



Ministry of Finance of Georgia

Current and Planned activities of Public Finance Management Reform, 2014



I – Budgeting

1. Improvement of Budget planning and management

1.1 Preparation of the final annual report of implementation for 2013 state budget

Responsible Unit: Budget Department

Milestone: Annual report is submitted to the Government of Georgia

Timeframe: January-March

1.2 Preparation of the final version of the Basic Data and Directions (BDD) document for 2014-2017

Responsible Unit: Budget Department

Milestone: The document is submitted to the finance and budget committee of the Parliament of Georgia

Timeframe: January

1.3 Preparation of the 2014 state budget implementation quarterly report

Responsible Unit: Budget Department

Milestone: Reports will be submitted to the Parliament of Georgia in accordance with the dates specified in the Budget Code

Timeframe: April-October

1.4 Preparation of the Basic Data and Directions (BDD) document for 2015-2018 years

Responsible Unit: Budget Department

Milestone: The document is submitted to the Government of Georgia and the Parliament in accordance with the dates set out in the Budget code

Timeframe: March-December

1.5 Preparation of the draft of the State budget law for 2015

Responsible Unit: Budget Department

Milestone: The draft is prepared and submitted to the Parliament of Georgia in accordance with the dates specified in the Budget Code

Timeframe: July - December



1.6 Preparation of the amendment to the Budget Code for inclusion of the reforms initiated in the budgetary process

Responsible Unit: Budget Department

Milestone: Amendments to the Budget Code ratified

Timeframe: April-October

1.7 Improvement of the Program Budget planning methodology

Responsible Unit: Budget Department

Milestone: Modifications to the Program Budget planning methodology have been introduced in order to better regulate the budgetary procedures by the spending agencies

Timeframe: April-December

1.8 Organization of training programs for LEPL representatives for the improvement of operational ability for LEPL's in E-budget system

Responsible Unit: Budget Department

Milestone: The hard copy as well as the electronic version of the LEPL quarterly accounts has been submitted

Timeframe: April-December



II – Tax Policy and Customs

1. Improvement of the legislation

1.1 Preparation of normative act drafts for the implementation of the amendments in the tax legislation

Responsible Unit: Tax Policy Department

Milestone: Elaborated sub-legislative normative acts

Timeframe: January-December

1.2 Harmonization of Georgian tax regulations with EU directives in accordance with the Association Agreement requirements

Responsible Unit: Tax Policy Department

Milestone: The action plan for the harmonization of the Tax legislation and comparative analysis of the directives

Timeframe: January-December

1.3 Harmonization of Georgian customs code with EU directives within the framework of EU Association Agreement and Deep and Comprehensive Free Trade Area (DCFTA) agreement

Responsible Unit: Tax Policy Department

Milestone: A new draft of the Customs Code, amendments made to the tax code

Timeframe: January-December

1.4 Further improvement of the tax code

Responsible Unit: Tax Policy Department

Milestone: Amendments to clarify vague and obscure terms is prepared

Timeframe: January-December

1.5 Activities to be implemented in relation with the conclusion of the agreement with various countries to avoid double taxation

Responsible Unit: Tax Policy Department

Milestone: Documents are developed

Timeframe: January-December



1.6 Implementation of procedures as prescribed by the law to conclude a Tax Information Exchange Agreement (TIEA) with several countries

Responsible Unit: Tax Policy Department

Milestone: Documents are developed

Timeframe: January-December

1.7 Implementation of the activities to conclude an agreement on the administrative mutual assistance in customs duties with several countries

Responsible Unit: Tax Policy Department

Milestone: Documents are developed

Timeframe: January-December

1.8 Implementation of the first phase of evaluation for Georgian jurisdiction within the framework of Global Forum for transparency and tax information exchange

Responsible Unit: Tax Policy Department

Milestone: Evaluation document

Timeframe: January-December

1.9 A significant decrease in the number of cases ongoing in the Council of Tax Appeals of the Ministry of Finance of Georgia

Responsible Unit: Council of Tax Appeals of the Ministry of Finance of Georgia

Milestone: Approximately 150-200 ongoing cases

Timeframe: January-December

2. Facilitation of services for tax-payers

2.1 Improvement of communication with ordinary courts

Responsible Unit: LEPL Revenue Service

Milestone: Creation of appropriate IT/program maintenance system

Timeframe: January December

2.2 Organizing the mediation council and tax complaint examination process online (also from the regions)



Responsible Unit: LEPL Revenue Service

Milestone: Development of the plan for online process of mediation council and tax appeal examination

Timeframe: January-December

2.3 Introduction of the automatic tax information exchange practice

Responsible Unit: LEPL Revenue Service

Milestone: Conclusion of the agreement on exchange of information in automatic regime

Timeframe: January-December

2.4 Implementation of activities within the framework of Global Forum for transparency and tax information exchange

Responsible entity: LEPL Revenue Service

Milestone: Passing the first phase, on the second phase evaluation receive the following assessment: “partial compliance”; “compliance” or “mostly compliant”

