transfers and the formula of equalization transfer. Code defines the rules of distribution of revenues among budgets.

**Budget Code defines budget deficit and surplus:**

- ✓ Budget revenue – current payment = operational balance
- ✓ Operational balance – changes in Non-financial Assets = overall balance

If overall balance is Positive it means budget surplus, if negative - budget deficit.

**According the GFSM 1986 Classification** fiscal deficit/surplus is the difference of revenues, current payments, capital expenditures and net lending:

- ✓ Revenues (Taxes, Grants and other nontax revenues) – current payments = operational balance;
- ✓ Operational balance – capital expenditure and net lending = deficit/surplus;
- ✓ Net lending = lending – loan repayment

It can be balanced from overall amount of funding, which is the sum of the foreign and domestic sources of credits, revenues from privatization and uses of deposits at the beginning of the year.

### **3.1.2.6 Annual report of budget execution**

Budget code establishes the terms of presenting reports of annual budget execution and quarterly budget executions, defines the information that needs to be included in these reports. In connection with annual State Budget, budget code defines terms of presenting report before parliament and approval of it by parliament of Georgia.

Budget organizations are responsible for payments in accordance with assignation and for raising incomes intra vires.

Organizing and managing of budget execution is supervised by minister of finance. The parliament of Georgia is empowered to control legality of spending State Budgetary funds and in case of detecting any infractions address the president of Georgia with demand of suspension expense of budgetary funds. In case of confirmation of illegal spending of resources the president of Georgia takes an adequate decision.

Financing payments of budget organization is made through state treasury office on basis of budget and monthly operative financial plan.

State treasury must ensure transparency and complete reporting of the payment and income operations as well as operations on the consolidated accounts of the state treasury.

State treasury is responsible for the full and exact costing of budgetary income, budgetary payments and changes of the budgetary balance, of State budget, budgets of autonomous republics and local self-governed bodies. The State treasury realizes accounting of payments, for financing outcomes of the

budgetary organizations, that includes information on all stages of payments. Also accounts them according to returned income and overpaid money.

In a month after finishing every quarters Ministry of Finance of Georgia reports to the Georgian parliament quarterly report of the execution of the State Budget with increment sum, which must include current developments in range of macroeconomics and budget sphere, comprising incomes, payments, changes of balance, comparing whole balance actual basis to planned one of the corresponding period.

Spending units, at a stated time, prepare closing accounts and accountings according to the instructions of Georgian parliament that is sent to the Ministry of Finance. Ministry of Finance prepares annual report of execution of State Budget according to state treasury and information given by Spending units that is presented to the Georgian parliament, after finishing the fiscal year, no later than 3 months.

Annual report of the budget execution must include information within the framework of the priorities with annual budget, about implementation programs and subprograms, overreached implications and explanations about inconsistencies, if inconsistencies by the programs of spending units between approved and adjusted plans are more than 30%, whilst inconsistencies between adjusted assignments and actual basis are over 15%.

### **3.1.2.7 Fiscal institutions**

#### **Budgetary office of Georgian Parliament**

The Budgetary office of Georgian Parliament is an independent fiscal institution, whose main purpose is reinforcement of parliamentary monitoring and accordingly, promoting valid, transparent management of public finances and fiscal stability of medium term/long-term period, with independent and impartial analysis, investigation, estimation and recommendations (in case of need) of fiscal policy of the executive authority.

The budgetary office was created was in 1997, although from 2005, the office was under control of financial-budgetary committee of Georgian Parliament. In 2014 important steps were taken for the improvement of regulatory activity of legislative base of budgetary office of Parliament and it was brought in accordance with the international practice.

With the changes made in 2014, regulatory legislative base of budgetary office became considerably close to the basic principles of the independent fiscal institutions, declared by The Organization for Economic Co-operation and Development (OECD): the office was established as the independent structural unit, guarantees of independence were determined, organizational structure was changed. After existent changes, budgetary office of Parliament is accountable to the supervisory board that is managed by chairman of Parliament of Georgia.

After reform, mandate of budgetary office of Georgian Parliament includes all main functions, received in international practice for independent fiscal institutions, particularly, according to existent mandate, budgetary office of Parliament:

Prepares macroeconomic and fiscal environment (implementation of the budget process), as well as the public sector financial management system for the periodic analysis of the main trends of development;

Estimates of the budgetary aggregates used as the basis of macroeconomic assumptions validity, as well as authorized to prepare an independent macroeconomic/fiscal prognosis for the medium and long-term period;

Estimates adequacy of fiscal policy of government with the fiscal limits that are determined on the legislation;

Estimates accordance with the fiscal policy of the executive government to medium-term and long-term fiscal/macro-economic stability and the existing fiscal risks, also has authority to prepare recommendations on corrective fiscal activities, for ensuring the medium-term and long-term fiscal and short-term macroeconomic stability;

Prepares conclusions about financial impact of legislative initiatives according to the regulations of Georgian Parliament; Estimates influence of planned or/and current fiscal arrangements, initiated by executive/legislative authority, also influence of planned or/and current reforms on the course of fiscal policy and functioning of the system of financial management of public sector, including financial influence on the aggregate data of budget, according to decision of head of budgetary office. Also has authority to prepare recommendations on corrective activities for fiscal stability/ the effective operation of the system of financial management of public sector;

Budgetary office ensures publicity of the independent reviewing/estimating reports, prepared within the framework of discretion, also informing Parliament and society about revealed important circumstances.

### **Ministry of Finance of Georgia**

For the purpose of preparing Basic Data and Direction Document and determining medium-term policy, Ministry of Finance of Georgia is responsible for:

- ✓ Implementing basic macroeconomic forecasts and calculations for economic development of the country;
- ✓ Forecasting and planning budget revenues;
- ✓ Preparing analytical materials and forecast calculations.

Ministry of Finance of Georgia is responsible for preparation of Basic Data and Direction Document (BDD) in coordination with the National Bank of Georgia, State Representatives in the administrative-territorial units – Governors, the authorities of the Autonomous Republics, the authorities of local self-government bodies and budgetary organizations that are defined by Government of Georgia.



Besides, in the system of Ministry the functions are distributed and several departments independently ratify preparing adequate information.

Macroeconomic Analysis and fiscal forecasting Department determines data of basic macroeconomic parameters, it also predicts and plans budgetary revenues, analysis macroeconomic risks of the country and prepares recommendations on economic policy. The department coordinates of preparation of development medium-term and long-term development strategies of the country.

Tax policy Department determines basic directions of fiscal and custom policy of the country.

Public Debt and External Financing Department determines forecast of the limiting amounts of the national debt of Georgia, for being represented in the State Budget.

Budget department develops Basic Data and Direction Document (BDD) and for the purpose of determination of the medium-term policy, prepares suggestions, analytical materials and forecast calculations; Prepares annual budget law and necessary projects of legislative and normative acts.

### ***Parliament of Georgia and financial-budgetary committee***

Financial-budgetary committee estimates the expected results of arrangements that must be conducted in the fiscal, monetary, and tax and custom and currency system, prepares corresponding conclusions, notices, recommendations and decisions. Also discusses draft budget, makes recommendations, and organizes discussion and agreement in other committees and fractions.

At the plenary session during the discussion of annual draft budget law in the Parliament of Georgia State Audit Office, National Bank of Georgia and financial-budgetary committee of Parliament of Georgia make speeches.

### ***State Audit Office***

State Audit Office is the supreme body of state financial-economic control, that conducts audit, develops proposals and recommendations on measures to be taken, including breaches and weaknesses, prevention also on improvement of the corresponding administrative-legal acts.

Main purpose of the Office is to support legal protection and effectiveness of spending state expenditures, spending and using of other state goods and property protection of State, Autonomous republic and local self-government bodies and also improvement of Public Finance Management process.

According to the legislation of Georgia, State Audit Office supervises the implementation of state budget, the budget of autonomous republics and local self-government bodies and spending of budget allocations and prepares corresponding recommendations. Also, prepares conclusions on draft budget that is presented to the Parliament and develops recommendations.

Georgian Parliament supervises spending of public resources by the National Auditing Service.

### ***Economic Council (deliberative body of Prime Minister of Georgia)***

*Economic Council is created for the purpose of coordination of planning and developing economic strategy and economic policy of the country.*

Economic Council carries out analysis of macroeconomic aggregates of the country, discusses Georgian legislation and other normative acts that regulates economic field, also supervises and coordinates the planning/preparing processes of the State Budget draft law, analysis of economic risks and investment environment.

Structure: Economic council has permanent and invited members.

Permanent members are: Prime Minister of Georgia, ministers of Finance, Economy and Sustainable Development, Energy, Regional Development and Infrastructure, Agriculture, Natural Resources and Environmental protection of Georgia, Executive of autonomous republic of Adjara, and Assistant of Prime Minister in economic secretary of the economic council.

Besides the permanent members, in case of need, in accordance of the decision of Prime Minister of Georgia, other members of Georgian Government, President of National Bank, revenue ombudsman, President of Chamber of Commerce and Industry, the first Vice President and other public and private persons can be invited in the board meeting with the voting power.

With the decision of Prime Minister, other public officers can be invited without voting power.

The council is accountable to the Prime Minister.

### ***The legal entity of public law - National Statistics Office of Georgia***

*LEPL – National Statistics Office represents independent body that is created for the purpose of preparation and spread the official statistical information.*

Main purpose of the office is to prepare official statistics that represents condition of social, demographic, economic and natural environment, based of International basic principles.

Macroeconomic and fiscal parameters are agreed with the International Monetary Fund and the forecasts of different international organizations are taken into account.

### ***National Bank of Georgia***

Existing of independent monetary policy is very important for the stable development of the country and the right fiscal policy, for what serves the National Bank of Georgia.

The National Bank of Georgia directs the monetary policy for maintaining stabilization of prices and ensuring stable functioning of financial sector:

- ✓ Ensures stabilization and transparency of financial system, maintains stable economic growth.
- ✓ Develops and realizes money and credit and monetary policy, according to the basic direction, determined by Georgian Parliament;
- ✓ Supervises the financial sector;
- ✓ Insures functioning of money and credit system.
- ✓ The National Bank of Georgia is independent in its activity.

#### **4. Required and Planned Activities for Strengthening Fiscal Policy Getting Closer to EU Standards**

The Ministry of Finance is the leading executive agency in terms of public finance-related reforms. It plays also a major role in terms of macro-fiscal planning and in the overall formulation and implementation of the national budget. While progress has indeed been achieved in the last eight years, it is also evident that further progress remains to be done in the medium and longer term in order to approximate EU practices and standards in fiscal governance. Despite of all the previously mentioned achievements there is a need for further strengthening of the system.

Following the 2009 Budget Code reform, the budgeting processes at central and municipal levels is based on program and capital-based budgeting. This step should allow for better planning and co-ordination between line ministries activities in the regions. The entry into force of program budgeting in all self-government units of the country, complemented by a progressively implemented decentralization process, including fiscal, should on its part contribute to increase the consistency of expenditures for local and regional development. However, the program budgeting initiative needs further development to achieve its full potential for being a tool useful for making policy decisions and adding real value in the prioritization and allocation of constrained resources.

Basic budget scrutiny and oversight of financial statements are in place but needs further strengthening.

Program budget methodology has been updated. 2016 State Budget is prepared according to the new methodology. As an example of Action Plans of five pilot ministries detailed action plans have been prepared which contains the information of programs/subprograms/activities of the ministries and costing that is relevant to the Annual budget law and BDD document for 2016-2019.

During 2016 active work have been going on for further improvement of program budgeting process and implementing detailed action plans in all line ministries. EU experts within the technical assistance were supporting to the line ministries in this process during budget preparation. They helped to the line ministries to review their action plans and program budget part. As a result almost all line ministries adopted their medium term action plans for 2017-2020 by the ministerial decree.

Although the main fiscal rules (expenditures, balance, public debt, revenue rule) and the macro-economic indicators defined in the Georgian legislation are consistent with the determined macro-economic parameters, it is important to keep the main macroeconomic and fiscal indicators in the medium and long term period of time, to introduce proper analysis tools to insure correct projections. For this purpose relevant staff training of the Ministry of Finance of Georgia, strengthening forecasting and to form analytical tools is important.

In the direction of strengthening fiscal institutions the reform introduced in 2014 considering the functions of Budget Office implementation in practice and to form the institute as an independent and impartial structure. For the correct planning of abovementioned economic and fiscal parameters the alternative forecasts prepared by independent institutions is important which excludes the influences of naturally typical “positive” perceptions on fiscal policies of all governments.

Sustainable medium term planning is significant factor for strengthening fiscal policy and management, in order to achieve this objective it has to develop tools for implementing medium term plans and action

plans and other sector action plans according to the Basic Data and Direction document (BDD), also for preparing costings and estimates for implementation of action plans, and to develop mechanism to implement performance indicators to achieve objectives of action plans.

During budget planning process developing program based budgeting as an improved mechanism, relevance of annual budget plans to medium term planning, focusing on developing programs and their expected results and developing performance indicators as an important bases of budget planning process is a necessary tool for improving fiscal management.

Taking into account all abovementioned issues the work will have been done in following directions:

- ✓ Strengthening medium-term planning;
- ✓ Strengthening fiscal forecasting;
- ✓ Improvement of Program budgeting;
- ✓ Strengthening Independent fiscal institutions;
- ✓ Developing fiscal discipline.

#### **4.2.1 Fiscal rules**

Since 2014, Georgian law on “Economic Freedom Act” enacted, and budgeting during the planning process considers the limits imposed by the law. The law defines general principles of the framework and to ensure the fulfillment of the law it is necessary to plan fiscal policy correctly in different aspects. Not only the amount (limit) of deficit or the debt to GDP ratio is important but the structure of all these elements. To work Sound budgeting principles in practice is very important because not only general principles should have to be ensured during budget planning process but budget in its main content should have to reach the main objectives, as social and economic stimulus direction.

For the research purposes questionnaire was completed as Georgia’s example that is used in EU countries to calculate fiscal rules indices. (Questionnaire - annex 5)

[http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/documents/questionnaire\\_nfr\\_2012\\_b.pdf](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/documents/questionnaire_nfr_2012_b.pdf)

Fiscal rules are still a new topic for the budget process in Georgia. In that direction it is unlikely discussed in the budget processes and the topic is not covered in the media. At the moment these rules are under discussion within the Ministry of Finance and the participants in the budget process.

It should be noted that, until the fiscal rules will be the subject of discussion in the general public it is necessary to raise awareness in this direction. The terms of fiscal policy, the deficit, public debt to GDP ratio is not so explicit notions to the big majority of the population.

#### **Fiscal rules sub regulations**

To achieve this goal establishment of sub-regulations of fiscal rules is planned by the Government or the Ministry of Finance of Georgia (with the consent of the Government), which provides the legal framework in the medium-term, additional regulation of the parameters of the fiscal budget. This rule will be prepared and distributed in 2015 in the medium term period and will be periodically reviewed and facing the challenges of the present reality.

This rule will regulate a number of issues in the point of budget planning, some of the regulations will be determined on the increase of current expenditures, opportunities of creation of new LEPLs and new staff positions should be regulated more and certain limits will be determined for expenditures on social programs. The rule also will regulate the basic approach in the point of the investment projects and the share of these types of payments in total expenditures.

The main principles have been developed which provides proper activities to reduce administrative expenditures in 2015; defines the share of capital/infrastructural projects in total expenditure; during the year limits budget adjustments so that planned capital expenditures can be changed and add to administration expenditures only when government permits.

To approve sub-regulations of the fiscal rules will allow to further regulation of general framework of parameters considering existing macroeconomic and fiscal parameters. After that it would be possible that Government appeal to pro-cyclic or contra-cyclical fiscal policy if needed.

The rule is advisable to prepare for medium-term period and if needed the rule should be a subject to change/review in parallel the changes in the basic data and direction document. It is possible that sub regulation's rules determine certain thresholds for different levels of budget, which is totally consistent with the parameters of the law, or impose a lower limit than is required by law for compound parameters.

The legislation specifies general framework of as it is called "escape clauses". It may determine more specific and limited conditions for using this regulation for relevant year and/or medium term period and determine more details about what might be planned for going back.

In 2016 legislative changes have been prepared, such as changes in budget code, code on local self-government bodies and a number of regulations are introduced in the state budget law for 2017. According to the new regulations additional restrictions imposed from 2017 in regard of payments from state and local budgets to ensure compliance in fiscal rules as it is defined in the organic law of economic freedom. According to the changes mentioned above the parliament of Georgia is authorized to limit payments for the budgets of municipalities. Also, the changes regulates the obligation of reduction of administrative costs and optimization of expenses of both the central and local governments. During budget planning process Municipalities should consider the information about tax revenue projections provided from the Ministry of Finance.

## **Fiscal rules covering**

In practice, using more fiscal rules will increase the role of fiscal policy planning; this also influences the type of regulations of the budgetary process to increase the interest of the parties involved. These parameters must become the subject of extensive review and discussion at legislative level and from independent fiscal institutions. Interest will increase step by step from the media.

In 2017 more work will be done to further improvement of regulations on fiscal rules with International Monetary Fund (IMF) and other International Organizations.

#### **4.2.2 Fiscal institutions**

The budget office has prepared a medium-terms strategic plan. The Budget Office will implement measures around a strategic goal in the medium term period, which provides the main mission of the Parliamentary Budget Office- in the process of strengthening the parliamentary oversight growth fiscal management transparency and accountability and accordingly, sustainability of fiscal measures to be implemented in two main directions:

- ✓ Increased efficiency of the core functions in accordance with the mandate of the Budget Office and of the Budget Office, as an independent fiscal institution in the fiscal architecture;
- ✓ Strengthening institutional capacity activities to ensure effectiveness;

#### *Fiscal policy and macroeconomic environment, independent analysis and evaluation, strengthening Parliament's budgetary control, promotion of transparency and accountability in fiscal management*

Positive macroeconomic environment and fiscal policy analysis to improve the quality of work, the budget office aims at increasing parliament awareness of fiscal policy basic and public financial management system of the main trends of development; the medium-term period the budget office will implement the range of activities to strengthen this trend.

In the first stage the Budget Office will provide the official macroeconomic forecasts estimate, in the next stage, prepares independent macroeconomic forecasts for the preparation of a short and medium term fiscal plans. Budget office provides an assessment of the macroeconomic assumptions that is the basis for the next year and medium-term fiscal plan.

Budget office will implement the stability of medium-term fiscal plan presented by executive authority and increase the awareness of it to the executive board, especially on the stage of defining the fiscal policy.

#### *Increase the role of the legislative activity of the Parliamentary Budget Office to support the management of the budgetary funds*

The evaluation will be carried out in the direction of legislative initiatives improved approach to the budget office and adequate definition and implementation of processes and procedures.

The Budget Office provides an assessment of legislative initiatives to improve the quality of reports before submitted to the Parliament objective and reasoned assessments, inform legislative authorities to ensure effective management and fiscal discipline for the budgetary funds.

*Parliamentary Budget Office, as an independent fiscal institution establishes the role of the current fiscal architecture*

The Office will fully work out its mandated independent mechanisms in practice; according to this the Parliamentary Budget Office aims to establish the office as an independent institution.

Parliamentary Budget Office will implement a number of measures in order to be as independent, objective and highly professional institution to increase publicity by strengthening communication – privately, parliament, the media, international and local partner organizations.

Parliamentary Budget Office, as an independent fiscal institution for directing duly the work office provides communication mechanisms to improve fiscal management system for major institutions – to achieve this aim Parliamentary Budget Office must have working mechanism to communicate with all those agencies which are essential to work together with the proper conduct of its activities.

*Developing Parliamentary Budget Office institutional capacities to ensure the effectiveness of its activities*

The Office will implement the professional development of the Parliamentary Budget Office's staff, also attracting and keeping qualified staff to improve capacity, defined with the mandate to strengthen professional capabilities;

Office will implement range of activities in order to improve management systems and processes, Service activities in order to increase efficiency and effectiveness. Improving internal management processes of the Parliamentary Budget Office aims to work effectively on the functional areas of its mandate.

According to the standards of international practice for directing activities the Parliamentary Budget Office defines mandate learning international practices, sharing international experience and improvement of methodological aspects; it provides the activities in compliance with the international quality standards of the practice.

According to the standards of international practice Parliamentary Budget Office aims to implement independent periodical assessment mechanisms to evaluate the quality of its work, identify its compliance to international standards and define important path for future improvement.

## **The State Audit Office**

### **The State Audit Office strategy for the medium term period**

The State Audit Office is also an important tool in the public financial management and in the fiscal policy and its role is the most important in the management of the public finance reform.



The State Audit Office will also act according to medium term development strategic plan, which includes the following goals:

- ✓ Maximize the results of the audit activities;
- ✓ Increase the role of the state audit office in permanent improving of the public finance management process;
- ✓ To establish the state audit office with the highly professional staff, with the modern management systems and processes which provides high quality of working, working within time and reliability.