Timeframe: January-December

2.5 Optimization risk management system

Responsible Unit: LEPL Revenue Service

Milestone: Optimization of the risk management system in response to the new challenges

Timeframe: January-December

2.6 Conclusion and improvement of procedures, criteria and principles of the tax agreements concept

Responsible Unit: LEPL Revenue Service

Milestone: Introduce a concept

Timeframe: January-December

2.7 Optimization of program maintenance

Responsible Unit: LEPL Revenue Service

Milestone: Introduction of relevant modules

Timeframe: January-December



2.8 Introduction of a single treasury code system

Responsible Unit: LEPL Revenue Service

Milestone: Introduction of a relevant strategy

Timeframe: January-December

2.9 Optimization of the service spaces and improvement of the institute for public awareness

Responsible Unit: LEPL Revenue service

Milestone: Drawing out an action plan and identifying the issues that needs to be optimized: survey on service quality; launching of a new web-site www.PRIVE.rs.ge; forming of a new strategy.

Timeframe: January-December

2.10 Elaboration of tax allowance reimbursement procedure

Responsible Unit: LEPL Revenue Service

Milestone: Developing relevant procedures

Timeframe: January-December

2.11 Improvement of the Human resource management system

Responsible Unit: LEPL Revenue Service

Milestone: Creation of the system for carrying out trainings system by concentrating on the internal resource base and organization of trainings; Developing an “action Plan”; creation of the job descriptions for the existing positions; defining the evaluation criterions; establishing a bonus system; introduction of basic standards for service; developing a plan of control; introduction of online education program; improvement of the electronic system for personnel administration;

Timeframe: January-December

2.12 Organization of trainings to help raise awareness of the tax-payment

Responsible Unit: LEPL Revenue Service

Milestone: Training for the tax-payers as well as for Journalists

Timeframe: January-December



2.13 Optimization of effective customs control

Responsible Unit: LEPL Revenue Service

Milestone: Improvement of Customs control mechanism; Automatic exchange of Customs information.

Timeframe: January-December

2.14 Creation of the Kinological Service in Revenue Service

Responsible Unit: LEPL revenue service

Milestone: Kinological Service is created and operational

Timeframe: January-december

2.15 Renovation of the legal platform

Responsible Unit: LEPL Revenue Service

Milestone: Separation of customs and tax codes, and accordingly make relevant amendments to the normative acts; optimization of authority of a tax entity

Timeframe: January –December

2.16 Harmonization of Tax/customs legislation with the EC legislation

Responsible Unit: LEPL Revenue Service

Milestone: According to the EC legislation analyze and prepare amendments in Georgian legislation

Timeframe: January - December

2.17 Reduction of the alternative audit program scope

Responsible Unit: LEPL Revenue Service

Milestone: Reduction of the number of persons involved in alternative audit from 1063 to 120 auditors; increasing the number of auditors in audit by 37; admitting 50 new assistants to fill vacant positions.

Timeframe: January-december



Unofficial translation

2.18 Introduction of the electronic management system in the audit department

Responsible Unit: LEPL Revenue Service

Milestone: Switching existing management system to a new electronic mode

Timeframe: January-December



III - Macroeconomic Forecasting

1. Improvement of macroeconomic forecasting and analysis

1.1 Improvement of the budget income forecasting

Responsible Unit: Fiscal forecasting department

Milestone: Alternative methodology introduced

Timeframe: January - December

1.2 Improvement of macroeconomic forecasting analysis and increase of the analytical information

Responsible Unit: Fiscal forecasting department

Milestone: Increase the number of macroeconomic indicators to be studied, creation of the system for macroeconomic research and analysis system

Timeframe: January-December

1.3 Preparation of alternative macroeconomic scenarios

Responsible Unit: Fiscal forecasting department

Milestone: Selection system for macroeconomic scenarios

Timeframe: January - December

1.4 Improvement of everyday income analysis system

Responsible Unit: Fiscal forecasting department

Milestone: Automation of data receipt and processing

Timeframe: January - December

1.5 Structural budget deficit identification and analysis

Responsible Unit: Fiscal forecasting department

Milestone: Structural deficit identification methodology introduced

Timeframe: January - December

1.6 Periodic analysis and circulation the economic condition



Responsible Unit: Fiscal forecasting department

Milestone: Periodic information about the condition of economy published on the website of the ministry of Finance of Georgia

Timeframe: January - December

2. Identification and evaluation of fiscal risks

2.1 Introduction of the system for identification and analyses of fiscal risks

Responsible Unit: Fiscal forecasting department

Milestone: Introduction of risks evaluation and identification methodology

Timeframe: January - December



IV - Public Debt Management and Cooperation with Donor Organization

1. Improvement of Public Debt Management

1.1 Introduction of the Public Debt Management Strategy document

Responsible Unit: Public debt and external financing department

Milestone: The draft document is developed

Timeframe: January - December

1.2 Introduction of various procedural manuals concerning the Public Debt

Responsible Unit: Public debt and external financing department

Milestone: Manuals have been developed

Timeframe: January - December

1.3 Drawing out a bulletin for the public debt and publication on the Ministry's web site

Responsible Unit: Public debt and external financing department

Milestone: Bulletin is published on the web-site

Timeframe: January - December

2. Implementation of the procedures related to the public debt management

2.1 Public debt sustainability analysis

Responsible Unit: Public debt and external financing department

Milestone: Documents prepared

Timeframe: January - December

3. Introduction of the ADB member countries best practices in public debt management and current trends and to raise country awareness