State Audit Office plans to improve the quality of its reports, in order to raise the level of transparency and accountability, also, to introduce the main indicators (KPI), in order to be possible to measure the effectiveness and monitoring of the activities to achieve setting goals The Strategic development plan of the state audit office has been collaborated with the Parliament, international donors and partner organizations, also, with other interested parties during the consultations and provides measures in the following areas:

- ✓ Promoting the parliament of the control government activities;
- ✓ Promoting the government to improve the level of accountability/quality to implement the reforms;
- ✓ Development of institutional opportunities to improve quality of activities;
- ✓ State Audit Office Communication Strategy.

Communication strategy was prepared by the State Audit Office, which is very important, in order to increase the society perception about the state audit office reports and analyzes and to improve the role of its instruments in the public financial management processes. The aim of the communication strategy is to ensure the interested parties effective, transparent, accurate and timely communication and to improve the perception of state audit office goals and objectives.

State Audit Office, as an independent and impartial authority unit, which get trustworthy confession from the people involved as in the public finance management, also in a general society. It is important and for this the state audit office will implement:

- ✓ External communication tasks (with interested parties)
- ✓ Internal communication tasks (with Staff and auditors)

To achieve the above, the State Audit Office:

- ✓ Will implement measures to increase public awareness about the state audit office and in general public audit;
- ✓ Will implement measures in order to form long-term and effective relationships between auditors, audit facilities and other involved parties, also representatives of media and this defined on based rules and procedures;

- ✓ Will implement measures to increase public involvement, it will be considered as audit planning and also about the detection of possible violations;
- ✓ To create sustainable structure of communication, in order to implement all communication to serve the aims of the state audit office.

### Planned Activities of Executive Authorities for Strengthening Fiscal Policy Getting Closer to EU Standards

No	Activities (existed)	Activities (Modified)	Responsible Body	Partner Body	Timeframe	Performance Indicator
1.	At least 5 line ministries develop medium term strategies and action plans according to the revised format, action plans are costed		Ministry of Finance	Spending Units	2015	Completed
2.	All line ministries develop medium term action plans according to revised format, that are costed		Ministry of Finance	Spending Units	2016-2020	Completed in regard to the action plans prepared in 2016
3.	Public Finance Reform (PFM) Action Plan is prepared; Action Plan is costed		Ministry of Finance		Since 2015	Completed in regard to the action plans prepared in 2015-2016
4.	Costings of Sector Strategies (besides: Public Administration Reform (PAR), Government Action Plan (AGWP), Migration Action Plan, Livelihood Strategy and Action Plan) are prepared		Spending Units	Ministry of Finance	Since 2015	Completed in regard to the action plans prepared in 2015-2016
5.	Based on experience Instruction for Costing is prepared and approved		Ministry of Finance		2017	Instruction on costing which is prepared by the Ministry of Finance is used in practice

<b>№</b>	<b>Activities (existed)</b>	<b>Activities (Modified)</b>	<b>Responsible Body</b>	<b>Partner Body</b>	<b>Timeframe</b>	<b>Performance Indicator</b>
6.	The Methodology for Capital/Investment project Management is established		Ministry of Finance		2016	Completed  Governmental Decree N191, 22.04.2016; and MOF Ministerial decree N165, 22.07.2016
7.	Piloting and Implementation of the Methodology for Capital/Investment project Management		Ministry of Finance	Spending Units	2016-2020	Presentations on Investment Project Management Guideline and Methodology are prepared, municipalities submitted the list of investment projects to the MOF which might be piloted according to the methodology
8.	Improving program budgeting	Improvement of Program Budgeting, update the program budget methodology for Autonomous republics and local self-government bodies	Ministry of Finance	Spending Units  Autonomous Republics;  Municipalities;	From 2017  (ongoing)	
9.	Improving the reporting system of program budgeting – Reports of the Programs		Ministry of Finance	Spending Units	Since 2016 (ongoing)	Evaluation of outputs and outcomes and performance indicators will be prepared with the 2016 annual execution report
10.	State Budget Citizen's Guide is updated		Ministry of Finance		Since 2015	Completed
11.	Remedy of identified gaps of the Open Budget Survey process and improving Open Budget Index results		Ministry of Finance		2016-2017	Completed and further work will continue in this direction  Within the public finance management reforms, the basic requirements for budgetary transparency are in place in Georgia. According to Open Budget Survey 2015 Georgia

No	Activities (existed)	Activities (Modified)	Responsible Body	Partner Body	Timeframe	Performance Indicator
						received relatively good marks – 66 and is ranked 16th among 102 countries in the world (according to the same survey in 2012 Georgia received 55 and ranked 33rd) and is among substantial transparent countries.  <a href="http://www.internationalbudget.org/wp-content/uploads/OBS2015-OBI-Rankings-English.pdf">http://www.internationalbudget.org/wp-content/uploads/OBS2015-OBI-Rankings-English.pdf</a> .
12.	Improving the mechanism for responding to the State Audit Office findings		Ministry of Finance		2015-2017	Completed  Government Action Plan of implementation of SAO recommendations on 2014 and 2015 state budget annual execution report were approved by the Government (Government Decree N2836, December 30, 2015, and Government Decree N1823, September 9, 2016) based on the requirement of Government decree N144, March 30, 2015, which regulates the issues in regard to the responding State Audit Office recommendations within the framework of Public Finance Management reform.
13.	Improving fiscal expenditure document and reflect contingent liabilities		Ministry of Finance		2015-2017	Completed  The document on Macroeconomic Analysis of Fiscal Sector for 2016-2020 was prepared with International Monetary Fund (IMF), which covers the information on contingent liabilities and attached to the 2017 state budget as an annex  <a href="http://mof.ge/images/File/biujetis-kanoni2017/III_wardgena/SFR-2016-Total-bind.pdf">http://mof.ge/images/File/biujetis-kanoni2017/III_wardgena/SFR-2016-Total-bind.pdf</a>
14.	Analyse fiscal rules and define sub regulations if necessary		Ministry of Finance		2016-2018	Completed

No	Activities (existed)	Activities (Modified)	Responsible Body	Partner Body	Timeframe	Performance Indicator
						In order to maintain a sustainable fiscal policy and the macroeconomic parameters defined by the organic law on “Economic Freedom” limits for state and local budgets is introduced by 2017 state budget law and by the Code on Local Governments
15.	Regulate the participation of interested stockholders in the budget process		Ministry of Finance		2016-2018	<p>Within the framework of the Coordination Council on implementation of the strategy of Public Finance Management reform, the possibility of discussions on public participation issues in order to strengthening the cooperation among state and civil society organizations was raised, including the issues (implementation/monitoring of different state programs, or other challenges/issues) on which surveys have been completed or are being carried out and is important to discuss the results with the different stakeholders involved.</p> <p>All interested stakeholders have the opportunity to present the main topics within the public finance management framework they are interested in and on which the research or some recommendations/results have been prepared and discuss in the council meetings.</p> <p>For now, results on researches of two state programs have been presented (Universal Health Care and Enterprise Georgia), were sent to responsible agencies and after receiving the feedback from them it will be discuss in the council meeting.</p>



## Annex №1

### Fiscal Rule Strength Index in Georgia

Country	GEO	GEO	GEO	GEO
Type	BBR	ER	DR	RR
Sector	GG	GG	GG	GG
Target/constraint	Budget Balance % of GDP	Expenditure ceiling as % of GDP	Debt rule as % of GDP	Limits on direct or indirect tax rates
Description		Ceiling on the size of the general government Current and Capital: 30% of GDP.	Public sector net debt must be no more than 60% of GDP by 2015-16.	Increase of rates on taxes (except excise tax) is subject to referendum.
Accounting system	GFSM 2001	GFSM 2001	GFSM 2001	GFSM 2001
Time frame (years)	A	A	A	A
Statutory base	L	L	L	C
Monitoring body	Parliament	Parliament	Parliament	Parliament
Enforcement body	MF	MF	MF	MF
Non-compliance actions	In case of Non-compliance, plan should be submitted to the Parliament	In case of Non-compliance, plan should be submitted to the Parliament	In case of Non-compliance, plan should be submitted to the Parliament	
Exclusions	Y	Y	Y	Y
In force since	2014	2014	2014	2014
In force until				
Additional information				Temporary increase in taxes is possible for no more than 3 year period
Coverage of GG finances	100%	90%	100%	89%
C1 - Statutory base	3	3	3	4
C2 - Adjustment margin	2	2	2	2
C3a - Monitoring body	1	1	1	1



C3b - Alert mechanism	0	0	0	0
C3c - Enforcement body	2	2	2	2
C4a - Non-compliance actions	2	2	2	2
C4b - Escape clauses	0	0	0	0
C5 - Media visibility	1	1	1	1
In force	Y	Y	Y	Y
Fiscal Rule Strength Index	5.75	5.18	5.75	6.75

## Annex №2

### Fiscal Rules in Georgia and EU Member States

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
AT	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	0.2192	0.2192	0.3693	0.3693	0.3693	0.3693	0.2428	0.2428	0.2428	0.1902	0.5267	0.5267	0.6259	0.8191
BE	-0.48	-0.48	0.2446	0.493	0.493	0.6085	0.6085	0.6085	0.6085	0.3601	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1144	0.1506
BG	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	0.8845	0.8845	0.9056	1.4828	1.4828	1.4828	1.4828	1.4854	1.9301	2.2335
CY	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007
CZ	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.481	-0.481	-0.481	-0.481	-1.007	-1.007	-0.379	0.2206	0.2206	0.2206	0.2206	-0.139	-0.139	-0.139	-0.139
DE	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	0.5011	1.1106	0.8117	1.4216	1.4216
DK	-1.007	-1.007	0.3707	0.3707	0.6363	0.6363	0.6363	0.6363	0.6363	0.6363	0.6363	1.5314	1.5314	1.5314	1.5314	1.5314	1.5314	1.6423	1.6423	1.6423	1.6423	1.4384	1.6438
EE	-1.007	-1.007	-1.007	0.6924	0.6924	0.6924	0.6924	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.059	1.1983	1.1983	0.6707
EL	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	0.9765
ES	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	-0.298	1.5047	1.7314	1.7314	1.7314	1.5545	1.5545	1.5545	1.5545	1.5545	2.5584	3.2642
FI	-1.007	-1.007	-1.007	-1.007	-1.007	0.3555	0.3555	0.3555	0.3555	0.9323	0.9323	0.9571	0.9571	0.9108	0.9108	0.9108	0.9108	1.0082	0.608	0.309	0.309	0.591	0.4081
FR	-0.629	-0.629	-0.629	-0.629	-0.629	-0.629	-0.629	-0.416	0.0561	0.0561	0.0561	0.0561	0.0561	0.0561	0.0561	0.0561	0.5261	0.5261	0.6684	1.0446	0.8198	1.5503	1.5503
HR	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	0.3872	0.3872	1.5616	1.5616
HU	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	-0.768	0.498	0.498	0.2319	0.2319	0.2319	1.0561
IE	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.977	-0.977	-0.977	-0.977	-0.80	-0.80	-0.80	-0.80	-0.80	-0.80	-0.80	-0.80	-0.81
IT	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.487	-0.487	0.0839	0.0839	0.0839	0.0839	0.0839	0.0839	0.0839	-0.144	-0.168	-0.223	-0.179	-0.168
LT	-0.651	-0.651	-0.651	-0.651	-0.651	-0.651	-0.651	0.3718	0.3718	0.3718	0.3718	0.3718	0.3718	0.3718	0.3718	0.3718	0.3711	0.3711	1.4081	1.4081	1.4081	1.4081	1.3376
LU	-0.889	-0.889	-0.318	-0.318	-0.318	-0.529	-0.529	-0.529	-0.266	0.7861	0.7861	0.7861	0.7861	0.7861	1.7578	1.7578	1.7578	1.7578	1.7578	1.7578	1.1702	1.1702	1.2125
LV	-1.007	-1.007	-1.007	-1.007	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739	0.0739

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
MT	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007
NL	-1.007	-1.007	-1.007	-1.007	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.1146	1.191
PL	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	1.2052	1.2052	1.2052	1.2052	1.2052	1.2052	1.2052	1.2052	1.2052	2.1024	2.1024	1.2052	1.617	1.617	1.9728	1.935
PT	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.276	-0.099	-0.099	-0.099	-0.099	-0.041	-0.041	-0.041	-0.041	-0.041	0.1286
RO	-0.772	-0.772	-0.772	-0.772	-0.772	-0.772	-0.772	-0.772	-0.772	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623	-0.623
SE	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-0.04	-0.04	-0.04	-0.04	2.1728	2.1728	2.1728	2.1728	2.1728	2.1728	2.1728	2.298	2.298	2.298	2.4637	2.4637	2.4637
SI	-0.774	-0.774	-0.774	-0.774	-0.774	-0.774	-0.774	-0.774	-0.774	-0.774	0.4382	0.4382	0.4382	0.4382	0.4382	0.4382	0.4382	0.4382	0.4382	0.4382	0.4561	0.5723	-0.794
SK	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	0.3052	0.3052	0.3052	0.3052	0.3052	0.3052	0.3052	0.2792	0.2792	0.2792	2.6606
UK	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	-1.007	2.017	2.017	2.017	2.017	2.017	2.017	2.017	2.017	2.017	2.017	2.017	2.017	-1.007	1.6571	1.6409	1.6409
GE	1.2269																						

### Annex №3

#### Fiscal Rules Strength Index in Georgia and EU Member States

no	country	sector	cover	2012
1011	AT	CG, RG, LG	75.0%	
1012	AT	CG, RG, LG	75.0%	
1013	AT	CG, RG, LG	75.0%	
1014	AT	GG	69.0%	
1015	AT	GG	69.0%	
1016	AT	GG	69.0%	8.81
1021	AT	CG	42.0%	
1022	AT	GG	42.0%	5.74
2011	BE	CG	23.0%	
2021	BE	CG	23.0%	
2031	BE	LG	12.2%	6.41
2041	BE	RG	21.9%	
2042	BE	RG	21.9%	6.68
2051	BE	SS	36.6%	5.22
2061	BE	SS	12.2%	7.57
3011	BG	GG	97.5%	7.74
3021	BG	GG	97.5%	
3022	BG	GG	97.5%	5.72
3031	BG	GG	97.5%	
3032	BG	GG	97.5%	7.06
3041	BG	LG	0.4%	6.01
3051	BG	LG	1.2%	6.01
5011	CZ	CG	41.7%	5.74
5021	CZ	RG, LG	38.0%	
5022	CZ	RG, LG	38.0%	
5031	CZ	LG	17.5%	6.12
6011	DE	CG	30.0%	
6012	DE	CG, RG	54.0%	10
6021	DE	CG, RG	54.0%	
6022	DE	CG, RG	54.0%	
6031	DE	LG	10.7%	8.13
6041	DE	RG	24.0%	8.23
6051	DE	SS	34.1%	7.13
7011	DK	GG	100.0%	
7012	DK	GG	97.5%	
7013	DK	GG	97.5%	7.04
7021	DK	GG	45.0%	

no	country	sector	cover	2012
7022	DK	GG	52.5%	
7031	DK	GG	87.5%	
7041	DK	GG	97.5%	
7042	DK	GG	97.5%	7.33
8011	EE	GG	97.5%	
8012	EE	GG	97.5%	6.3
8021	EE	LG	21.9%	
8031	EE	CG	11.0%	5.05
9011	EL	GG	100.0%	7.91
10011	ES	GG	100.0%	
10012	ES	GG	97.5%	
10013	ES	GG	97.5%	8.77
10021	ES	LG	11.1%	5.74
10031	ES	RG	32.2%	6.81
10041	ES	RG	32.2%	
10051	ES	GG	70.0%	
10052	ES	GG	70.0%	6.92
10061	ES	GG	100.0%	8.11
11011	FI	CG	55.0%	
11012	FI	CG	55.0%	
11021	FI	CG	55.0%	
11031	FI	CG	30.0%	
11032	FI	CG	38.1%	
11033	FI	CG	38.1%	4.95
11041	FI	LG	35.0%	
11042	FI	LG	34.7%	
11043	FI	LG	34.7%	6.11
11051	FI	SS	13.0%	3.98
11071	FI	CG	24.0%	5.31
11081	FI	CG	24.0%	6.11
12011	FR	CG	40.0%	
12012	FR	CG	25.2%	7.33
12021	FR	CG	40.0%	
12022	FR	CG, SS	62.8%	7.62
12031	FR	LG	19.5%	7.73
12041	FR	SS	14.9%	7.62
12051	FR	SS	18.0%	
12052	FR	SS	14.0%	8.3
12061	FR	CG, SS	64.6%	8.02
13011	HU	GG	100.0%	

no	country	sector	cover	2012
13021	HU	LG	18.5%	
13031	HU	CG, SS	79.0%	
13041	HU	LG	19.0%	5.45
13051	HU	GG	100.0%	7.2
14011	IE	CG	2.1%	5.72
14021	IE	CG	6.2%	
14022	IE	CG	6.2%	5.34
14031	IE	LG	7.5%	5.25
15011	IT	CG, RG	5.0%	
15012	IT	RG	2.1%	
15013	IT	RG	2.1%	6
15021	IT	RG, LG	30.0%	
15022	IT	RG, LG	11.6%	
15023	IT	RG, LG	12.2%	
15024	IT	RG, LG	14.0%	7.88
15031	IT	RG, LG	25.3%	6.78
15041	IT	RG	7.0%	
15042	IT	RG	13.0%	
15043	IT	RG	13.5%	7.47
16011	LT	CG	60.9%	
16012	LT	CG	60.9%	8.02
16021	LT	CG	42.2%	
16022	LT	CG	42.2%	6.98
16031	LT	CG	65.8%	
16032	LT	CG	65.8%	6.3
16041	LT	LG	20.8%	
16042	LT	LG	20.8%	
16043	LT	LG	20.8%	6.81
17011	LU	GG	97.5%	3.98
17021	LU	CG	90.0%	
17022	LU	CG	56.1%	
17023	LU	CG	56.1%	3.98
17031	LU	SS	31.7%	
17032	LU	SS	20.0%	
17033	LU	SS	31.7%	
17034	LU	SS	31.7%	7.2
17041	LU	LG	7.3%	6.41
18011	LV	CG, SS	32.8%	6.67
18021	LV	LG	35.0%	6.07
19011	HR	GG	99.2%	7.18

no	country	sector	cover	2012
19021	HR	GG	100.0%	7.47
20011	NL	GG	92.5%	
20012	NL	GG	92.5%	6.3
20021	NL	GG	97.5%	6.01
21011	PL	CG	55.0%	
21021	PL	GG	97.5%	9.05
21031	PL	LG	22.7%	
21032	PL	LG	22.7%	6.58
21041	PL	other	10.0%	
21042	PL	other	10.0%	7.47
21051	PL	LG	20.4%	
21052	PL	LG	20.4%	6.58
22011	PT	CG	61.0%	
22012	PT	CG	61.0%	5.74
22021	PT	LG	13.0%	
22022	PT	LG	11.0%	
22023	PT	LG	11.0%	7.22
22031	PT	RG	3.0%	
22032	PT	RG	3.0%	7.88
23011	RO	LG	18.6%	5.05
23021	RO	LG	18.6%	5.72
24011	SE	LG	46.3%	5.84
24021	SE	CG, SS	56.4%	
24022	SE	CG, SS	56.4%	
24023	SE	CG, SS	56.4%	8.02
24031	SE	GG	100.0%	
24032	SE	GG	100.0%	6.66
25011	SI	GG	100.0%	
25021	SI	LG	12.2%	
25022	SI	LG	12.2%	6.96
25031	SI	GG	97.5%	
26011	SK	CG	47.2%	
26012	SK	CG	48.6%	7.38
26021	SK	LG	14.6%	6.01
26031	SK	LG	18.0%	
26032	SK	LG	18.0%	
26041	SK	LG	11.6%	6.64
26051	SK	GG	100.0%	9.71
27011	UK	GG	100.0%	
27021	UK	GG	100.0%	

no	country	sector	cover	2012
27031	UK	GG	92.5%	
27032	UK	GG	92.5%	7.62
27041	UK	GG	92.5%	
27042	UK	GG	92.5%	7.62
28011	GE	GG	100.0%	5.75
28021	GE	GG	90.0%	5.18
28031	GE	GG	100.0%	5.75
28041	GE	GG	89.0%	6.75



## Annex №4

### Medium-term Budget Planning

BDD document and mid-term planning procedures in Georgia is in compliance with excepted practice. For the survey purposes the Survey about medium term planning issues for EU member states was filled.

Number	Country	Status 2012	C1 - national MTBF exists	C2 - MTBF and annual budget: connectedness	C3 - NP involved in MTBF preparation	C4 - co-ordination before setting MTBF targets	C5 - MTBF targets: monitoring, enforcement	MTBF index: average	MTBF index: 1st percentile	MTBF index: 99th percentile
1011	AT	New MTBF in 2012	2	1	1	2	2	1.6	1.25	1.92
2011	BE	MTBF unchanged in 2012	2	1	1	2	1	1.4	1.08	1.74
3011	BG	MTBF unchanged in 2012	2	1	0	1	1	1	0.58	1.41
4011	CY		0	1	1	0	0	0.4	0.08	0.75
5011	CZ	MTBF unchanged in 2012	1	2	2	0	2	1.4	0.83	1.89
6011	DE	MTBF unchanged in 2012	2	1	1	2	1	1.4	1.08	1.74
7011	DK	MTBF reformed in 2012	2	2	2	2	2	2	2	2
8011	EE	New MTBF in 2012	2	1	1	2	1	1.4	1.08	1.74
9011	EL	MTBF reformed in 2011	2	2	1	2	2	1.8	1.51	2
10011	ES	MTBF reformed in 2012	2	2	2	2	2	2	2	2
11011	FI	MTBF unchanged in 2012	1	2	1	2	1	1.4	1.08	1.75
12011	FR	New MTBF in 2012	2	2	2	2	2	2	2	2
19011	HR	MTBF unchanged in 2012	2	1	2	2	0	1.4	0.84	1.88
13011	HU	MTBF reformed in 2012	2	2	1	0	1	1.2	0.69	1.69
14011	IE	MTBF unchanged in 2012	1	0	0	1	1	0.6	0.25	0.92
15011	IT	MTBF reformed in 2012	2	2	1	2	1	1.6	1.25	1.93
16011	LT	MTBF reformed in 2012	2	1	1	2	1	1.4	1.08	1.74
17011	LU	No MTBF in place in 2012	0	0	1	1	0	0.4	0.09	0.73
18011	LV	MTBF unchanged in 2012	2	1	1	0	1	1	0.59	1.4
19011	MT	MTBF unchanged in 2012	2	1	1	2	2	1.6	1.25	1.92
20011	NL	MTBF unchanged in 2012	2	2	2	2	1	1.8	1.52	1.99
21011	PL	MTBF unchanged in 2012	2	1	0	1	1	1	0.58	1.41
22011	PT	New MTBF in 2012	1	2	2	1	1	1.4	1.08	1.75
23011	RO	MTBF unchanged in 2012	2	1	2	1	2	1.6	1.25	1.92
24011	SE	MTBF unchanged in 2012	2	2	1	0	1	1.2	0.69	1.69
25011	SI	MTBF unchanged in 2012	2	2	1	2	1	1.6	1.25	1.93
26011	SK	MTBF unchanged in 2012	2	2	1	0	1	1.2	0.69	1.69
27011	UK		2	2	2	0	2	1.6	1.03	1.99
28011	GE	Minor Changes in 2012	2	1	1	1	1	1.2	0.5	1.88

## **CALCULATION THE MEDIUM-TERM BUDGETARY PLANNING (MTBF) QUALITY INDEX**

These five criteria are assessed in following way:

### **Existence of MTBF**

2 point –MTBF Covers the whole government or a large part of it;

1 point - MTBF covers central government;

0 point – there is no MTBF

### **Connectedness between the multi-annual budgetary targets and the preparation of the annual budget**

2 point - fixed framework of MTBF (generally not revised over time);

1 point –MTBF form the basis upon which the budget is prepared, but there can be deviations;

0 point - flexible framework in which medium-term targets are only indicative (no clear link with the annual budget);

### **Involvement of the Parliament in the preparation of MTBF**

2 point – vote of parliament on the main MTBF objectives;

1 point – no vote but formal presentation of the objectives to the Parliament;

0 point – no formal presentation of the objectives to the parliament;

### **Existence of coordination mechanisms prior to setting the medium term budgetary targets**

2 point - there is proper coordination mechanism between all levels of government;

1 point - coordination mechanism only for some government sub-level;

0 point - no coordination mechanism.

### **Monitoring long-term budgetary objectives and mechanisms of implementation**

2 point – there are well-defined actions in case of deviation from plans and a regular monitoring of targets;

1 point - some monitoring and enforcement procedures;

0 point – no clearly defined monitoring and enforcement procedures.

## Annex №5

### Annex 5.1

Fiscal rules (budget balance rule)

[http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/)

New numerical fiscal rules in the MemberState in 2012

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

Questions marked with an asterisk \*require an answer to be given.

#### 1. Description of the rule

1.1 Please choose from:

(Please note that this questionnaire is only aimed at new rules or at already existing rules that were not reported previously)\*

The present rule was introduced in 2012

The present rule was already in force in 2012 but it has never been reported

\* Organic Law, which was established rules introduced in 2011, and the law specifies that these rules go into effect from December 31, 2013 (first published 2014 budget year).

1.2 Please define the nature of the rule:\*

Expenditure rule

Budget balance rule

Revenue rule

## Debt rule

1.3 Please provide a general description of the rule.

\* (maximum 4000 characters)

The rule provides for restrictions on the amount of the deficiency and determines the ratio of the consolidated budget deficit should not exceed 3% of GDP.

1.4 Please indicate the main reasons for the introduction of the rule.

Please mention any related particular event (such as institutional reform, changes in legislation to adapt to the requirements of EU law, inter-governmental treaties, and financial assistance programs, etc.). Please indicate the date of important decisions taken.

\* (maximum 2000 characters)

The rule is introduced with the law of “Economic Freedom” which implies the protection of human rights and freedom of citizens under the constitution of the economic rights and guarantees of freedom establishment.

The rule was introduced in 2011 and came into force on 31 December 2013 and its adoption was a part of the reform in the public finance management.

The rule is based on the Maastricht criteria and aims to establish fiscal discipline and legal guarantees, setting the framework for the public finance management.

Rule was introduced after the Georgian economy took a so-called Dual Shock 2008 (economic crisis and the armed conflict with Russia), has worsened the budget deficit in 2009 and reached 9.2.

The next few years of the crisis were characterized by fiscal consolidation, which led to the deficit at the same time there was a need to establish a relatively low threshold and maximum volumes.

1.5 Indicate the approval date of the rule (MM/YY). \* (between 5 and 5 characters)

2011

1.6 Indicate the date the rule entered/should enter into force (DD/MM/YY).\* (between 8 and 8 characters)

31.12.2014

Explanation/additional information (Maximum 2000 characters)

## 2. Coverage and target definition

2.1 Are all sectors of the general government covered by the rule?

(Please note that for the purpose of this questionnaire we refer to these sectors of the general government - central government, regional/state government, local government and social security. The questionnaire takes into account that some Member States may not have all of the sectors - in particular regional/state governments.)\*

Questions on coverage are used for two main purposes:

- 1) To determine among rules covering the same sector, which one has the largest coverage,
- 2) To estimate the individual coverage of each rule in terms of general government expenditure/revenue.

Following questions include further explanation under the "help button"

Yes

No

2.2 Please indicate the sector(s) of general government covered by the rule (multiple replies possible):\*

local government

regional government (autonomous regions or federated states)

central government

social security

other

Other - Please, specify:\* (maximum 500 characters)

The Rule does not separate the state and local governments to regulate and limit sets a budget deficit for the consolidated budget (the Total Government). 3% deficit restrictions apply of the consolidated budget.

2.3 Please indicate the share of local government in general government expenditure (in percent):

19%

(In case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.4 Please indicate the share of regional/state government in general government expenditure (in percent):

81 %

(In case of revenue rules, please indicate the share in terms of general government revenue)\*

2.5 Please indicate the share of Social expenditures in Total government expenditure (%)

There is no separate fund in the part of the budget and the budget of the social security system.

(In case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.6 Please indicate the accounting system in which the budgetary aggregate targeted by the rule is specified:\*

ESA 95 accounting

cash/budgetary accounting

other



Please specify:\* (maximum 200 characters)

GFSM2001/GFSM 1986

Additional information: (maximum 500 characters)

For the budget accounting is used for the calculation of the public finance management guidelines developed by the International Monetary Fund GFSM 2001, but the deficit is still often used for billing purposes GFSM 1986 classification and the practice derived from the fact that the International Monetary Fund is actively using it.

2.7 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Structural balance

Primary balance except capital investment

Primary balance

Other- budget deficit GFSM2001/1986

2.8 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Nominal expenditure

Growth of nominal expenditure

allocation of expenditure to a specific purpose

Real expenditure

Growth of real expenditure

Other

2.9 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Nominal debt

Debt to GDP ratio

Decline of debt (nominal or real)

Real debt

Debt as % of current revenue

Decline of debt to GDP ratio

Growth of debt (nominal or real)

Debt service ratio

Other

2.10 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Allocation of unexpected revenue

Limits on indirect taxes

Growth of revenue in relation to GDP growth

Limits on direct tax rates

Earmarking specific revenue

Other

Please specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

2.11 Please indicate the unit of measurement of the budgetary aggregate targeted by the rule:\*

nominal terms

percentage points related to GDP growth

real terms

Percentage points related to a specific concept of economic growth (e.g. potential output)

per cent

other

% of GDP

Percentage points related to a specific concept of economic growth (e.g. Potential output), specify:\*

Please specify:

\*(maximum 500 characters)

Additional information: (maximum 500 characters)

2.12 Are there any exclusions in the coverage of the above rule?\*

Yes

No

Additional information: (maximum 500 characters)

Exceptions can be made to the rule of the law; such cases shall be submitted to Parliament for a plan to be back within the framework

2.13 Please indicate the budgetary elements that are excluded from the coverage of the rule, if any (multiple replies possible):\*

Interest payments

unemployment benefits

Public investment

Other

Please specify the relevant definition of public investment applied (e.g. Gross or net investment, including only specific items, etc.):

\* (maximum 500 characters)

Specify:

\* (maximum 200 characters)

In case of revenue allocation rules, please indicate to what area unexpected or specific revenue is to be allocated to (multiple replies possible):\* (between 1 and 3 answers)

deficit reduction

Specific funds (e.g. pension funds)

Debt reduction

other

Please specify:\* (maximum 200 characters)

2.14 Please indicate the estimated value of items covered by the rule as a percentage of local government expenditure (taking into account exclusions, if any)

(In case of revenue rules, please indicate the estimated value as % of local government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

The rule limits the overall budget deficit, therefore the limitation applies to the state budget and the budgets of local government units and covers all sectors and of all the fees.

2.15 Please indicate the estimated value of items covered by the rule as a percentage of regional/state Government expenditure (taking into account exclusions, if any):

(In case of revenue rules, please indicate the estimated value as % of regional/state government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

%

2.16 Please indicate the estimated value of items covered by the rule as a percentage of central government Expenditure (taking into account exclusions, if any):

(In case of revenue rules, please indicate the estimated value as % of central government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

%

2.17 Please indicate the estimated value of items covered by the rule as a percentage of social security

Expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of social security revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% \times 50\% = 40\%$ .

%

2.18 Please indicate the estimated value of items covered by the rule as a percentage of general Government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of general government revenue)

\*

This is a consistency check question. The reply should be equal to the sum of the products of questions 2.3-2.6 and 2.14-2.17.

Example:

Additional information: (maximum 500 characters)

2.19 According to its establishing act, does the rule provide for a margin of adjustment to the government in specifying the target of the rule?

Yes, the government has some freedom to adjust the target.

No, the ceiling is definitely determined by the establishing act of the rule.

Additional information: (maximum 500 characters)

The deficit indicator limit established by the consolidated budget, but the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget

2.20 Please describe how the parameters of the rule can be adjusted by the government:

\* (maximum 500 characters)

The deficit indicator limit established by the consolidated budget, but the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget.

2.21 Please indicate the numerical value(s) of the ceiling implied by the rule

(e.g., % of GDP for budget balance rules, amount of a nominal ceiling, allowed growth rate of expenditures, etc.).  $t$  - Refers to the ongoing budget year.

Please leave blank if unchanged

For year  $t+1$ :

$t+1$ : 3% of GDP

...year  $t+2$

$t+2$ : 3% of GDP

...year  $t+3$

$t+3$ : 3% of GDP

.year  $t+4$

$t+4$ : 3% of GDP

...year  $t+5$

$t+5$ : 3% of GDP



2.22 Please describe the characteristics of the escape clauses:\*

There are no pre-defined escape clauses

Derogations are possible in case of specific situations (e.g., natural disasters, exceptional slowdown, etc.

Derogations are possible if budgetary problems arise in specific, sensitive areas (e.g., health care)

other

Please, specify

Additional information: (maximum 500 characters)

The rule do not define the specific cases where the use may be an exception, but specifies that the government can grant an exception for a particular fiscal year, however, have to submit a plan to the Parliament, according to which it will return to the spot, for 2 consecutive years cannot be exemption.

2.23 To what extent are escape clauses specified in the establishing act/legal base of the rule?\*

The establishing act lists all events or circumstances that allow for a derogation

The circumstances triggering the derogation are not fully specified; there is some margin of discretion

Additional information: (maximum 500 characters)

Indicate which events are included: (multiple replies possible)\*

Natural disasters

Exceptional economic slowdown

Other

Specify:\* (maximum 500 characters)

2.24 What institution has the task of ascertaining whether escape clauses should be Triggered/extended/exited?

\*

The government

The ministry of finance

The parliament

An independent fiscal institution

Other

Specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

If the rule cannot be immediately described in the above terms, please provide a verbal description of the target(s), unit(s) of measurement, and numerical values of the constraint established by the rule:

(Maximum 4000 characters)

### 3. Statutory base of the rule

3.1 Please, indicate which of the following best describes the statutory/legal base of the rule:\*

political agreement between governing partners

organic law

Commitment made by an authority (e.g., Minister of finance, president of a regional government etc.)

agreement between sectors of general government (e.g., Domestic Stability Pact)

ordinary (i.e. other than constitutional/organic) law

constitutional law

other

Additional information: (maximum 500 characters)

3.1.1 What is the time frame covered by the agreement?\*

one-year budgetary cycle

multi-annual

other

Specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

3.1.2 What is the time frame covered by the law?\*

one-year budgetary cycle

multi-annual

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

The rule applies to each budget year.

How many years are covered?\*

2 years

5 years

years

years

More

Legislative period

3.2 Please give a precise reference to the official document(s) that form the statutory base of the rule:

The Organic Law of "the economic freedom"

3.3 Please upload a pdf version of the above legal text(s) or official document(s) in original language and in English

if available.

(Alternatively, please provide hyperlink to the relevant legal text)

#### 4. Monitoring of compliance

4.1 Who is in charge of monitoring the ex-ante and/or ex-post compliance with the rule (multiple replies possible)?\*

There is no formal monitoring of compliance with the rule

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

Other

Court of Auditors

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Independent fiscal institution, please specify:\* (maximum 500 characters)

Georgian Parliamentary Budget Office;

The state Audit Office

Other, please specify:\* (maximum 500 characters)

4.1.1 Please specify the output delivered by the (or each) body identified in question 4.1 in relation to monitoring the compliance with the rule (e.g.: publication of monitoring report)\* (maximum 500 characters)

Additional information: (maximum 500 characters)

4.2 Is there a real-time monitoring?

("Real-time" is defined as quarterly or more frequent)\*

Yes

No

Specify:\* (maximum 1000 characters)

Additional information: (maximum 1000 characters)

Quarterly reports will be submitted to Parliament and Parliament can review committees, as well as hear the audit report and the conclusion of the budget office. The rule applies to the implementation of the budget and is not specifically designed to account for the mechanism of the fiscal rules for monitoring purposes.

#### 4.3 Is a monitoring report issued?\*

Yes

No

Additional information

Audit Office, Parliamentary Committees and the Parliamentary Budget Office's findings are made in respect of the quarterly reports and it is public.

4.3.1 Please specify how often this is done:\* (maximum 2000 characters)

4.4 Please indicate which of the following applies to the monitoring report (multiple replies possible)

The government does not usually comment on the monitoring report

The government is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

The government is obliged to comment on the monitoring report (e.g. by a public statement)

The monitoring report is presented in Parliament

The monitoring report is available to the public

Additional information: (maximum 500 characters)

## 5 Enforcement of compliance with the rule

5.1 Please indicate which body is in charge of enforcing compliance with the rule in case of non-compliance: (multiple replies possible)\*

There is no body in charge with enforcing compliance

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

body or review panel (other than the independent fiscal institution) specifically created to ensure enforcement of the rule

Court of Auditors

Other

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Fiscal institution, please specify:\* (maximum 500 characters)

An independent body or review panel (other than the Fiscal institution), please specify:

Other, please specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

5.2 Does the annual budget document contain a reference to the numerical fiscal rule?\*

Yes, there is a chapter devoted to compliance with the rule and/or the specification of the implied target.

Yes, there is cursory reference to the numerical fiscal rule and/or the implied target.

No.

Additional information: (maximum 500 characters)

5.3 Are there pre-defined actions to be taken in case or risk of non-compliance with the targets implied by the rule?

(by pre-defined actions we mean corrective measures, sanctions etc.)\*

Yes

No

Additional information:

Government must set the parameters of the submission of a plan for the return of the maximum volumes.

5.4 What describes best the actions taken in case or risk of non-compliance with the targets implied by the rule? (Multiple replies possible)\*

the government/the Ministry of Finance is obliged to prepare a proposal of corrective measures for the Parliament/the respective enforcement body

the government/the Ministry of Finance is obliged to take specific corrective actions

the government/ministry of finance is obliged to publicly justify the non-compliance



there is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance)

there is a possibility to impose sanctions

there is an automatic sanction mechanism in case of non-compliance

other

The government/the Ministry of Finance is obliged to take specific corrective actions, specify:

\* (maximum 500 characters)

There is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance), please describe the mechanism

\* (maximum 500 characters)

There is a possibility to impose sanctions, please describe the mechanism:

\* (maximum 2000 characters)

There is an automatic sanction mechanism in case of non-compliance, please describe the mechanism:

\* (maximum 2000 characters)

Other, please specify: \* (maximum 2000 characters)

Additional information: (maximum 1000 characters)

## 6. Media visibility of the rule

6.1 Which of the following describes best the average degree of media and public awareness of the rule?

The rule is closely monitored by the media; non-compliance is likely to trigger public debate

There is high media coverage of the rule, but non-compliance is unlikely to invoke public debate

No or modest interest of the media

Additional information: (maximum 500 characters)

Media significant interest in the issue of implementation of the budget, as well as budget planning process with respect to the reporting of fiscal rules are going to focus on protection. It should be noted that the rule only came into force in 2014.

6.2 Please describe the degree of media and public awareness of the new rule\*

Introduction of the rule was closely covered by the media; there was a public debate

Introduction of the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

## 7. Compliance with the rule in 2012

7.0 Did the new rule introduced in 2012 have an impact on 2012 budget execution?\*

Yes

No

Additional information:

Valid from December 31, 2013

7.1 Was the budget law adopted for the budgetary year 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

Valid from December 31, 2013

7.1b If the budget law was not compliant with the rule in 2012, please specify the main reason(s):\* (maximum 2000 characters)

Valid from December 31, 2013

7.1c was non-compliance of the budget law with the rule covered by the media?\*

Non-compliance with the rule was closely covered by the media; there was a public debate

Non-compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7.2 Were the results of implementing the budget law 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

7.3 Please, if possible, give a quantitative assessment of compliance with the rule in 2012 by budgetary

Outcomes, consistent with the entries in section 2 on the target definition, unit of measurement, and numerical value of the target:

(e.g., in case of a rule prescribing that the cyclically-adjusted general government balance is not higher than 1.5% of GDP, please specify the cyclically-adjusted general government balance achieved, in case of a rule prescribing that the growth rate of nominal expenditure does not exceed 1%, please specify the growth rate of nominal expenditure achieved etc. ):

\* (maximum 1000 characters)

7.4 If the implementation of the budget was not compliant with the rule in 2012, please specify the main reason(s) (multiple replies possible):\*

deviation between forecasted GDP and its realization

unexpected revenue shortfalls due to adverse macro-economic developments

unexpected revenue shortfalls due to legislative changes

unexpected mandatory spending obligations (e.g., new or amended legislation)

unexpected urgent need for discretionary spending (e.g., disaster relief or war)

unexpected interest increase on existing debt

other

Deviation between forecasted GDP and its realization, specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to adverse macro-economic developments specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to legislative changes specify:

\* (maximum 200 characters)

Unexpected mandatory spending obligations (e.g., new or amended legislation), specify:

\* (maximum 200 characters)

Unexpected urgent need for discretionary spending (e.g., disaster relief or war), specify:

\* (maximum 200 characters)

Unexpected interest increase on existing debt, specify:\* (maximum 200 characters)

Other, specify:\* (maximum 500 characters)

Additional information: (Maximum 500 characters)

7.5 Please indicate the perceived nature of the constraint defined by the rule in 2012:\*

Compliance with the rule could be achieved easily.

Compliance with the rule could be achieved with difficulty.

Additional information: (maximum 500 characters)

7.6 Was non-compliance of budget execution with the rule well covered by the media?\*

Non-compliance with the rule was closely covered by the media; there was a public debate

Non-compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7.7 Did non-compliance in 2011 have any impact on the 2012 budget preparation?

Please describe potential correction mechanisms, sanctions or corrective measures affecting 2012 budget preparation and any other relevant issues)\*

Yes

No

Please specify: (maximum 1000 characters)

Additional information: (maximum 500 characters)

7.8 Was compliance of budget execution with the rule well covered by the media?\*

Compliance with the rule was closely covered by the media; there was a public debate

Compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

## 8. Long-term impact of the rule

8.1 Please indicate the effect of the rule on public debt of the sector(s) of general government to which it applies: So far, the rule has contributed to...\*

decreasing the growth of public debt as % of GDP

stabilizing public debt as % of GDP

reducing public debt as % of GDP

the rule had no significant effect on public debt as % of GDP

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.2 Please indicate the effect of the rule on the budget balance: so far, the rule has contributed to... (Multiple replies possible):\*

constraining the budget deficit of the sector(s) concerned

reaching the medium-term objective (MTO) for general government

fostering compliance of general government with the Maastricht deficit criterion

the rule had no significant effect on the budget deficit of the sector(s) of general government concerned other

Specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

8.3 Please indicate the effect of the rule on expenditure of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible): \*

reducing expenditure

changing the composition of expenditure

constraining investment

the rule had no significant effect on expenditure of the sector(s) of general government concerned

other

Specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.4 Please indicate the effect of the rule on revenues of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible)\*

increasing public

revenues decreasing

public revenues

affecting the composition of revenues

the rule had no significant effect on revenues of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

## 9. End of the questionnaire

9.1 Contact details of the respondents: Names, first names, positions, departments, institutions, addresses, emails, phone numbers.\*

9.2 Comments or remarks concerning the questionnaire:

(Maximum 2000 characters)





## Annex 5.2

Fiscal rules (budget expenditure rule)

[http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/)

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

New numerical fiscal rules in the MemberState in 2012

Questions marked with an asterisk \*require an answer to be given.

1.1 Please choose from:

(Please note that this questionnaire is only aimed at new rules or at already existing rules that were not reported previously)\*

The present rule was introduced in 2012

The present rule was already in force in 2012 but it has never been reported

\* Organic Law, which was established rules introduced in 2011, and the law specifies that these rules go into effect from December 31, 2013 (first published 2014 budget year).

1.2 Please define the nature of the rule:\*

Expenditure rule

Budget balance rule

Revenue rule

Debt rule

1.3 Please provide a general description of the rule.

\* (maximum 4000 characters)

The rule provides that the consolidated budget expenditures and non-monetary assets to GDP should not exceed 30%.

1.4 Please indicate the main reasons for the introduction of the rule.

Please mention any related particular event (such as institutional reform, changes in legislation to adapt to the requirements of EU law, inter-governmental treaties, and financial assistance programs, etc.). Please indicate the date of important decisions taken.

\* (maximum 2000 characters)

The rule is introduced in the law of "Economic Freedom" which implies the protection of human rights and freedom of citizens under the constitution of the economic rights and guarantees of freedom establishment.

The rule was introduced in 2011 and came into force on 31 December 2013 and its adoption was a part of the reform in the public finance management.

The rule is based on the Maastricht criteria and aims to establish fiscal discipline and legal guarantees, setting the framework for the public finance management.

Rule was introduced after the Georgian economy took a so-called Dual Shock 2008 (economic crisis and the armed conflict with Russia), has worsened the budget deficit in 2009 and reached 9.2.

The next few years of the crisis were characterized by fiscal consolidation, which led to the deficit at the same time there was a need to establish a relatively low threshold and maximum volumes.

1.5 Indicate the approval date of the rule (MM/YY).\* (between 5 and 5 characters)

2011

1.6 Indicate the date the rule entered/should enter into force (DD/MM/YY).\* (between 8 and 8 characters)

31.12.2014

Explanation/additional information

(Maximum 2000 characters)

## 2. Coverage and target definition

2.1 Are all sectors of the general government covered by the rule?

(Please note that for the purpose of this questionnaire we refer to these sectors of the general government - central government, regional/state government, local government and social security. The questionnaire takes into account that some Member States may not have all of the sectors - in particular regional/state governments.)\*

Questions on coverage are used for two main purposes:

- 1) To determine among rules covering the same sector, which one has the largest coverage,
- 2) To estimate the individual coverage of each rule in terms of general government expenditure/revenue.

Following questions include further explanation under the "help button"

Yes

No

2.2 Please indicate the sector(s) of general government covered by the rule (multiple replies possible):\*

local government

regional government (autonomous regions or federated states)

central government

social security

other

Other - Please, specify:\* (maximum 500 characters)

The Rule does not separate the state and local governments to regulate and limit sets a budget deficit for the consolidated budget (the Total Government). 3% deficit restrictions apply of the consolidated budget.

2.3 Please indicate the share of local government in general government expenditure (in percent):

19%

(in case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.4 Please indicate the share of regional/state government in general government expenditure (in percent):

There is no separate fund in the part of the budget and the budget of the social security system.

81 %

(in case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.5 Please indicate the share of Social expenditures in total expenditure (%)

There is no separate fund in the part of the budget and the budget of the social security system.

(In case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.6 Please indicate the accounting system in which the budgetary aggregate targeted by the rule is specified:\*

ESA 95 accounting

cash/budgetary accounting

other

Please specify:\* (maximum 200 characters)

GFSM2001/GFSM 1986

Additional information: (maximum 500 characters)

For the budget accounting is used for the calculation of the public finance management guidelines developed by the International Monetary Fund GFSM 2001, but the deficit is still often used for billing purposes GFSM 1986 classification and the practice derived from the fact that the International Monetary Fund is actively using it.

2.7 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Nominal expenditure

Growth of nominal expenditure

allocation of expenditure to a specific purpose

Real expenditure

Growth of real expenditure

Other

2.8 Please indicate the unit of measurement of the budgetary aggregate targeted by the rule:\*

nominal terms

percentage points related to GDP growth

real terms

Percentage points related to a specific concept of economic growth (e.g. potential output)

per cent

other

% of GDP

Percentage points related to a specific concept of economic growth (e.g. Potential output), specify:\*

Please specify:

The sum of the consolidated budget expenditures and non-monetary assets do not exceed 30% of GDP

2.9 Are there any exclusions in the coverage of the above rule?\*

Yes

No

Additional information: (maximum 500 characters)

Exceptions can be made to the rule of the law; such cases shall be submitted to Parliament for a plan to be back within the framework

2.10 Please indicate the budgetary elements that are excluded from the coverage of the rule, if any (multiple replies possible):\*

Interest payments

unemployment benefits

Public investment

Other

Please specify the relevant definition of public investment applied (e.g. Gross or net investment, including only specific items, etc.):



\* (maximum 500 characters)

Specify:

\* (maximum 200 characters)

The parameter calculated is not participating in financial assets and liabilities and their operations classification provided payments, ie the payments to the budget part of which is used for the debt of the main part of the cover, the various accounts debt coverage (if any), are not covered by the state loans and state enterprises included capital.

2.11 Please indicate the estimated value of items covered by the rule as a percentage of local government expenditure (taking into account exclusions, if any)

(in case of revenue rules, please indicate the estimated value as % of local government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

The rule limits the consolidated budget expenditures, except for financial assets and liabilities decreased by approximately 90% of the annual budget.

2.12 Please indicate the estimated value of items covered by the rule as a percentage of regional/state government expenditure (taking into account exclusions, if any):

(In case of revenue rules, please indicate the estimated value as % of regional/state government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% \times 50\% = 40\%$ .

%

2.13 Please indicate the estimated value of items covered by the rule as a percentage of central government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of central government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% \times 50\% = 40\%$ .

%

2.14 Please indicate the estimated value of items covered by the rule as a percentage of social security expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of social security revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% \times 50\% = 40\%$ .

%

2.15 Please indicate the estimated value of items covered by the rule as a percentage of general government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of general government revenue)\*

This is a consistency check question. The reply should be equal to the sum of the products of questions 2.3-2.6 and 2.14-2.17.

Example:

Additional information: (maximum 500 characters)

2.16 According to its establishing act, does the rule provide for a margin of adjustment to the government in specifying the target of the rule?\*

Yes, the government has some freedom to adjust the target.

No, the ceiling is definitely determined by the establishing act of the rule.

Additional information: (maximum 500 characters)

Expenditures limit was established by the consolidated budget but the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget.

2.17 Please describe how the parameters of the rule can be adjusted by the government:

\* (maximum 500 characters)

Expenditures limit established for the consolidated budget but the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget.

2.18 Please indicate the numerical value(s) of the ceiling implied by the rule

(e.g., % of GDP for budget balance rules, amount of a nominal ceiling, allowed growth rate of expenditures, etc.). t refers to the ongoing budget year.

Please leave blank if unchanged

For year t+1:

t+1: 30% of GDP

... year t+2

... Year t+3

...year t+4

... Year t+5

2.19 Please describe the characteristics of the escape clauses:\*

There are no pre-defined escape clauses

Derogations are possible in case of specific situations (e.g., natural disasters, exceptional slowdown, etc.

Derogations are possible if budgetary problems  
arise in specific, sensitive areas (e.g., health care)  
other

Please, specify

Additional information: (maximum 500 characters)

The rule do not define the specific cases where the use may be an exception, but specifies that the government can grant an exception for a particular fiscal year, however, have to submit a plan to the Parliament, according to which it will return to the spot, for 2 consecutive years cannot be exemption.

2.20 To what extent are escape clauses specified in the establishing act/legal base of the rule?\*

The establishing act lists all events or circumstances that allow for derogation

The circumstances triggering the derogation are not fully specified; there is some margin of discretion

Additional information: (maximum 500 characters)

Indicate which events are included: (multiple replies possible)\*

Natural disasters

Exceptional economic slowdown

Other

Specify:\* (maximum 500 characters)

2.21 What institution has the task of ascertaining whether escape clauses should be triggered/extended/exited?\*

The government

The ministry of finance

The parliament

An independent fiscal institution

Other

Specify:\* (maximum 200 characters)

Additional information: maximum 500 characters)

If the rule cannot be immediately described in the above terms, please provide a verbal description of the target(s), unit(s) of measurement, and numerical values of the constraint established by the rule:

(Maximum 4000 characters)

### 3. Statutory base of the rule

3.1 Please, indicate which of the following best describes the statutory/legal base of the rule:

\*

political agreement between governing partners

organic law

Commitment made by an authority (e.g., Minister of Finance, president of a regional government etc.)

agreement between sectors of general government (e.g., Domestic Stability Pact)

ordinary (i.e. other than constitutional/organic) law

constitutional law

other

Additional information: (maximum 500 characters)

3.2.1 What is the time frame covered by the agreement?\*

one-year budgetary cycle

multi-annual

other

Specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

3.2.2 What is the time frame covered by the law?\*

one-year budgetary cycle

multi-annual

other

Specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

The rule applies to each budget year

How many years are covered? \*

2 years

5 years

years

years

More

Legislative period

3.3 Please give a precise reference to the official document(s) that form the statutory base of the rule:

The Organic Law of "the economic freedom"

3.4 Please upload a pdf version of the above legal text(s) or official document(s) in original language and in English if available.

(Alternatively, please provide hyperlink to the relevant legal text)

#### 4. Monitoring of compliance



4.1 Who is in charge of monitoring the ex-ante and/or ex-post compliance with the rule (multiple replies possible)?\*

There is no formal monitoring of compliance with the rule

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

Other

Court of Auditors

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Independent fiscal institution, please specify:\* (maximum 500 characters)

Georgian Parliamentary Budget Office;

The state Audit Office

Other, please specify:\* (maximum 500 characters)

4.1.1 Please specify the output delivered by the (or each) body identified in question 4.1. In relation to monitoring the compliance with the rule (e.g.: publication of monitoring report)\* (maximum 500 characters)

Additional information: (maximum 500 characters)

4.2 Is there a real-time monitoring?

("Real-time" is defined as quarterly or more frequent)\*

Yes

No

Specify:\* (maximum 1000 characters)

Additional information: (maximum 1000 characters)

Quarterly reports will be submitted to Parliament and Parliament can review committees, as well as hear the audit report and the conclusion of the budget office. The rule applies to the implementation of the budget and is not specifically designed to account for the mechanism of the fiscal rules for monitoring purposes

4.3 Is a monitoring report issued?\*

Yes

No

Additional information

Audit Office, Parliamentary Committees and the Parliamentary Budget Office's findings are made in respect of the quarterly reports and it is public.

4.3.1 Please specify how often this is done:\* (maximum 2000 characters)

4.4 Please indicate which of the following applies to the monitoring report (multiple replies possible)

The government does not usually comment on the monitoring report

The government is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

The government is obliged to comment on the monitoring report (e.g. by a public statement)

The monitoring report is presented in Parliament

The monitoring report is available to the public

Additional information: (maximum 500 characters)

## 5 Enforcement of compliance with the rule

5.1 Please indicate which body is in charge of enforcing compliance with the rule in case of non-compliance: (multiple replies possible)\*

There is no body in charge with enforcing compliance

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

body or review panel (other than the independent fiscal institution) specifically created to ensure enforcement of the rule

Court of Auditors

Other

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Fiscal institution, please specify:\* (maximum 500 characters)

An independent body or review panel (other than the Fiscal institution), please specify:

Other, please specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

5.2 Does the annual budget document contain a reference to the numerical fiscal rule?

\*

Yes, there is a chapter devoted to compliance with the rule and/or the specification of the implied target.

Yes, there is cursory reference to the numerical fiscal rule and/or the implied target.

No.

Additional information: (maximum 500 characters)

5.3 Are there pre-defined actions to be taken in case of risk of non-compliance with the targets implied by the rule?

(by pre-defined actions we mean corrective measures, sanctions etc.)\*

Yes

No

Additional information: Government must set the parameters of the submission of a plan for the return of the maximum volumes.

5.4 What describes best the actions taken in case or risk of non-compliance with the targets implied by the rule? (Multiple replies possible)

\*

the government/the Ministry of Finance is obliged to prepare a proposal of corrective measures for the Parliament/the respective enforcement body

the government/the Ministry of Finance is obliged to take specific corrective actions

the government/ministry of finance is obliged to publicly justify the non-compliance

there is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance)

there is a possibility to impose sanctions

there is an automatic sanction mechanism in case of non-compliance

other

the government/the Ministry of Finance is obliged to take specific corrective actions, specify:

\* (maximum 500 characters)

There is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance), please describe the mechanism

\* (maximum 500 characters)

There is a possibility to impose sanctions, please describe the mechanism:

\* (maximum 2000 characters)

There is an automatic sanction mechanism in case of non-compliance, please describe the mechanism:

\* (maximum 2000 characters)

Other, please specify: \* (maximum 2000 characters)

Additional information: (maximum 1000 characters)

## 6. Media visibility of the rule

6.1 Which of the following describes best the average degree of media and public awareness of the rule?

The rule is closely monitored by the media; non-compliance is likely to trigger public debate

There is high media coverage of the rule, but non-compliance is unlikely to invoke public debate

No or modest interest of the media

Additional information: (maximum 500 characters)

Media significant interest in the issue of implementation of the budget, as well as budget planning process with respect to the reporting of fiscal rules are going to focus on protection. It should be noted that the rule only came into force in 2014.

6.2 Please describe the degree of media and public awareness of the new rule\*

Introduction of the rule was closely covered by the media; there was a public debate

Introduction of the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

## 7. Compliance with the rule in 2012

7.0 Did the new rule introduced in 2012 have an impact on 2012 budget execution?\*

Yes

No

Additional information:

Valid from December 31, 2013

7.1 Was the budget law adopted for the budgetary year 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

Valid from December 31, 2013

7.1b If the budget law was not compliant with the rule in 2012, please specify the main reason(s):\* (maximum 2000 characters)

Valid from December 31, 2013

7.1c Was non-compliance of the budget law with the rule covered by the media?\*

Non-compliance with the rule was closely covered by the media; there was a public debate

Non-compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7.2 Were the results of implementing the budget law 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

7.3 Please, if possible, give a quantitative assessment of compliance with the rule in 2012 by budgetary outcomes, consistent with the entries in section 2 on the target definition, unit of measurement, and numerical value of the target:

(e.g., in case of a rule prescribing that the cyclically-adjusted general government balance is not higher than 1.5% of GDP, please specify the cyclically-adjusted general government balance achieved, in case of a rule prescribing that the growth rate of nominal expenditure does not exceed 1%, please specify the growth rate of nominal expenditure achieved etc. ):

\* (maximum 1000 characters)

7.4 If the implementation of the budget was not compliant with the rule in 2012, please specify the main reason(s) (multiple replies possible):\*

deviation between forecasted GDP and its realization

unexpected revenue shortfalls due to adverse macro-economic developments

unexpected revenue shortfalls due to legislative changes

unexpected mandatory spending obligations (e.g., new or amended legislation)

unexpected urgent need for discretionary spending (e.g., disaster relief or war)



unexpected interest increase on existing debt

other

Deviation between forecasted GDP and its realization, specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to adverse macro-economic developments specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to legislative changes specify:

\* (maximum 200 characters)

Unexpected mandatory spending obligations (e.g., new or amended legislation), specify:

\* (maximum 200 characters)

Unexpected urgent need for discretionary spending (e.g., disaster relief or war), specify:

\* (maximum 200 characters)

Unexpected interest increase on existing debt, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 500 characters)

Additional information: (maximum 500 characters)

7.5 Please indicate the perceived nature of the constraint defined by the rule in 2012:\*

Compliance with the rule could be achieved easily.

Compliance with the rule could be achieved with difficulty.

Additional information: (maximum 500 characters)

7.6 Did non-compliance in 2011 have any impact on the 2012 budget preparation?

(Please describe potential correction mechanisms, sanctions or corrective measures affecting 2012 budget preparation and any other relevant issues)\*

Yes

No

Please specify: (maximum 1000 characters)

Additional information: (maximum 500 characters)

7.7 Was compliance of budget execution with the rule well covered by the media?\*

Compliance with the rule was closely covered by the media; there was a public debate

Compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

8. Long-term impact of the rule

8.1 Please indicate the effect of the rule on public debt of the sector(s) of general government to which it applies: so far, the rule has contributed to...\*

decreasing the growth of public debt as % of GDP

stabilizing public debt as % of GDP

reducing public debt as % of GDP

the rule had no significant effect on public debt as % of GDP

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.2 Please indicate the effect of the rule on expenditure of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible): \*

reducing expenditure

changing the composition of expenditure

constraining investment

the rule had no significant effect on expenditure of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

## Annex 5.3

### Fiscal rules (budget debt rule)

[http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/)

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

### New numerical fiscal rules in the Member State in 2012

Questions marked with an asterisk \*require an answer to be given.

#### 1.1 Please choose from:

(Please note that this questionnaire is only aimed at new rules or at already existing rules that were not reported previously)\*

#### The present rule was introduced in 2012

The present rule was already in force in 2012 but it has never been reported

\* Organic Law, which was established rules introduced in 2011, and the law specifies that these rules go into effect from December 31, 2013 (first published 2014 budget year).

#### 1.2 Please define the nature of the rule:\*

Expenditure rule

Budget balance rule

Revenue rule

Debt rule

1.3 Please provide a general description of the rule.

\* (maximum 4000 characters)

The debt rule provides that the consolidated budget expenditures and non-monetary assets to GDP should not exceed 60%.

1.4 Please indicate the main reasons for the introduction of the rule.

Please mention any related particular event (such as institutional reform, changes in legislation to adapt to the requirements of EU law, inter-governmental treaties, financial assistance programmes, etc.). Please indicate the date of important decisions taken.

\* (maximum 2000 characters)

The rule is introduced with the law of “Economic Freedom” which implies the protection of human rights and freedom of citizens under the constitution of the economic rights and guarantees of freedom establishment.

The rule was introduced in 2011 and came into force on 31 December 2013 and its adoption was a part of the reform in the public finance management.

The rule is based on the Maastricht criteria and aims to establish fiscal discipline and legal guarantees, setting the framework for the public finance management.

The rule was introduced after the Georgian economy took a so-called Dual Shock 2008 (economic crisis and the armed conflict with Russia), has worsened the budget deficit in 2009 and reached 9.2. The next few years of the crisis were characterized by fiscal consolidation, which led to the deficit at the same time there was a need to establish a relatively low threshold and maximum volumes.

1.5 Indicate the approval date of the rule (MM/YY).\* (between 5 and 5 characters)

2011

1.6 Indicate the date the rule entered/should enter into force (DD/MM/YY).\* (between 8 and 8 characters)

31.12.2014

Explanation/additional information.

(Maximum 2000 characters)

#### Coverage and target definition

2.1 Are all sectors of the general government covered by the rule?

(Please note that for the purpose of this questionnaire we refer to these sectors of the general government - central government, regional/state government, local government and social security. The questionnaire takes into account that some Member States may not have all of the sectors - in particular regional/state governments.)\*

Questions on coverage are used for two main purposes:

- 1) To determine among rules covering the same sector, which one has the largest coverage,
- 2) To estimate the individual coverage of each rule in terms of general government expenditure/revenue.

Following questions include further explanation under the "help button"

Yes

No

2.2 Please indicate the sector(s) of general government covered by the rule (multiple replies possible):\*

local government

regional government (autonomous regions or federated states)

Central government

Social security

other

Other - Please, specify:\* (maximum 500 characters)

2.3 Please indicate the share of local government in general government expenditure (in percent):

19%

(in case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 4.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.4 Please indicate the share of regional/state government in general government expenditure (in percent):

81 %

2.5 Please indicate the share of social security in general government expenditure (in percent):

There is no separate fund in the part of the budget and the budget of the social security system

(In case of revenue rules, please indicate the share in terms of general government revenue)\*

Questions 2.8 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector.

Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.6 Please indicate the accounting system in which the budgetary aggregate targeted by the rule is specified:\*

ESA 95 accounting

cash/budgetary accounting

other

Please specify: (maximum 200 characters)

GFSM2001/GFSM 1986

Additional information:

(Maximum 500 characters)

For the budget accounting is used for the calculation of the public finance management guidelines developed by the International Monetary Fund GFSM 2001, but the deficit is still often used for billing purposes GFSM 1986 classification and the practice derived from the fact that the International Monetary Fund is actively using it.

2.7 Please indicate the definition of the debt rule:\*

Nominal expenditure

Dept ratio of GDP

allocation of expenditure to a specific purpose

Real expenditure

Growth of real expenditure



Other

2.8 Please indicate the unit of measurement of the budgetary aggregate targeted by the rule:\*

nominal terms

percentage points related to GDP growth

real terms

Percentage points related to a specific concept of economic growth (e.g. potential output)

per cent

other

% of GDP

Percentage points related to a specific concept of economic growth (e.g. Potential output), specify:

\*

Please specify:

2.9 Are there any exclusions in the coverage of the above rule?\*

Yes

No

Additional information: (maximum 500 characters)

Exceptions can be made to the rule of the law; such cases shall be submitted to Parliament for a plan to be back within the framework

2.10 Please indicate the budgetary elements that are excluded from the coverage of the rule, if any (multiple replies possible):\*

Interest payments

unemployment benefits

Public investment

Other

Please specify the relevant definition of public investment applied (e.g. gross or net investment, including only specific items, etc.):

\* (maximum 500 characters)

Specify:\* (maximum 200 characters)

2.11 Please indicate the estimated value of items covered by the rule as a percentage of local government expenditure (taking into account exclusions, if any)

(in case of revenue rules, please indicate the estimated value as % of local government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

The rule limits the total state debt.

2.12 Please indicate the estimated value of items covered by the rule as a percentage of regional/state government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of regional/state government revenue)\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$

2.13 Please indicate the estimated value of items covered by the rule as a percentage of central government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of central government revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

%

2.14 Please indicate the estimated value of items covered by the rule as a percentage of social security expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of social security revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

%

2.15 Please indicate the estimated value of items covered by the rule as a percentage of general government expenditure (Taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of general government revenue)

\*

This is a consistency check question. The reply should be equal to the sum of the products of questions 2.3-2.6 and 2.14-2.17.

Example:

Additional information: (maximum 500 characters)

2.16 According to its establishing act, does the rule provide for a margin of adjustment to the government in specifying the target of the rule?\*

Yes, the government has some freedom to adjust the target.

No, the ceiling is definitely determined by the establishing act of the rule.

Additional information: (maximum 500 characters)

Limit established for the consolidated budget, the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget.

2.17 Please describe how the parameters of the rule can be adjusted by the government (maximum 500 characters)

Limit established for the consolidated budget, the government can impose more specific regulations by sub-sectors, limiting the protection of the consolidated budget. For example it is possible to establish a deficit margin separately for the State and Local budgets.

2.18 Please indicate the numerical value(s) of the ceiling implied by the rule (e.g., % of GDP for budget balance rules, amount of a nominal ceiling, allowed growth rate of expenditures, etc.). t refers to the ongoing budget year.

Please leave blank if unchanged

For year t+1:

t+1: 60% of GDP

... year t+2

t+2: 60% of GDP

... year t+3

t+3: 60% of GDP

...year t+4

t+4: 60% of GDP

... year t+5

t+5: 60% of GDP

2.19 Please describe the characteristics of the escape clauses:\*

There are no pre-defined escape clauses

Derogations are possible in case of specific situations (e.g., natural disasters, exceptional slowdown, etc.)

Derogations are possible if budgetary problem arise in specific, sensitive areas (e.g., health care)

other

Please, specify

Additional information :(maximum 500 characters)

The rule do not define the specific cases where the use may be an exception, but specifies that the government can grant an exception for a particular fiscal year, however, have to submit a plan to the Parliament, according to which it will return to the spot, for 2 consecutive years cannot be exemption. As the law states that an exception might be the case if the previous year's budget satisfied parameters set by the law.

2.20 To what extent are escape clauses specified in the establishing act/legal base of the rule?\*

The establishing act lists all events or circumstances that allow for a derogation

The circumstances triggering the derogation are not fully specified; there is some margin of discretion

Additional information:

Additional information: (maximum 500 characters)

Indicate which events are included: (multiple replies possible)

\*

Natural disasters

Exceptional economic slowdown

Other

Specify:

\* (maximum 500 characters)

2.21 What institution has the task of ascertaining whether escape clauses should be triggered/extended/exited?

\*

The government

The ministry of finance

The parliament

An independent fiscal institution

Other

Specify:\* (maximum 200 characters)

Additional information: (Maximum 500 characters)

If the rule cannot be immediately described in the above terms, please provide a verbal description of the target(s), unit(s) of measurement, and numerical values of the constraint established by the rule:

(Maximum 4000 characters)

### 3. Statutory base of the rule

3.1 Please, indicate which of the following best describes the statutory/legal base of the rule:

\*

political agreement between governing partners

organic law

Commitment made by an authority (e.g., Minister of Finance, president of a regional government etc.)

agreement between sectors of general government (e.g., Domestic Stability Pact)

ordinary (i.e. other than constitutional/organic) law constitutional

other

Additional information:

(maximum 500 characters)

3.2.1 What is the time frame covered by the agreement?\*

one-year budgetary cycle

multi-annual

other

Specify:

\* (maximum 500 characters)

Additional information: (maximum 500 characters)

3.2.2 What is the time frame covered by the law?\*

one-year budgetary cycle

multi-annual

other

Specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

The rule applies to each budget year



How many years are covered? \*

2 years

5 years

years

years

More

Legislative period

3.3 Please give a precise reference to the official document(s) that form the statutory base of the rule:

The Organic Law of "the economic freedom"

#### 4. Monitoring of compliance

4.1 Who is in charge of monitoring the ex-ante and/or ex-post compliance with the rule (multiple replies possible)?\*

There is no formal monitoring of compliance with the rule

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

Other

Court of Auditors

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Independent fiscal institution, please specify:\* (maximum 500 characters)

Georgian Parliamentary Budget Office;

The state Audit Office

Other, please specify:\* (maximum 500 characters)

4.1.1 Please specify the output delivered by the (or each) body identified in question 4.1. in relation to monitoring the compliance with the rule (e.g.: publication of monitoring report)\* (maximum 500 characters)

Additional information: (maximum 500 characters)

4.2 Is there a real-time monitoring?

("Real-time" is defined as quarterly or more frequent)\*

Yes

No

Specify:\* (maximum 1000 characters)

Additional information: (maximum 1000 characters)

Quarterly reports will be submitted to Parliament and Parliament can review committees, as well as hear the audit report and the conclusion of the budget office. The rule applies to the implementation of the budget and is not specifically designed to account for the mechanism of the fiscal rules for monitoring purposes

#### 4.3 Is a monitoring report issued?\*

Yes

No

Additional information

Audit Office, Parliamentary Committees and the Parliamentary Budget Office's findings are made in respect of the quarterly reports and it is public.

##### 4.3.1 Please specify how often this is done:\* (maximum 2000 characters)

#### 4.4 Please indicate which of the following applies to the monitoring report (multiple replies possible)

The government does not usually comment on the monitoring report

The government is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

The government is obliged to comment on the monitoring report (e.g. by a public statement)

The monitoring report is presented in Parliament

The monitoring report is available to the public

Additional information: (maximum 500 characters)

### 5 Enforcement of compliance with the rule

#### 5.1 Please indicate which body is in charge of enforcing compliance with the rule in case of non-compliance: (multiple replies possible)

\*

There is no body in charge with enforcing compliance

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

body or review panel (other than the independent fiscal institution) specifically created to ensure enforcement of the rule

Court of Auditors

Other

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Fiscal institution, please specify:\* (maximum 500 characters)

An independent body or review panel (other than the Fiscal institution), please specify:

Other, please specify:

\* (maximum 500 characters)

Additional information:

(Maximum 500 characters)

5.2 Does the annual budget document contain a reference to the numerical fiscal rule?

\*

Yes, there is a chapter devoted to compliance with the rule and/or the specification of the implied target.

Yes, there is cursory reference to the numerical fiscal rule and/or the implied target.

No.

Additional information: (maximum 500 characters)

5.3 Are there pre-defined actions to be taken in case or risk of non-compliance with the targets implied by the rule?

(by pre-defined actions we mean corrective measures, sanctions etc.)

\*

Yes

No

Additional information:

Government must set the parameters of the submission of a plan for the return of the maximum volumes.

5.4 What describes best the actions taken in case or risk of non-compliance with the targets?

Implied by the rule? (Multiple replies possible)

\*

the government/the Ministry of Finance is obliged to prepare a proposal of corrective measures for the Parliament/the respective enforcement body

the government/the Ministry of Finance is obliged to take specific corrective actions

the government/ministry of finance is obliged to publicly justify the non-compliance

there is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance)

there is a possibility to impose sanctions

there is an automatic sanction mechanism in case of non-compliance

other

The government/the Ministry of Finance are obliged to take specific corrective actions, specify:

\* (maximum 500 characters)

There is an automatic correction mechanism (e.g., a cut in next year's resources upon non-compliance), please describe the mechanism

\* (maximum 500 characters)

There is a possibility to impose sanctions, please describe the mechanism:

\* (maximum 2000 characters)

There is an automatic sanction mechanism in case of non-compliance, please describe the mechanism:

\* (maximum 2000 characters)

Other, please specify: \* (maximum 2000 characters)

Additional information: (maximum 1000 characters)

## 6. Media visibility of the rule

6.1 Which of the following describes best the average degree of media and public awareness of the rule?

The rule is closely monitored by the media; non-compliance is likely to trigger public debate

There is high media coverage of the rule, but non-compliance is unlikely to invoke public debate

No or modest interest of the media

Additional information: (Maximum 500 characters)

Media significant interest in the issue of implementation of the budget, as well as budget planning process with respect to the reporting of fiscal rules are going to focus on protection. It should be noted that the rule only came into force in 2014.

6.2 Please describe the degree of media and public awareness of the new rule\*

Introduction of the rule was closely covered by the media; there was a public debate

Introduction of the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7. Compliance with the rule in 2012

7.0 Did the new rule introduced in 2012 have an impact on 2012 budget execution?\*

Yes

No

Additional information:

Valid from December 31, 2013

7.1 Was the budget law adopted for the budgetary year 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

Valid from December 31, 2013

7.1b If the budget law was not compliant with the rule in 2012, please specify the main reason(s):\* (maximum 2000 characters)

Valid from December 31, 2013

7.1c was non-compliance of the budget law with the rule covered by the media?\*

Non-compliance with the rule was closely covered by the media; there was a public debate

Non-compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7.2 Were the results of implementing the budget law 2012 compliant with the rule?\*

Yes

No



Additional information (maximum 500 characters)

7.3 Please, if possible, give a quantitative assessment of compliance with the rule in 2012 by budgetary outcomes, consistent with the entries in section 2 on the target definition, unit of measurement, and numerical value of the target:

(e.g., in case of a rule prescribing that the cyclically-adjusted general government balance is not higher than 1.5% of GDP, please specify the cyclically-adjusted general government balance achieved, in case of a rule prescribing that the growth rate of nominal expenditure does not exceed 1%, please specify the growth rate of nominal expenditure achieved etc. ):

\* (maximum 1000 characters)

7.4 If the implementation of the budget was not compliant with the rule in 2012, please specify the main reason(s) (multiple replies possible):\*

deviation between forecasted GDP and its realization

unexpected revenue shortfalls due to adverse macro-economic developments

unexpected revenue shortfalls due to legislative changes

unexpected mandatory spending obligations (e.g., new or amended legislation)

unexpected urgent need for discretionary spending (e.g., disaster relief or war)

unexpected interest increase on existing debt

other

Deviation between forecasted GDP and its realization, specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to adverse macro-economic developments specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to legislative changes, specify:

\* (maximum 200 characters)

Unexpected mandatory spending obligations (e.g., new or amended legislation), specify:

\* (maximum 200 characters)

Unexpected urgent need for discretionary spending (e.g., disaster relief or war), specify:

\* (maximum 200 characters)

Unexpected interest increase on existing debt, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 500 characters)

Additional information:

(Maximum 500 characters)

7.5 Please indicate the perceived nature of the constraint defined by the rule in 2012:\*

Compliance with the rule could be achieved easily.

Compliance with the rule could be achieved with difficulty.

Additional information:

(Maximum 500 characters)

7.6 Did non-compliance in 2011 have any impact on the 2012 budget preparation?

(Please describe potential correction mechanisms, sanctions or corrective measures affecting 2012 budget preparation and any other relevant issues)

\*

Yes

No

Please specify: (maximum 1000 characters)

Additional information: (maximum 500 characters)

7.7 Was compliance of budget execution with the rule well covered by the media?

\*

Compliance with the rule was closely covered by the media; there was a public debate

Compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

8. Long-term impact of the rule

8.1 Please indicate the effect of the rule on public debt of the sector(s) of general government to which it applies: so far, the rule has contributed to...\*

decreasing the growth of public debt as % of GDP

stabilizing public debt as % of GDP

reducing public debt as % of GDP

the rule had no significant effect on public debt as % of GDP

other

Specify: (maximum 500 characters)

Additional information: (maximum 500 characters)

The rule did not have a big impact from the fact that the national debt is significantly lower than the established limit.

8.2 Please indicate the effect of the rule on expenditure of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible): \*

reducing expenditure

changing the composition of expenditure

constraining investment

the rule had no significant effect on expenditure of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.4 Please indicate the effect of the rule on revenues of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible)\*

increasing public revenues

decreasing public revenues

affecting the composition of revenues

the rule had no significant effect on revenues of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

Additional information :( maximum 500 characters)

## Annex 5.4

### Fiscal rules (budget revenue rule)

[http://ec.europa.eu/economy\\_finance/db\\_indicators/fiscal\\_governance/](http://ec.europa.eu/economy_finance/db_indicators/fiscal_governance/)

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

### New numerical fiscal rules in the Member State in 2012

Questions marked with an asterisk \* require an answer to be given.

#### 1.1 Please choose from:

(Please note that this questionnaire is only aimed at new rules or at already existing rules that were not reported previously)\*

#### The present rule was introduced in 2012

The present rule was already in force in 2012 but it has never been reported

\* Organic Law, which was established rules introduced in 2011, and the law specifies that these rules go into effect from December 31, 2013 (first published 2014 budget year).

#### 1.2 Please define the nature of the rule:\*

Expenditure rule

Budget balance rule

Revenue rule

Debt rule

#### 1.3 Please provide a general description of the rule.

\* (maximum 4000 characters)

The rule provides the possibility to establish new increase taxes with the help of a referendum (except excise taxes)

1.4 Please indicate the main reasons for the introduction of the rule.

Please mention any related particular event (such as institutional reform, changes in legislation to adapt to the requirements of EU law, inter-governmental treaties, and financial assistance programmes, etc.). Please indicate the date of important decisions taken.

\* (maximum 2000 characters)

The rule is introduced with the law of “Economic Freedom” which implies the protection of human rights and freedom of citizens under the constitution of the economic rights and guarantees of freedom establishment.

The rule was introduced in 2011 and came into force on 31 December 2013 and its adoption was a part of the reform in the public finance management.

The rule is based on the Maastricht criteria and aims to establish fiscal discipline and legal guarantees, setting the framework for the public finance management.

The rule was introduced after the Georgian economy took a so-called Dual Shock 2008 (economic crisis and the armed conflict with Russia), has worsened the budget deficit in 2009 and reached 9.2. The next few years of the crisis were characterized by fiscal consolidation, which led to the deficit at the same time there was a need to establish a relatively low threshold and maximum volumes.

1.5 Indicate the approval date of the rule (MM/YY).\* (between 5 and 5 characters)

2011

1.6 Indicate the date the rule entered/should enter into force (DD/MM/YY).\* (between 8 and 8 characters)

31.12.2014

Explanation/additional information (maximum 2000 characters)

Coverage and target definition

## 2.1 Are all sectors of the general government covered by the rule?

(Please note that for the purpose of this questionnaire we refer to these sectors of the general government - central government, regional/state government, local government and social security. The questionnaire takes into account that some Member States may not have all of the sectors - in particular regional/state governments.)

\*

Questions on coverage are used for two main purposes:

- 1) To determine among rules covering the same sector, which one has the largest coverage,
- 2) To estimate the individual coverage of each rule in terms of general government expenditure/revenue.

Following questions include further explanation under the "help button"

Yes

No

2.2 Please indicate the sector(s) of general government covered by the rule (multiple replies possible):\*

local government

regional government (autonomous regions or federated states)

Central government

Social security

other

Other - Please, specify:\* (maximum 500 characters)

Rule applies all the taxes, including the local taxes except the excise.

2.3 Please indicate the share of local government in general government expenditure in Percent):

20%

(In case of revenue rules, please indicate the share in terms of general government revenue)

\*

Questions 4.3 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.

Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.4 Please indicate the share of regional/state government in general government expenditure (in percent):

80%

2.5 Please indicate the share of social security in general government expenditure (in percent):

There is no separate fund in the part of the budget and the budget of the social security system

(in case of revenue rules, please indicate the share in terms of general government revenue)

\*

Questions 2.8 to 2.6 are general questions related to the share of each sub-sector (local, regional, central and social security) in terms of the general government sector. Consequently when replying to these questions, one has to verify that the sum the replies is equal to 100%.



Moreover one has to check that replies to questions 2.3 to 2.6 should be the same for all rules in a given country.

2.6 Please indicate the accounting system in which the budgetary aggregate targeted by the rule is specified:\*

ESA 95 accounting

cash/budgetary accounting

other

Please specify:\* (maximum 200 characters)

GFSM2001/GFSM 1986

Additional information:

(Maximum 500 characters)

For the budget accounting is used for the calculation of the public finance management guidelines developed by the International Monetary Fund GFSM 2001, but the deficit is still often used for billing purposes GFSM 1986 classification and the practice derived from the fact that the International Monetary Fund is actively using it.

2.7 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Structural balance

Primary balance except capital investment

Primary balance

Other- budget deficit GFSM2001/1986

2.8 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Nominal expenditure

Growth of nominal expenditure

allocation of expenditure to a specific purpose

Real expenditure

Growth of real expenditure

Other

2.9 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Nominal debt

Debt to GDP ratio

Decline of debt (nominal of real)

Real debt

Debt as % of current revenue

Decline of debt to GDP ratio

Growth of debt (nominal or real)

Debt service ratio

Other

2.10 Please indicate the definition of the budgetary aggregate targeted by the rule:\*

Allocation of unexpected revenue

Limits on indirect taxes

Growth of revenue in relation to GDP growth

Limits on direct tax rates

Earmarking specific revenue

Other

2.11 Please indicate the unit of measurement of the budgetary aggregate targeted by the rule:\*

nominal terms

percentage points related to GDP growth

real terms

Percentage points related to a specific concept of economic growth (e.g. potential output)

per cent

other

% of GDP

Percentage points related to a specific concept of economic growth (e.g. Potential output), specify:

\*

Please specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

2.12 Are there any exclusions in the coverage of the above rule?\*

Yes

No

Additional information: (maximum 500 characters)

Exceptions can be made to the rule of the law, such cases shall be submitted to Parliament for a plan to be back within the framework

2.13 Please indicate the budgetary elements that are excluded from the coverage of the rule, if any (multiple replies possible):\*

Interest payments

unemployment benefits

Public investment

Other

Please specify the relevant definition of public investment applied (e.g. gross or net investment, including only specific items, etc.):

\* (maximum 500 characters)

Specify:

\* (maximum 200 characters)

2.14 In case of revenue allocation rules, please indicate to what area unexpected or specific revenue is to be allocated to (multiple replies possible):\* (between 1 and 3 answers)

deficit reduction

Specific funds (e.g. pension funds)

Debt reduction

other

Please specify:\* (maximum 200 characters)

It is forbidden to increase taxes without a referendum (except excise)

2.15 Please indicate the estimated value of items covered by the rule as a percentage of local

Government expenditure (taking into account exclusions, if any) (in case of revenue rules, please indicate the estimated value as % of local government revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

The rule limits apply the only tax increase, 89% of the consolidated budget revenues.

2.16 Please indicate the estimated value of items covered by the rule as a percentage of regional/state government expenditure (taking into account exclusions, if any):

(In case of revenue rules, please indicate the estimated value as % of regional/state government revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

2.17 Please indicate the estimated value of items covered by the rule as a percentage of central government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of central government revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% * 50\% = 40\%$ .

2.18 Please indicate the estimated value of items covered by the rule as a percentage of social security expenditure (taking into account exclusions, if any):

(In case of revenue rules, please indicate the estimated value as % of social security revenue)

\*

Questions 2.14 to 2.17 will help to determine the coverage of each rule in terms of specific sub-sector expenditures/revenues. The answer will be used to determine which rule has the largest coverage.

The product of replies 2.3 and 2.14, 2.4 and 2.15, 2.5 and 2.16, 2.6 and 2.17, will give the respective sectors coverage by the rule in terms of general government expenditures/revenues.

For example, assume a rule covers 50% of central government expenditure and the central government is 80% of general government expenditure. As a result, the coverage of the rule in terms of general government expenditure is  $80\% \times 50\% = 40\%$ .

2.19 Please indicate the estimated value of items covered by the rule as a percentage of general

government expenditure (taking into account exclusions, if any):

(in case of revenue rules, please indicate the estimated value as % of general government revenue)

\*

This is a consistency check question. The reply should be equal to the sum of the products of questions 2.3-2.6 and 2.14-2.17.

Example:

Additional information: (maximum 500 characters)

2.20 According to its establishing act, does the rule provide for a margin of adjustment to the Government in specifying the target of the rule?\*

Yes, the government has some freedom to adjust the target.

No, the ceiling is definitely determined by the establishing act of the rule.

Additional information: (maximum 500 characters)

The government can regulate only the excise tax according its discretion.

2.21 Please describe how the parameters of the rule can be adjusted by the government:

\* (maximum 500 characters)

The government can regulate only the excise tax according its discretion.

2.22 Please indicate the numerical value(s) of the ceiling implied by the rule

(e.g., % of GDP for budget balance rules, amount of a nominal ceiling, allowed growth rate of expenditures, etc.).  $t$  refers to the ongoing budget year.

Please leave blank if unchanged

For year  $t+1$ :

$t+1$ :

...year  $t+2$

$t+2$ :

...year  $t+3$

$t+3$ :

..Year  $t+4$

$t+4$ :

...year  $t+5$

$t+5$ :

2.23 Please describe the characteristics of the escape clauses:\*

There are no pre-defined escape clauses



Derogations are possible in case of specific situations (e.g., natural disasters, exceptional slowdown, etc.)

Derogations are possible if budgetary problems arise in specific, sensitive areas (e.g., health care)

Other

Please, specify

Additional information: (maximum 500 characters)

Tax may be increased temporary, for 3 years, and in this case it is not necessary to hold a referendum.

2.24 To what extent are escape clauses specified in the establishing act/legal base of the rule?\*

The establishing act lists all events or circumstances that allow for a derogation

The circumstances triggering the derogation are not fully specified; there is some margin of discretion

Additional information: (maximum 500 characters)

Indicate which events are included: (multiple replies possible)

\*

Natural disasters

Exceptional economic slowdown

Other

Specify:\* (maximum 500 characters)

2.25 What institution has the task of ascertaining whether escape clauses should be triggered/extended/exited?

\*

The government

The ministry of finance

The parliament

An independent fiscal institution

Other

Specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

If the rule cannot be immediately described in the above terms, please provide a verbal description of the target(s), unit(s) of measurement, and numerical values of the constraint established by the rule:

(Maximum 4000 characters)

### 3. Statutory base of the rule

3.1 Please, indicate which of the following best describes the statutory/legal base of the rule:

\*

political agreement between governing partners

organic law

Commitment made by an authority (e.g., Minister of Finance, president of a regional government etc.)

Constitutional law

agreement between sectors of general government(e.g., Domestic Stability Pact)

ordinary (i.e. other than constitutional/organic) law constitutional

other

Additional information: (maximum 500 characters)

3.2.1 What is the time frame covered by the agreement?\*

one-year budgetary cycle

multi-annual

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

### 3.2.2 What is the time frame covered by the law?\*

one-year budgetary cycle

multi-annual

other

Specify:\* (maximum 500 characters)

Additional information :( maximum 500 characters)

The rule is general and does not apply to each budget year.

How many years are covered? \*

2 years

5 years

years

More

years

Legislative period

3.3 Please give a precise reference to the official document(s) that form the statutory base of the rule:

The Organic Law of "the economic freedom"

#### 4. Monitoring of compliance

4.1 Who is in charge of monitoring the ex-ante and/or ex-post compliance with the rule (multiple replies possible)?\*

There is no formal monitoring of compliance with the rule

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

Other

Court of Auditors

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Independent fiscal institution, please specify:\* (maximum 500 characters)

Georgian Parliamentary Budget Office;

The state Audit Office

Other, please specify:\* (maximum 500 characters)

4.1.1 Please specify the output delivered by the (or each) body identified in question 4.1. In relation to monitoring the compliance with the rule (e.g.: publication of monitoring report)\* (maximum 500 characters)

Additional information: (maximum 500 characters)

#### 4.2 Is there a real-time monitoring?

("Real-time" is defined as quarterly or more frequent)\*

Yes

No

Specify:\* (maximum 1000 characters)

Additional information: (maximum 1000 characters)

Quarterly reports will be submitted to Parliament and Parliament can review committees, as well as hear the audit report and the conclusion of the budget office. The rule applies to the implementation of the budget and is not specifically designed to account for the mechanism of the fiscal rules for monitoring purposes.

#### 4.3 Is a monitoring report issued?

\*

Yes

No

Additional information

Audit office, Parliamentary Committees and the Parliamentary Budget Office's findings are made in respect of the quarterly reports and it is public.

4.3.1 Please specify how often this is done:\* (maximum 2000 characters)

4.4 Please indicate which of the following applies to the monitoring report (multiple replies possible)

The government does not usually comment on the monitoring report

The government is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

The government is obliged to comment on the monitoring report (e.g. by a public statement)

The monitoring report is presented in Parliament

The monitoring report is available to the public

Additional information: (maximum 500 characters).

## 5 Enforcement of compliance with the rule

5.1 Please indicate which body is in charge of enforcing compliance with the rule in case of non-compliance: (multiple replies possible)

\*

There is no body in charge with enforcing compliance

Governmental body other than the Ministry of Finance

Ministry of Finance

Independent fiscal institution

Parliament

body or review panel (other than the independent fiscal institution) specifically created to ensure enforcement of the rule

Court of Auditors

Other

Governmental body other than the Ministry of Finance, please specify:\* (maximum 500 characters)

The Government of Georgia

Fiscal institution, please specify:\* (maximum 500 characters)

An independent body or review panel (other than the Fiscal institution), please specify:

her, please specify: (maximum 500 characters)

Additional information:(maximum 500 characters)

5.2 Does the annual budget document contain a reference to the numerical fiscal rule?

\*

Yes, there is a chapter devoted to compliance with the rule and/or the specification of the implied target.

Yes, there is cursory reference to the numerical fiscal rule and/or the implied target.

No.

Additional information: (maximum 500 characters)

5.3 Are there pre-defined actions to be taken in case or risk of non-compliance with the targets implied by the rule?

(By pre-defined actions we mean corrective measures, sanctions etc.)

\*

Yes

No

Additional information:

Government must set the parameters of the submission of a plan for the return of the maximum volumes.

5.4 What describes best the actions taken in case or risk of non-compliance with the targets implied by the rule? (Multiple replies possible)

the government/the Ministry of Finance is obliged to prepare a proposal of corrective measures for the Parliament/the respective enforcement body

the government/ministry of finance is obliged to publicly justify the non-compliance

the government/the Ministry of Finance is obliged to take specific corrective actions

there is an automatic correction mechanism (e.g., a cut in next year's resources upon noncompliance)

there is a possibility to impose sanctions

there is an automatic sanction mechanism in case of non-compliance

other

The government/the Ministry of Finance are obliged to take specific corrective actions, specify:

\* (maximum 500 characters)

There is an automatic correction mechanism (e.g., a cut in next year's resources upon noncompliance), please describe the mechanism

\* (maximum 500 characters)

There is a possibility to impose sanctions, please describe the mechanism:

\* (maximum 2000 characters)

There is an automatic sanction mechanism in case of non-compliance, please describe the mechanism:

\* (maximum 2000 characters)

Other, please specify:\* (maximum 2000 characters)

Additional information: (maximum 1000 characters)

6. Media visibility of the rule



6.1 Which of the following describes best the average degree of media and public awareness of the rule?

The rule is closely monitored by the media; non-compliance is likely to trigger public debate

There is high media coverage of the rule, but non-compliance is unlikely to invoke public debate

No or modest interest of the media

Additional information: (maximum 500 characters)

Media significant interest in the issue of implementation of the budget, as well as budget planning process with respect to the reporting of fiscal rules are going to focus on protection. It should be noted that the rule only came into force in 2014.

6.2 Please describe the degree of media and public awareness of the new rule\*

Introduction of the rule was closely covered by the media; there was a public debate

Introduction of the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7. Compliance with the rule in 2012

7.0 Did the new rule introduced in 2012 have an impact on 2012 budget execution?\*

Yes

No

Additional information:

Valid from December 31, 2013

7.1 Was the budget law adopted for the budgetary year 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

Valid from December 31, 2013

7.1b If the budget law was not compliant with the rule in 2012, please specify the main reason(s):\* (maximum 2000 characters)

Valid from December 31, 2013

7.1c was non-compliance of the budget law with the rule covered by the media?\*

Non-compliance with the rule was closely covered by the media; there was a public debate

Non-compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

7.2 Were the results of implementing the budget law 2012 compliant with the rule?\*

Yes

No

Additional information (maximum 500 characters)

7.3 Please, if possible, give a quantitative assessment of compliance with the rule in 2012 by budgetary outcomes, consistent with the entries in section 2 on the target definition, unit of measurement, and numerical value of the target:

(e.g., in case of a rule prescribing that the cyclically-adjusted general government balance is not higher than 1.5% of GDP, please specify the cyclically-adjusted general government balance achieved, in case of a rule prescribing that the growth rate of nominal expenditure does not exceed 1%, please specify the growth rate of nominal expenditure achieved etc. ):

\* (maximum 1000 characters)

7.4 If the implementation of the budget was not compliant with the rule in 2012, please specify the main reason(s) (multiple replies possible):\*

deviation between forecasted GDP and its realization

unexpected revenue shortfalls due to adverse macro-economic developments

unexpected revenue shortfalls due to legislative changes

unexpected mandatory spending obligations (e.g., new or amended legislation)

unexpected urgent need for discretionary spending (e.g., disaster relief or war)

unexpected interest increase on existing debt

other

Deviation between forecasted GDP and its realization specify: \* (maximum 200 characters)

Unexpected revenue shortfalls due to adverse macro-economic developments specify:

\* (maximum 200 characters)

Unexpected revenue shortfalls due to legislative changes specify:\* (maximum 200 characters)

Unexpected mandatory spending obligations (e.g., new or amended legislation), specify:

\* (maximum 200 characters)

unexpected urgent need for discretionary spending (e.g., disaster relief or war), specify:

\* (maximum 200 characters)

Unexpected interest increase on existing debt, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 500 characters)

Additional information: (maximum 500 characters)

7.5 Please indicate the perceived nature of the constraint defined by the rule in 2012:\*

Compliance with the rule could be achieved easily.

Compliance with the rule could be achieved with difficulty.

Additional information: (maximum 500 characters)

7.6 Did non-compliance in 2011 have any impact on the 2012 budget preparation?

(Please describe potential correction mechanisms, sanctions or corrective measures affecting 2012 budget preparation and any other relevant issues)

\*

Yes

No

Please specify: (maximum 1000 characters)

Additional information: (maximum 500 characters)

7.7 Was compliance of budget execution with the rule well covered by the media?

\*

Compliance with the rule was closely covered by the media; there was a public debate

Compliance with the rule was covered by the media but there was no public debate

No or modest coverage by the media

Additional information: (maximum 500 characters)

8. Long-term impact of the rule

8.1 Please indicate the effect of the rule on public debt of the sector(s) of general government to which it applies: so far, the rule has contributed to...\*

decreasing the growth of public debt as % of GDP

stabilizing public debt as % of GDP

reducing public debt as % of GDP

the rule had no significant effect on public debt as % of GDP

other

Specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.3 Please indicate the effect of the rule on expenditure of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible): \*

reducing expenditure

changing the composition of expenditure

constraining investment

the rule had no significant effect on expenditure of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

8.4 Please indicate the effect of the rule on revenues of the sector(s) of general government to which it applies: so far, the rule has contributed to... (Multiple replies possible)\*

increasing public revenues

decreasing public revenues

affecting the composition of revenues

the rule had no significant effect on revenues of the sector(s) of general government concerned

other

Specify:\* (maximum 500 characters)

Potentially reducing the budget revenue source, because the government does not have the ability to raise taxes without a referendum.

## Annex N6

### Independent fiscal institutions in the EU Member States in 2012

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

Questions marked with an asterisk \*require an answer to be given.

#### 1. Developments in 2012

##### 1.1 Please choose from:\*

the fiscal institution remained

UNCHANGED in 2012

The fiscal institution was created in 2012

The fiscal institution was REFORMED in 2012

The fiscal institution was created before 2012 but never reported

The fiscal institution was ABOLISHED in 2012

Additional information: (maximum 1000 characters)

Fiscal institutions existed in 2012, including the budget office, but the office of the Parliamentary Budget and Finance Committee was subject to significant reforms were implemented in 2014 and formed an independent unit of the Parliament.

##### 1.2 Please indicate the date the reform entered into force (MM/YY):\* (between 5 and 5 characters)

The end of 2014

##### 1.3 Please indicate the main reasons for the reform of the fiscal institution:\* (maximum 500 characters)

Public finance management reform is important to have independent and strong fiscal institutions. The practice until 2014, which meant the subordination of the Budget Office of the Finance and Budget Committee did not comply fully with international practice. Therefore it was considered by the Parliamentary Budget Office's institutional strengthening and more independence to this institution.

1.4 Explain the reasons for abolishing the fiscal institution:\* (minimum 500 characters)

## 2. General description of the fiscal institution

2.1 Please indicate the official name of the fiscal institution in the language of your country:\* (maximum 100 characters)

Budget Office of Parliament of Georgia

2.2 Please indicate the official abbreviation of the name of the fiscal institution in the language of your country:\*

(Maximum 50 characters)

Budget Office of Parliament of Georgia

2.3 Please indicate the official name of the fiscal institution in English (if available): (maximum 100 characters)

Budget Office of Parliament of Georgia

2.4 Please indicate the official abbreviation of the name of the fiscal institution in English (if available):

(maximum 50 characters)

2.5 Please indicate the date when the legislation establishing the fiscal institution was approved (MM/YY):

\* (between 5 and 5 characters)

29.11.2013



2.6 Please indicate the date when the fiscal institution started operating (MM/YY):\* (between 5 and 5 characters)

Additional information: (maximum 1000 characters)

Budget office for the first time was established in 1997, but since 2005 was under the Office of the Budget and Finance Committee control. Important steps were taken in 2014 to improve the legal framework governing the activities of the Parliamentary Budget Office and its activities in accordance with international best practice.

Please provide a general description of the fiscal institution:\* (maximum 4000 characters)

With the changes made in 2014, regulatory legislative base of budgetary office became considerably close to the basic principles of the independent fiscal institutions, declared by The Organization for Economic Co-operation and Development (OECD): the office was established as the independent structural unit, guarantees of independence were determined, organizational structure was changed. After existent changes, budgetary office of Parliament is accountable to the supervisory board that is managed by chairman of Parliament of Georgia.

After reform, mandate of budgetary office of Georgian Parliament includes all main functions, received in international practice for independent fiscal institutions, particularly, according to existent mandate, budgetary office of Parliament:

Prepares macroeconomic and fiscal environment (implementation of the budget process), as well as the public sector financial management system for the periodic analysis of the main trends of development;

Estimates of the budgetary aggregates used as the basis of macroeconomic assumptions validity, as well as authorized to prepare an independent macroeconomic/fiscal prognosis for the medium and long-term period;

Estimates adequacy of fiscal policy of government with the fiscal limits that are determined on the legislation;

Estimates accordance with the fiscal policy of the executive government to medium-term and long-term fiscal/macro-economic stability and the existing fiscal risks, also has authority to prepare recommendations on corrective fiscal activities, for ensuring the medium-term and long-term fiscal and short-term macroeconomic stability;

Prepares conclusions about financial impact of legislative initiatives according to the regulations of Georgian Parliament; Estimates influence of planned or/and current fiscal arrangements, initiated by

executive/legislative authority, also influence of planned or/and current reforms on the course of fiscal policy and functioning of the system of financial management of public sector, including financial influence on the aggregate data of budget, according to decision of head of budgetary office. Also has authority to prepare recommendations on corrective activities for fiscal stability/ the effective operation of the system of financial management of public sector;

Budgetary office ensures publicity of the independent reviewing/estimating reports, prepared within the framework of discretion, also informing Parliament and society about revealed important circumstances.

### 3. Independence of the fiscal institution

3.1 Please indicate which legal document(s) establishes the fiscal institution:\*

the constitution

An organic law

An ordinary law

A government decree

other

Other, please specify:\* (maximum 500 characters)

Additional information (minimum 500 characters)

Budget Office was created regulations of the Parliament, whose status is equivalent to the law.

3.2 Please provide the title of the above legal document and, if relevant, its articles referring to the fiscal institution:\* (maximum 500 characters)

The regulations of the Parliament

Please specify on the status of the fiscal institution:

\*

It is a stand-alone body (not functionally attached to another institution)

It is functionally attached to another body, please specify which body

Other

Other, please specify:\* (maximum 500 characters)

Additional information (minimum 500 characters)

In the Structure of the Parliament

3.4 If functionally attached, please describe what kind of support is provided by the host institution (for example in terms of IT systems, buildings, human resource management, communication services, budget integration etc.)

\* (maximum 750 characters)

The Parliament of Georgia

3.5 Are the implementing provisions governing the organization and functioning of the fiscal institution grounded in national law, regulation or binding administrative provisions?

\*

Yes

No

Additional information: (maximum 500 characters)

3.6 Please provide the reference of these legal documents.

\* (maximum 200 characters)

3.7 Please indicate who prepares the annual work program of the fiscal institution:\* (maximum 500 characters)

The plan of activities prepared with the Supervisor of the office and submitted to the board for approval.

3.8 Has the fiscal institution the freedom to communicate publicly without any interference from other bodies?\*

Yes, on fixed dates

Yes, at any time

No

No, please specify\* (maximum 500 characters)

Additional information: (maximum 500 characters)

3.9 Is the fiscal institution allowed to enter into contractual agreements with other entities/persons in order to draw additional/more specialized expertise (i.e. can it delegate some of its work)?\*

Yes

No

Yes, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

3.10 Does the fiscal institution have access to draft budgets before they are publicly available?\*

Yes

No

Additional information: (maximum 1000 characters)

This issue is not formalized; it is possible to exchange information informally before publication.

3.11 To what extent does the fiscal institution have access to non-public information allowing it to perform its tasks (multiple choice questions)?\*

it has full access to inside information in public administration, and public bodies have to respond to its requests

it has access to internal documents pertaining to the preparation of the annual budget

it has access to non-public datasets for in-depth budget analysis

other

it has a privileged but limited access (in scope or in time) to information in public administration

it has access to internal budgetary information on the budget execution

it has no privileged access to inside information

Other, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

Upon the request the Budget Office can get the internal information about the budget planning.

3.12 Please indicate the total amount of 2012 budget for the fiscal institution (in million EUR):

\* (maximum 500 characters)

Budget Office budget is included in the budget of Parliament.

For State Audit Office is provided 5.5 million euros (0.13% of budget expenditure).

3.13 Please describe the funding arrangements of the fiscal institution:

\* (maximum 500 characters)

Parliamentary Budget Office is included in the structure of the parliament and the functioning of the Parliament of the expenses. The State Audit Office is an independent spending institution.

The Parliament and the State Audit Office budget is different from the rule of the state budget in the budget spending units, both Parliament and the Ministry of Finance, the budget proved to reflect the approved budget of the annual budget project.

3.14 Is this funding mechanism grounded in national law? (Regulation, administrative rules, other legal documents)\*

Yes

No

Yes, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

3.15 Are there any other procedures that ensure that the fiscal institution enjoys a degree of stability in its funding over the medium-term?\*

Yes

No

Yes, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

3.16 Does the fiscal institution have access to other sources of financing than the direct funding by the public sector?\*

Yes

No

Additional information: (maximum 1000 characters)

3.17 What was in 2012 the proportion of the functioning costs of the fiscal institution that was not covered by the public sector direct funding (in %)?\* (at most 100)

Additional information: (maximum 1000 characters)

3.18 Please specify the size of the governing/high-level board of the fiscal institution

Head of Budget Office

The Board of Budget Office

3.19 Please specify the composition of the governing/high-level board of the fiscal institution:

Additional information: (maximum 1000 characters)

3.20 Please describe the nomination and appointment procedures of the governing/high-level board members of the fiscal institution:

Head of the Budget Office will appoint the by the Budget and Finance Committee of the 5-year term.

The Supervisory Board consists of 5 members of Parliament, including 1 of the Parliament and 1 Chairman of the Budget and Finance Committee.

3.21 Is the selection procedure of governing/high-level members of the fiscal institution enshrined in a legally binding document?

(e. g. In the document setting its statutory regime)? \*

Yes

No

Additional information: (maximum 1000 characters)

3.22 What are the required conditions in terms of experience and competences of the potential governing/high-level members of the fiscal institution?\*

3.23 Please specify the number of years of the terms of office of governing/high-level board members of the fiscal institution:

\* (at most 20)

Head of Budget Office is elected for a term of 5 years; the Supervisory Board is composed of members elected for the term of office (4 years)

3.23.1 Are the mandates of the governing/high-level board members renewable?\*

Yes

No

3.23.2 How many times can the mandates be renewed?\*

Once

2 times

times

More than 3 times

Additional information: (maximum 1000 characters)

Head of Budget Office can be elected for two consecutive terms, members of Parliament and members of the board depend on the parliament's mandate and the gleaned.

3.24 Do the terms of office of the governing/high-level board members of the fiscal institution by default start and end simultaneously?\*

Yes

No

Additional information: (maximum 1000 characters)

3.25 If not please describe the staggered terms:\*

3.26 Are the governing/high-level members of the fiscal institution permitted to hold political posts during their terms of office?\*

Yes

No

Additional information: (maximum 1000 characters)

Board members are members of the Parliament, So they represent the political parties in most cases; Budget Office is a senior public official and other officials barred him.



3.27 Are the governing/high-level members of the fiscal institution permitted to hold public administration positions during their terms of office?\*

Yes

No

3.28 Are there other constraints/limitations?\*

Yes

No

Additional information: (maximum 1000 characters)

Other constraints, please, specify:\*

3.29 Please specify how the governing/high level board of the fiscal institution adopts decisions and/or releases opinions:\*

by consensus

by qualified majority

by (simple) majority

other

Additional information: (maximum 1000 characters)

Please, specify:\*(maximum 500 characters)

3.30 Is there a chairman/president of the fiscal institution?\*

No

Yes

Additional information: (maximum 1000 characters)

Chairman of the Board has implemented and the function of the presidency.

3.31 What are the powers of the chairman/president in relation to the governing/high-level board and the fiscal institution as a whole?

\* (maximum 750 characters)

Chairman of the Supervisory Board organizes the board activities, approves Regulations of the Office.

Additional information: (maximum 1000 characters)

3.32 Apart from the governing board, please specify the approximate size of staff employed by the fiscal institution, in terms of full-time jobs, differentiating between e.g. Economic researchers and administrative staff:

\* (maximum 500 characters)

Please describe the selection and appointment procedure of the staff of the fiscal institution:

\* (maximum 500 characters)

#### 4. Activities of the fiscal institution

4.1 Please specify the fields of activity of the fiscal institution according to its mandate:\*

it is limited to fiscal policy

it also covers other areas of economic analysis

Additional information: (maximum 1000 characters)

As far as they affect fiscal policy.

4.2 Please specify the areas of economic analysis of the fiscal institution other than fiscal policy (multiple choice questions): \*

macroeconomics

industrial organization/competition

international economics, trade

financial markets

environment and climate

sectoral and/or regional economic activity

labour economics incl. migration

other

Other, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

Budget Office reviews all of which may affect the macroeconomic and fiscal parameters, in addition to the financial and economic justification shall consider all of the part.

4.3 In the field of fiscal policy, please indicate the tasks fulfilled by the fiscal institution (multiple choice question):\*

Monitoring/assessment of compliance with numerical fiscal rules

Provision/endorsement/assessment of macroeconomic and/or budgetary forecasts

Issuing normative statements/recommendations regarding fiscal policy

Long-term sustainability assessment

Provision of analysis on fiscal policy developments

Quantification of short-term and long-term budgetary effects of envisaged policy measures and reforms

Other tasks

Provision of analysis on fiscal policy developments, please specify:\*

(Maximum 500 characters)

Issuing normative statements/recommendations regarding fiscal policy, is there any change to be reported in 2012 regarding to this specific task?\*

Yes

No

Long-term sustainability assessment, please specify:\* (maximum 500 characters)

Quantification of short-term and long-term budgetary effects of envisaged policy measures and reforms, please specify:\* (maximum 500 characters)

Other tasks please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

## 5. Fiscal institution monitoring compliance with numerical fiscal rules

5.1 Please indicate when the monitoring/assessment of compliance with numerical fiscal rules is carried out (multiple choice question):\*

In the preparatory stage of the annual budget

During the budget execution

Once per year

More than once per year, at a regular frequency in connection with key stages of the annual budget cycle

More than once per year, at any time

Other

If more than once per year, at a regular frequency in connection with key stages of the annual budget cycle, please specify:\* (maximum 500 characters)

Other, please specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

5.2 Is the assessment of compliance with fiscal rules publicly available?

\*

Yes

No

Additional information: (maximum 1000 characters)

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained

5.3 Does the assessment of compliance include an opinion on whether applicable escape clauses should be triggered/extended/exited?

\*

Yes

No

Additional information: (maximum 1000 characters)

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained

Please indicate whether the monitoring of assessment is conducted:\*

For only selected national fiscal rules

For all national fiscal rules in place

Please specify which ones: (maximum 200 characters)

Additional information: (maximum 1000 characters)

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained

Please describe the reaction of the government in relation to the assessment of compliance with national fiscal rules:

The government has to take corrective steps

The government does not have to take corrective steps but it has to publicly explain why it does not take action

The government does not have to react, but it usually does

The government does not have to react, and it usually does not

Other

Other, please specify:\* (maximum 500 characters)

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained.

5.6 Is this fiscal institution in charge of the monitoring of the structural budget balance rule as required by the Fiscal Compact?\*

Yes

No

In principle, yes, but the structural budget balance rule is not yet in force

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained

Additional information: (maximum 1000 characters)

5.7 Please indicate when the monitoring of compliance with the structural budget balance rule is carried out (multiple choice question):\*

In the preparatory stage of the annual budget

During the budget execution

Once per year

More than once per year, at a regular frequency in connection with key stages of the annual budget cycle

More than once per year, at any time

Other

If more than once per year, at a regular frequency in connection with key stages of the annual budget cycle, please specify:\* (maximum 500 characters)

Please, specify:\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

5.8 Please describe the reaction of the government in relation to the assessment of compliance with the structural budget balance rule:

\*

The government has to take corrective steps

The government does not have to take corrective steps but it has to publicly explain why it does not take action

The government does not have to react, but it usually does

The government does not have to react, and it usually does not

Other

Please, specify\*(maximum 500 characters)

Additional information: (maximum 1000 characters)

The fiscal year 2014 budget year was the first time the rules, according to the statements in this direction has not been ascertained.

5.9 Please indicate whether the fiscal institution provides a public assessment in relation to the structural budget balance rule monitoring as to (multiple choice question):\*

The occurrence of circumstances warranting the activation of the correction mechanism

Whether the correction is proceeding in accordance with national rules and plans

Over the occurrence of circumstances for triggering, extending and exiting escape clauses

other

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

## 6. Fiscal institutions producing/endorsing/assessing forecasts of macroeconomic and/or budgetary variables

6.1 Please indicate the type of forecasts produced/endorsed/assessed by the fiscal institution (multiple choice questions):\*

Macroeconomic variables

Budgetary variables

Additional information: (maximum 1000 characters)

6.2 Does the fiscal institution prepare/endorse/assess macroeconomic or budgetary forecasts for the general government as a whole?

\*

Yes

No

Additional information: (maximum 1000 characters)

6.3 Apart from the general government sector, please specify the sub-sectors of general government for which forecasts are prepared/endorsed/assessed by the fiscal institution (multiple choice question):

\*

Central government

Regional government

Local government

Social security

Other

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.4 In terms of macroeconomic forecasts please specify:\*



The fiscal institution produces the macroeconomic forecasts which are used for the national fiscal planning

The fiscal institution produces macroeconomic forecasts, but these are not used for the national fiscal planning

The fiscal institution does not produce macroeconomic forecasts but has to endorse those prepared by other institution(s) for them to be used for fiscal planning

The fiscal institution provides an assessment of the macroeconomic forecasts prepared by other institution(s)

The fiscal institution is consulted at the start or during the preparation of macroeconomic forecasts

Other

Please specify:\*

The fiscal institution produces the forecasts in-house

The fiscal institution sub-contracts the production of the forecasts to another entity but retains ultimate responsibility for their delivery

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.5 Please indicate the role of the forecasts of macroeconomic variables for the preparation of the annual budget:\*

There is a legal or constitutional obligation to use the fiscal institution's forecast

There is a political agreement that the fiscal institution's forecasts are generally used

The government is free to use its own forecasts, but deviations from the fiscal institution's forecasts have to be justified publicly

The government is free to use its own forecasts, without any obligation to provide justification for deviations from the fiscal institution's forecasts

other

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.6 In terms of budgetary forecasts please specify which variables are prepared/endorsed/assessed by the fiscal institution (multiple choice question):\*

Government expenditures based on policy measures announced in specific documents (e.g. budget law or specific economic policy decisions)

Government revenues

government balance

government debt

other

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.7 In terms of budgetary forecasts please specify:\*

The fiscal institution directly produces budgetary forecasts which are used for the national fiscal planning

The fiscal institution produces budgetary forecasts, but these are not used for the national fiscal planning

The fiscal institution does not produce budgetary forecasts but has to endorse those prepared by other institution(s) for them to be used for fiscal planning

The fiscal institution provides an assessment of the budgetary forecasts prepared by other institution(s)

The fiscal institution is consulted at the start or during the preparation of budgetary forecasts

Other

Please specify:\*

The fiscal institution produces the forecasts in-house

The fiscal institution sub-contracts the production of the forecasts to another entity but retains ultimate responsibility for their delivery

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.8 Please, indicate the role of the forecasts of budgetary variables for the preparation of the annual budget

there is a legal or constitutional obligation to use the fiscal institution's forecasts

there is a political agreement that the fiscal institution's forecasts are generally used

the government is free to use its own forecasts, but deviations from the fiscal institution's forecasts have to be justified publicly

other

the government is free to use its own forecasts, without any obligation to provide justification for deviations from the fiscal institution's forecasts

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.9 Please describe the involvement of the fiscal institution in the initial preparation stage of the forecasts and also in the stage when forecasts are updated:

\* (maximum 500 characters)

6.10 Does the fiscal institution provide an ex-post evaluation of macroeconomic and/or budgetary forecasts?\*

Yes

No

Please, specify\* (maximum 500 characters)

Additional information: (maximum 1000 characters)

6.11 Does the fiscal institution provide macroeconomic and/or budgetary long-term projections?\*

Yes

No

6.12 What sorts of long-term projections are provided, how often and for what purposes?\*

(Maximum 500 characters)

6.13 Please specify the time horizon of the long-term projections (number of years):\* (at most 50)

Additional information: (maximum 1000 characters)

6.14 Please indicate whether the fiscal institution prepares medium-term projections to be used in the MTBF planning document:\* (maximum 500 characters)

6.15 Please specify whether the macroeconomic forecasts produced/endorsed by the fiscal institution are used in the MTBF planning document\*

Yes

No

Additional information: (maximum 1000 characters)

6.16 Please specify whether the budgetary forecasts produced/endorsed by the fiscal institution are used in the MTBF planning document\*

Yes

No

Additional information: (maximum 1000 characters)

## 7. Fiscal institutions issuing normative statements/recommendations

7.1 Please indicate the activities of the fiscal institution in the area of normative statements and issuing recommendations (multiple choice question):\*

normative assessment of the draft government budget

recommendations on changes of fiscal policy measures in the implementation stage of the budget

recommendations on changes of fiscal policy measures specified in the draft government budget

normative assessment of economic programs of political parties ahead of elections

normative assessment/monitoring in the implementation stage of the budget

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.2 Please specify the way in which the government interacts with the fiscal institution in the planning stage of the budgetary process:

\*

the government is obliged by law to consult the fiscal institution

the government generally consults the fiscal institution, though not obliged by law

the government does not publicly consult the fiscal institution

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

The Government together with the parliament debating the draft recommendations of the committee hearings are becoming a subject of discussion, as well as the consideration of the budget office's recommendations and consider the comments.

7.3 Please specify the way in which the parliament interacts with the fiscal institution in the planning stage of the budgetary process:\*

the fiscal institution has to be auditioned by the parliament (legal obligation)

the fiscal institution is generally auditioned by the parliament, though there is no such legal obligation

there is no formal consultation of the fiscal institution by the parliament

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.4 Please specify if the fiscal institution provides normative assessment/recommendations of the draft government budget in terms of the following (multiple choice question):

consistency with sustainable government finances

adequacy in the prevailing cyclical conditions /appropriateness in terms of stabilization

compliance with the requirements of the SGP

compliance with the budgetary targets established in the MTBF/SCP framework

 quality of government finances, e.g. in terms composition of revenue and expenditure

other

Please specify\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.5 How does the government react to the normative assessment/recommendations of the draft government budget provided by the fiscal institution?\*

it is obliged by law to follow recommendations or explain why it does not follow

it is obliged by law to react to the normative assessment of the draft budget

though not obliged by law, the government typically reacts (follows recommendations or explains the deviations, discusses the assessment etc...)

it generally does not react

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.6 Please specify if the fiscal institution provides normative assessment/monitoring at the implementation stage of

the budget in terms of the following (multiple choice question):\*

implementation of the budget law in general, including alert in case of substantial deviations from

plans

compliance with the budgetary targets established in the MTBF/SCP framework

consistency with sustainable government finances

adequacy in the prevailing cyclical conditions /appropriateness in terms of stabilization

compliance with the requirements of the SGP

compliance with the national fiscal rules

quality of government finances, e.g. in terms of composition of revenue and expenditure

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.7 How does the government react to the normative assessment/monitoring provided by the fiscal institution at the implementation stage of the budget?

\*

it is obliged by law to react to the normative assessment

though not obliged by law, the government typically reacts (follows recommendations or explains the deviations, discusses the assessment etc...)

it generally does not react

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.8 Please specify if the fiscal institution provides normative assessment/recommendations of the conduct of fiscal policy in a medium-term perspective in terms of the following (multiple choice question):

stringency of implementation of budget plans without major deviations or supplementary budgets

adequacy in the prevailing cyclical conditions /appropriateness in terms of stabilization

compliance with the budgetary targets established in the SCP framework

quality of government finances, e.g. in terms of composition of revenue and expenditure

consistency with sustainable government finances

compliance with the requirements of the SGP

compliance with the national fiscal rules

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

## 8. Compliance in 2012

8.1 Please indicate the type of assessments/recommendations produced in 2012 by the fiscal institution (multiple choice question):\*

Assessment of compliance with fiscal rules

Endorsement/assessment of macroeconomic and/or budgetary forecasts

Other assessments/recommendations

No assessment/recommendation produced

Assessment of compliance with fiscal rules, please specify:\* (maximum 200 characters)

Macroeconomic and/or budgetary forecasts please specify:\* (maximum 200 characters)

Other assessments/recommendations please specify:\* (maximum 200 characters)

Additional information:

(Maximum 500 characters)

8.2 Was there any assessment/normative statement/recommendation produced by the fiscal institution in 2012 that the government did not comply with?

\*



Yes

No

Additional information: (maximum 500 characters)

8.3 Please specify the respective assessments/recommendations and the consequences of government's non-compliance:\* (maximum 500 characters)

## Medium-term budgetary planning and budgetary procedures in the EU Member States in 2012

This questionnaire that is made for the EU countries is submitted on the example of Georgia. Because of the budgetary process such rules are formally introduced only in 2014, for the purposes of the preparation of the document, for example, we have chosen to analyze the questionnaire, which refers to the new rules or the rules that had not existed before. The 2012 questionnaire was used to link the example of Georgia for analyzing.

Questions marked with an asterisk \*require an answer to be given.

### Developments in 2012

1.1 In terms of budgetary procedures, please indicate which areas, if any, changed in 2012:\*

Preparation of the annual budget

Monitoring budget execution

None of the above

Additional information: (maximum 500 characters)

The 2012 state budget for the first time prepared a program budget, which resulted in changes in the annual accounts of the budget and its implementation

1.2 In terms of the medium-term budgetary framework (MTBF), please choose from:

\*

There was no MTBF in place in 2012

The MTBF remained UNCHANGED in 2012

The MTBF was REFORMED in 2012

A new MTBF was INTRODUCED in 2012

Additional information: (maximum 500 characters)

Medium-term plans, program budgeting caused some change in methodology.

1.3 Please describe in general the changes affecting the MTBF:\* (maximum 1000 characters)

1.4 Did the reform affect any of the areas below? \*

Coverage, targets and statutory base of the MTBF

Compliance with targets

None of the above

1.5 In terms of the Stability and Convergence program (SCP), please indicate which areas, if any, changed in 2012: \*

Preparation and status

Connectedness with the annual budget and compliance with budgetary objectives

None of the above

Additional information: (maximum 500 characters)

2. Preparation of the annual budget

2.0 Please specify the statutory/legal base of the documents laying down the main steps followed in the preparation of the annual budget:\*

Constitutional law

Ordinary law

Budget circular

Organic law

Government decree

other

Additional information: (maximum 500 characters)

2.1 Please describe the changes, if any, affecting the main steps followed in the preparation of the annual budget of the central government in your country:

(Please leave blank if unchanged)

(Maximum 2000 characters)

2.2 Which actors are actively involved in the budget preparation in the initial stage?\*

NO CHANGE

ministry of finance

other government body/bodies

representatives of other government sub sectors

independent fiscal institution

other

Other government body/bodies please specify:\*

Representatives of government sub-sectors please specify:\*

Independent fiscal institution, please specify:\*

Other, please specify:\*

Additional information: (maximum 500 characters)

2.3 Did any changes in the timing of the main steps in the preparation of the budget take place in 2012?\*

Yes

No

Please provide information on the timing of the main steps in the preparation of the budget as laid down in the statutory/legal basis regulating the budget process:- start of budget preparation:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

– Preparation of macroeconomic assumptions\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

– Preparation of budgetary forecasts:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

Discussion of the draft budget in the cabinet:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

— revision of macroeconomic assumptions: \*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

– revision of budgetary forecasts\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

– Submission of the draft budget to the parliament

\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December



-adoption of the budget by the parliament\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

– Other important intermediate steps in the budget preparation, please specify:

(Maximum 500 characters)

Additional information: (maximum 500 characters)

2.4 Does the annual budget law set budgetary objectives/targets for the general government as a whole?\*

NO CHANGE

Yes

No

Additional information: (maximum 500 characters)

Apart from the general government level, for which sub-sectors of general government does the annual budget law specify budgetary objectives/targets?

No change

local governments

regional governments (autonomous regions or federated states)

central government

social security

other

Please specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

2.6 Which actors are involved in the co-ordination across sectors of general government in the preparation of the budget? \*

NO CHANGE

representatives of social security administration

ministry of finance

other government body/bodies

representatives of regional governments

other

representatives of local governments

Representatives of regional governments please specify:\*

Representatives of local governments please specify\*

Representatives of social security administration please specify:\*

Other government body/bodies please specify:\*

Other, please specify:\*

Additional information: (maximum 500 characters)

2.7 Please describe the mechanism of co-ordination across sectors of general government:

(Please leave blank if unchanged), regulated by budget code of Georgia

(Maximum 500 characters)

2.7.1 Is such mechanism grounded in national law?\*

Constitutional law

Ordinary law

Budget circular

Organic law

Government decree

other

Other, please specify:\*

2.8 Please provide information on the timing of co-ordination across sectors of general government in the preparation of the budget for the year  $t + 1$  to be undertaken in year  $t$  as laid down in the statutory/legal basis regulating the budget process:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

Additional information: (maximum 500 characters)

### 3. Medium Term Budgetary Framework: Statutory base, coverage and targets.

3.1 Please specify the statutory/legal base of the documents laying down the procedure of establishing and revising the MTBF together with its content requirements.

Political agreement coalition partners

organic law

constitutional law

agreement between sectors of general government

Commitment made by individual authorities (e.g., minister of finance, president of a regional government etc.)

Other

Ordinary law

Please specify:\* (maximum 200 characters)

Additional information:\* (maximum 200 characters)

3.2 Please upload a pdf version of these document(s) that lay down the procedure of establishing and revising the MTBF in the original language and in English if available.

3.3 Please specify the statutory/legal base of the MTBF document.

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.4 Please upload a pdf version of the current MTBF document in the original language and in English if available

3.5 Please briefly describe the MTBF's main characteristics: (Please leave blank if unchanged.) (Maximum 1000 characters)

3.6 Please describe any changes in the procedure through which the main budgetary objectives/targets making part of the medium-term budgetary framework of your country are established: Please leave blank if no change. (Maximum 500 characters)

3.7 Please indicate the time frame covered by the medium-term budgetary framework:\*

NO CHANGE

5 years (t + 1, t + 2, t + 3, t + 4, t + 5)

2 years (t + 1, t + 2)

legislature period

years (t + 1, t + 2, t + 3)

other

years (t + 1, t + 2, t + 3, t + 4)

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.7.1 In terms of the time frame, please select one of the following:\*

The MTBF is formed for a fixed period of time (e.g. MTBF is formed for 2012-2015 and subsequently a new MTBF is formed for 2016-2019 etc.)

The MTBF is formed on a rolling basis (e.g. every year an additional year is added to the existing MTBF)

Other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.8 Please describe the binding nature of the budgetary objectives/targets beyond the first year.

\* (maximum 500 characters)

3.9 In case the MTBF is revised, when is such revision approved?\*

Together with the annual budget

After the approval of the annual budget

Before the approval of the annual budget

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.10 In terms of the revision of budgetary objectives/targets please select which of the following applies:\*

The MTBF can be revised at any time

The MTBF can be revised once per year

The MTBF cannot be revised

The government has to publicly justify why the budgetary objectives/targets are revised

An independent fiscal institution has to be consulted/has to endorse any revision

other

Other, please specify:\*

Additional information: (maximum 500 characters)

3.11 Are there legal provisions clearly specifying under which circumstances a revision can take place?\*

Yes

No

Please, specify:\* (maximum 300 characters)

Additional information: (maximum 500 characters)

3.12 When revising the MTBF, are the revised objectives and/or projections compared to the previous ones?\*

Yes

No

Please, specify:\* (maximum 300 characters)

Additional information: (maximum 500 characters)

3.13 Which actors are involved establishing the budgetary objectives/targets and/or projections contained in the medium-term budgetary framework?

\*

NO CHANGE

national parliament

ministry of finance

independent fiscal institution

other government body/bodies

other

representatives of government sub-sectors

Other government body/bodies please specify:\*

Representatives of government sub-sectors please specify:\*

Independent fiscal institution, please specify:\*

Other, please specify:\*

Additional information: (maximum 500 characters)

3.14 Does the medium-term budgetary framework contain budgetary objectives/targets for the general government as a whole?

NO CHANGE

Yes

No

Additional information: (maximum 500 characters)

3.15 For which sub-sectors of general government does the medium-term budgetary framework contain budgetary objectives/targets?

\*

NO CHANGE

central government

regional governments (autonomous regions or federated states)

local governments

social security

other

none of the above

Please specify: \* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.16 If the medium-term budgetary framework includes budgetary objectives/targets for various sectors of government, is there any co-ordination or consultation mechanism between the different sectors of government concerned in order to set these objectives?

\*

NO CHANGE

yes, co-ordination is prescribed by law



yes, co-ordination is established practice, but not prescribed by law

there is no co-ordination or it happened only irregularly

the medium-term budgetary framework does not contain budgetary objectives/targets for sectors of government other than central government

other

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.17 Which actors are involved in the co-ordination across sectors of general government in setting up the medium-term budgetary targets?\*

NO CHANGE

representatives of social security administration

ministry of finance

other government body/bodies

representatives of regional governments

other

representatives of local governments

Representatives of regional governments please specify:\* (maximum 200 characters)

Representatives of local governments please specify:\* (maximum 200 characters)

Representatives of social security administration please specify:\* (maximum 200 characters)

Other government body/bodies please specify:\* (maximum 200 characters)

Other, please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.18 Please describe the changes (if any) in the mechanism of co-ordination across sectors of general government: (please leave blank if unchanged)

(Maximum 1000 characters)

Additional information: (maximum 500 characters)

3.19 Please specify the multiannual budgetary objectives/targets established by the medium-term budgetary framework: \*

NO CHANGE

budget balance

debt

expenditure

revenue

other

Please specify: \* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.20 Please indicate the definition of the budget balance applied in the medium-term budgetary framework

(Exclusions to be indicated in question 3.23):\*

structural budget balance

ESA budget balance

working balance (e.g. cash balance)

other

Please specify: \* (maximum 200 characters)

Additional information: (maximum 500 characters)

GFS2001/1986

3.21 Please indicate the unit of measurement of the budget balance as specified in the medium-term budgetary framework:

\*

NO CHANGE

% of GDP

nominal terms

change in percentage points of GDP

real terms

other

change in per cent (growth rate)

Please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.22 Are there any items excluded from the coverage of the budget balance aggregate specified in the medium-term budgetary framework?\*

NO CHANGE

Yes

No

3.23 Please indicate the items that are excluded from the coverage of the budget balance aggregate specified in the medium-term budgetary framework:\*

NO CHANGE

capital investment

interest payments

other

Capital investment, please specify:

\* (maximum 200 characters)

Interest payments, please specify:

\* (maximum 200 characters)

Other, please specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.24 Please indicate the definition of expenditure applied in the medium-term budgetary framework:

(Please leave blank if unchanged)

(Maximum 500 characters)

3.25 Please indicate the unit of measurement of expenditure as specified in the medium-term budgetary framework:\*

NO CHANGE

change in absolute terms

nominal terms

change in percentage points of GDP

real terms

change in percentage points relative to GDP growth

change in per cent (growth rate)

other

% of GDP

Change in percentage points relative to GDP growth, please specify:

\* (maximum 200 characters)

Other, please specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.26 Are there any items excluded from the coverage of the expenditure aggregate specified in the medium-term budgetary framework?\*

NO CHANGE

Yes

No

3.27 Please indicate the items that are excluded from the coverage of the expenditure aggregate specified in the medium-term budgetary framework:\*

NO CHANGE

non-discretionary expenditure

cyclically-sensitive expenditure

other

Non-discretionary expenditure, please specify:\* (maximum 200 characters)

Cyclically-sensitive expenditure, please specify:\* (maximum 200 characters)

Other, please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.28 Please specify the level of disaggregation of expenditure projections contained in the medium term budgetary framework:\*

NO CHANGE

expenditure projections are broken down on general government sub-sector level (e.g. central government, local government, etc.)

expenditure projections are broken down according to national accounts categories (e.g., public investment, public consumption, etc.)

expenditure projections are broken down according to national budgetary classification

expenditure projections are broken down according to main spending areas (e.g., health, education, social spending etc.)

expenditure projections are broken down according to areas of responsibility of line ministries

the medium-term budgetary framework does not include disaggregated expenditure projections

other

Other, please specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.29 Please indicate the definition of debt applied in the medium-term budgetary framework:\*

NO CHANGE

net deb

gross debt as defined in the protocol to the

Maastricht Treaty on the Excessive Debt Procedure.

gross debt following an alternative definition

other

Other, please specify: \* (maximum 200 characters)

Gross debt following an alternative definition, please specify: \* net debt, please specify the assets covered and the valuation method applied:

Additional information: (maximum 500 characters)

3.30 Please indicate the unit of measurement of debt as specified in the medium-term budgetary framework:\*

NO CHANGE

% of GDP

nominal terms

change in absolute terms

real terms

change in percentage points of GDP

change in per cent (growth rate)

other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.31 Are there any items excluded from the coverage of the debt aggregate specified in the medium-term budgetary framework?\*

NO CHANGE

No

Some items are excluded

Some items are excluded, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.32 Please indicate the definition of revenue applied in the medium-term budgetary framework:

(Please leave blank if unchanged) (Maximum 500 characters)

Additional information: (maximum 500 characters)

3.33 Please indicate the unit of measurement of revenue as specified in the medium-term budgetary framework:\*

NO CHANGE

% of GDP

nominal terms

change in absolute terms

real terms

change in percentage points of GDP

change in per cent (growth rate)

other

Other, specify:\* (maximum 200 characters)

3.34 Are there any items excluded from the coverage of the revenue aggregate specified in the medium-term budgetary framework?\*

NO CHANGE

No

Some items are excluded

Some items are excluded, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

3.35 Please specify the level of disaggregation of revenue projections contained in the medium term budgetary framework:\*

NO CHANGE

revenue projections are broken down on direct and indirect taxes

revenue projections are broken down on different taxes (e.g., VAT, income tax, corporate tax, etc.)

the medium-term budgetary framework does not include disaggregated revenue projections  
other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

#### 4. Medium-term budgetary framework: compliance with targets

4.1 Please indicate how the budgetary objectives/targets established by the medium-term budgetary framework are taken into account in the preparation of the budget: (ex-ante dimension)

\*

There is a legal obligation specifying that the forthcoming year's budgetary objectives/targets contained in the

MTBF shall be taken as fixed parameters for budget preparation



There is a legal obligation specifying that the forthcoming year's budgetary objectives/targets contained in the MTBF shall form the basis for the annual budget, but deviations are possible

There is no such legal obligation in place other

4.1.1 In case there is no such legal obligation, please describe how in practice the medium-term budgetary objectives/targets are taken into account in the preparation of the annual budget:

\* (maximum 500 characters)

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

4.2 Is there any (ex-ante and/or ex-post) assessment on respect of the budgetary objectives/targets established by the medium-term budgetary framework in the draft budget?\*

Yes

No

4.3 Please indicate who is in charge of monitoring respect of the budgetary objectives/targets established by the medium-term budgetary framework in the draft budget:\*

ministry of finance

governmental body other than the ministry of finance

parliament

independent fiscal institution (other than the Court of Auditors)

Court of Auditors

Other

Governmental body other than the ministry of finance, specify:\* (maximum 200 characters)

Independent fiscal institution (other than the Court of Auditors), specify:\* (maximum 200 characters)

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

4.4 How are the results of monitoring respect of the MTBF budgetary objectives/targets by the budget law presented?\*

this is addressed in a report issued by the monitoring body

other

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

4.5 Please indicate which of the following applies to the monitoring report: \*

the government is obliged to comment on the monitoring report

the government is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

the minister of finance is obliged to comment on the monitoring report

the minister of finance is not obliged to comment on the monitoring report, but typically does so (e.g. by a public statement)

the monitoring report is presented in parliament

the monitoring report is available to the public

The monitoring report is presented in parliament, specify:\* (maximum 200 characters)

The monitoring report is available to the public, specify:\* (maximum 200 characters)

4.6 Is there any mechanism to enforce respect of the budgetary objectives/targets established in the medium-term budgetary framework?

there is no such pre-defined mechanism

yes

Yes, specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

4.7 Are there any pre-defined escape clauses?\*

Yes

No

Yes, specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

4.8 Is there any correction mechanism in place in case of non-compliance with the targets specified by the MTBF?\*

Yes

No

Yes, specify:\* (maximum 500 characters)

Additional information: (maximum 500 characters)

## 5. Accounting standards

5.1 Please describe the system of accounts used for drafting, monitoring and executing the annual budget:

\* (maximum 500 characters)

GFSM 2001

5.2 Are the main budgetary aggregates specified in ESA95 in the annual budget law?\*

Yes

No

Other

Other, please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

5.3 Is the budgetary accounting system applied in drafting and executing the central government budget used by the sectors of general government other than the central government as well?\*

Yes

No

Other

Other, please specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

5.4 Please indicate the accounting system in which the MTBF budgetary objectives/targets are specified:\*

ESA 95 accounting

Cash/budgetary accounting

Other

Other, please specify:\* (maximum 200 characters)

GFSM2001

Additional information: (maximum 500 characters)

## 6. Stability/Convergence Program (SCP):preparation and status

6.1 Which actors are involved into the preparation of the SCP?\*

NO CHANGE

representatives of government sub-sectors

ministry of finance

independent fiscal institution

other government body/bodies

Central bank

national parliament

other

Other government body/bodies specify:\* (maximum 200 characters)

Representatives of government sub-sectors specify:\* (maximum 200 characters)

Independent fiscal institution, specify:\* (maximum 200 characters)

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

6.2 Were any changes in the timing of the main steps of the preparation of the SCP introduced in 2012?\*

Yes

No

Please provide information on changes in the timing of the main steps of the preparation of the SCP for the year  $t + 1$  to be undertaken in year  $t$ :

...start of SCP preparation:

\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

. Preparation of macroeconomic assumptions:

\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

...preparation of budgetary forecasts:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

...discussion of the SCP in the cabinet:\*

No Change

January

February

March

April

May

June

July

August

September

October

November

December

...other important intermediate steps in the preparation of the SCP, please specify them and the time they take place (please answer only if any change since last update):

(Maximum 500 characters)

Additional information: (maximum 500 characters)

6.3 How are the fiscal objectives specified in the SCP related to the fiscal targets established by the medium-term budgetary framework?\*

NO CHANGE

targets are usually the same, but differ sometimes

there is a legal obligation that the targets must be the same

there is no obligation specified in law, but targets are the same

targets usually differ

other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

6.4 Is there a coordination mechanism to involve the other sectors of general government in the preparation of the SCP? \*

NO CHANGE

yes, there is such a mechanism

no such mechanism is in place

other



Yes, describe this mechanism:

\* (maximum 500 characters)

Other, specify:

\* (maximum 200 characters)

6.5 Which sectors of general government are involved in the co-ordination mechanism for the preparation of the SCP?\*

NO CHANGE

representatives of local governments

representatives of other central government entities

representatives of social security funds

representatives of regional governments

(autonomous regions or federated states)

other

Representatives of social security funds, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

6.6 Please provide information on the timing of co-ordination across sectors of general government in the preparation of the SCP as laid down by law:

\*

NO CHANGE

January

February

March

April

May

June

July

August

September

October

November

December

this is not regulated by law

Additional information: (maximum 500 characters)

...vote on the SCP by the parliament:\*

NO CHANGE

January

February

March

April

May

June

July

August

September

October

November

December

...other important intermediate steps involving the parliament, please specify them and the time they take place

(Only if any change since last update):

(Maximum 500 characters)

Additional information: (maximum 500 characters)

6.7 Please provide information on the degree of involvement of the national parliament in the preparation of the SCP:\*

NO CHANGE

the SCP is formally sent, discussed and voted upon by the parliament, which may approve, reject, or amend it

the SCP is not sent to parliament before its publication

the SCP is sent to parliament before its publication, but there is no formal presentation or discussion

the SCP is sent and presented to parliament by a member of the government and discussed, but the parliament does not vote on the SCP

the SCP is formally sent, discussed and voted upon by the parliament, which may approve or reject but not amend it

the SCP is not formally sent to the parliament or subject to its approval, but it is derived from a document including the main medium-term macroeconomic and budgetary projections that had previously been approved by the parliament

the SCP is not formally sent or to the parliament or subject to its approval, but it is derived from a document including the main medium-term macroeconomic and budgetary projections that had previously been approved by the parliament, please provide details on that document:

there is no coverage on the subject

other

\* (maximum 500 characters)

Other, specify:

\* (maximum 200 characters)

6.8 Please provide information on the timing of the main steps involving the parliament in the preparation of the SCP for the year  $t + 1$  to be undertaken in year  $t$ :

....submission of the SCP to the parliament:

\*

NO CHANGE

January

February

March

April

May

June

July

August

September

October

November

December

6.9 Please describe the media coverage of the release of the SCP:\*

NO CHANGE

there is important media coverage on the subject there is some media coverage on the subject

there is low media coverage on the subject

other

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7. Stability/Convergence Program (SCP): connectedness with the annual budget and compliance with budgetary objectives

7.1 Please describe changes, if any, in the connection between the SCP and the annual budget:

(Please leave blank if unchanged)

(Maximum 1000 characters)

7.2 Is the SCP (preliminary or final) or a document including the main medium-term macroeconomic and budgetary projections that will be the basis for the preparation used for the SCP annexed to the budget law? \*

NO CHANGE

no, such a document not annexed to the budget

yes, such a document is annexed to the budget

other

Yes, such a document is annexed to the budget, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.3 Are the budgetary targets for the year t (the ongoing budget year at the time of the preparation of the budget and the SCP for the year t+1) identical in the budget law and the SCP?\*

NO CHANGE

there is a legal obligation that the targets must be the same targets usually differ

targets are usually the same, but differ sometimes

there is no obligation specified in law, but targets are the same

other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.4 Please specify the reasons why the budgetary targets for the year t (the ongoing budget year at the time of the preparation of the budget and the SCP for the year t+1) in the budget law and the SCP differ:\*

NO CHANGE

forecast revisions in the context of different times of adoption

different accounting rules

other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.5 Apart from the information contained in the update of the SCP, does the government carry out any regular assessment of the implementation of previous updates of the SCP?\*

NO CHANGE

yes

no, the implementation of the previous updates is only assessed in the SCP update

other

Yes, specify:

\* (maximum 200 characters)

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

7.6 Is the implementation of the previous update of the SCP discussed in the parliament?\*

NO CHANGE

yes, there is a formal session devoted to this topic

yes, this is addressed in other sessions

no

other

Other, specify:

\* (maximum 200 characters)

Additional information: (maximum 500 characters)

## 8. Monitoring budget execution

8.1 Please select relevant government sectors for which changes in the frequency at which data about expenditure commitments are available were introduced in 2012:

\*

By expenditure commitments we mean amounts earmarked for specific expenditure before payments are actually made

Central government

Regional/State governments (if any)

Local governments

Social security

None of the above

8.2 Please specify the frequency at which data about expenditure commitments are available for the sector of central government:

NO CHANGE

quarterly

annually

monthly

more frequent than monthly

Additional information: (maximum 500 characters)



8.3 Please specify the frequency at which data about expenditure commitments are available for regional governments:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters

8.4 Please specify the frequency at which data about expenditure commitments are available for local governments:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

8.5 Please specify the frequency at which data about expenditure commitments are available for social security funds:

\*

NO CHANGE

Annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters)

8.6 Please select relevant government sectors for which changes in the frequency at which treasury payment data are available were introduced in 2012:

\*

Central government

Regional/State government (if any)

Local government

Social security

None of the above

8.7 Please specify the frequency at which treasury payment data (i.e. data on expenditure already carried out) are available for the sector of central government:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters)

8.8 Please specify the frequency at which treasury payment data are available for regional governments:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

8.9 Please specify the frequency at which treasury payment data are available for local governments:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters)

8.10 Please specify the frequency at which treasury payment data are available for social security funds:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters)

8. 11 Please select relevant government sectors for which changes in the frequency at which data about public revenues are available were introduced in 2012:

\*

Central government

Regional/State government (if any)

Local governments

Social security

None of the above

8.12 Please specify the frequency at which cash data about public revenue are available for the sector of central government:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters

8.13 Please specify the frequency at which cash data about public revenue are available for regional governments:

\*

NO CHANGE

annually

quarterly

monthly

More frequent than monthly

Additional information: (maximum 500 characters

8.14 Please specify the frequency at which cash data about public revenue are available for local governments:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

8.15 Please specify the frequency at which cash data about public revenue are available for social security funds:

\*

NO CHANGE

annually

quarterly

monthly

more frequent than monthly

Additional information: (maximum 500 characters)

8.16 Please indicate the body primarily in charge of monitoring budget execution:\*

NO CHANGE

the ministry of finance

the State Audit Office

an independent fiscal institution

other

An independent fiscal institution, specify: \* (maximum 200 characters)

Other, specify: \* (maximum 500 characters)

Additional information: (maximum 500 characters)

8.17 Is there any explicit mechanism to correct intra-year deviations in budget execution from the budget law?

\*

NO CHANGE

corrections are mandatory and clearly defined

corrections are mandatory but not clearly defined

the corrective mechanism is established in law, but there is no legal obligation to apply it no other

Please specify the law that establishes the corrective mechanism: (please leave blank if unchanged)

(Maximum 500 characters)

The corrective mechanism is established in law, but there is no legal obligation to apply it, please specify:

\*(maximum 500 characters)

Other, specify:\*(maximum 500 characters)

Additional information: (maximum 500 characters)

## 9. Corrective budgets

Corrective budgets are understood to include all legal instruments that allow the government to change its initial fiscal plans laid down in the approved budget law during the fiscal year. Measures to correct slippages from initial plans are also considered.

Laws having purposes different from those mentioned above (e.g. labour market or health care reforms) are not considered, even if they might have budgetary implications.

End-year 'cleaning' budget laws are not covered, unless they have a significant impact on fiscal variables.

9.1 Was there a corrective budget adopted in 2012?\*

Yes

No

Additional information: (maximum 500 characters)

9.2 What were the specific reasons for the adoption of the corrective budget in 2012?\*

slippages on the revenue side

slippages on the expenditure side

corrective budgets legally foreseen by default (mid-term budget revision)

other

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

Please specify the sources of budgetary slippages on the revenue side experienced in 2012:\*

new legislation

forecasts errors concerning macroeconomic developments

forecasts errors concerning budgetary developments

other

Forecasts errors concerning budgetary developments specify:\* (maximum 200 characters)

Forecasts errors concerning macroeconomic developments specify:\* (maximum 200 characters)

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)

9.4 Please specify the sources of budgetary slippages on the expenditure side experienced in 2012:\*

new legislation

forecasts errors concerning macroeconomic developments

forecasts errors concerning budgetary developments

other

Forecasts errors concerning budgetary developments specify:\* (maximum 200 characters)

Forecasts errors concerning macroeconomic developments specify:\* (maximum 200 characters)

Other, specify:\* (maximum 200 characters)

9.5 Were the updated macroeconomic and budgetary forecasts included in the revised budget?\*

yes, such a revision is required by law

yes, although not prescribed by law, such a revision is customarily undertaken

no

other

Other, specify:\* (maximum 200 characters)

Additional information: (maximum 500 characters)