3.1 Organize the "Regional Forum for Public Debt Management" in Georgia together with the Asian Development Bank

Responsible Unit: State debt and External Financing department

Milestone: The Forum was organized

Timeframe: January - December



Progress: On April 23, 2014 year “Regional forum for public debt management” took place in Georgia for the first time. The representatives from Asian Development bank member states, other international financial institutions and companies/organizations experienced in this field attended the Forum (120 persons in total).

Comment: Completed

4. Cooperation with international rating companies

4.1 Coordination of relations with international rating companies

Responsible Unit: Public debt and external financing department

Milestone: Visits and published reports by international rating companies

Timeframe: January - December

5. Coordination of cooperation with Donors

5.1 Organizing coordination meetings with donors

Responsible Unit: Public debt and external financing department

Milestone: Organized meetings

Timeframe: January - December

5.2 Publication on MoF Website information about the projects carried out with the Donors’ support reflected in the State Budget

Responsible Unit: Public debt and external financing department

Milestone: Information published

Timeframe: January - December

6. EU integration

6.1 Coordination of the implementation of the activities related to the Ministry of Finance within the framework of the Association Agreement (AA) and Deep and Comprehensive Free Trade Area (DCFTA) documents

Responsible Unit: Public debt and external financing department

Milestone: Coordination of the implementation of the action plan

Timeframe: January - December



V - Accounting and Reporting

1. Adopt the IPSAS Accounting Standards,(IPSAS 2, IPSAS 3, IPSAS 4, IPSAS 6)

1.1 Analyses and identification of IPSAS requirements and inconsistencies with the existing practice

Responsible Unit: Treasury Service

Milestone: A report prepared in accordance with the accrual method concerning the inconsistencies of the existing practice with IPSAS Standards

Timeframe: January - June

1.2 Preparation of changes/updated versions of regulatory normative acts for the accounting system, agreement with public service accounting standards council and ratification

Responsible Unit: Treasury Service

Milestone: Normative acts concerning the Accounting standards has been ratified

Timeframe: January - December

1.3 Training of the budgetary organizations accountants in accounting and reporting methodology

Responsible Unit: Treasury Service

Milestone: Trained accountants of budgetary organizations

Timeframe: January - December

2. To frame Local self-governing units budgets in treasury service system of Ministry of Finance

2.1 Designing of principles and mechanisms for the detailed model of Local self-governing unit budgets servicing system by the Treasury Service

Responsible Unit: Treasury Service

Milestone: The detailed model of budget service principles and mechanisms have been drafted

Timeframe: January - March

2.2 Preparation of package of legislative amendments and designing of relevant sub legislative normative acts

Responsible Unit: Treasury Service

Milestone: Legislative amendments package and normative act projects prepared

Timeframe: January-May



2.3 Management module analytics of local self-governing unit budgets in the integrated information system of the state finance management and designing of program insurance system.

Responsible Unit: Treasury service

Milestone: Analytic document prepared and program maintenance software designed.

Timeframe: January-August

2.4 Trainings of the representatives of self-governing unit representatives in the use of the new program maintenance system

Responsible Unit: Treasury service

Milestone: Trained representatives of the local self-governing bodies to enrich their skills of management of the new program maintenance system.

Milestone: January-December

3. Transfer legal entities to treasury service

3.1 Preparation of detailed model of LEPL service principles and mechanisms

Responsible Unit: Treasury service

Milestone: Detailed model of LELPs' service principles and mechanisms prepared.

Timeframe: January-March

3.2 Preparation of legislative amendments package and drafting of appropriate sub legislative normative acts

Responsible Unit: Treasury service

Milestone: Legislative amendments package and normative act projects prepared

Timeframe: January-May

3.3 Analytics of LEPL budget management module in the integrated informational system of the state finance management and designing of program maintenance system.

Responsible Unit: Treasury service

Milestone: analytic document prepared and program software designed

Timeframe: January-August

3.4 Training of LEPL representatives for the purpose of helping them use the new program software.



Unofficial translation

Responsible Unit: Treasury service

Milestone: Trained LEPL representatives in the use of the new program software.

Timeframe: January-December



VI - Internal Audits, harmonization center

1. Support to the strategic development of state's internal finance control reform

1.1 Drafting of a strategic vision document for the state's internal financial control system development

Responsible Unit: Harmonization center

Milestone: Strategic vision document approved by the government of Georgia

Timeframe: May-December

1.2 Improvement the law of Georgia about state internal financial control and initiation of amendments

Responsible Unit: Harmonization center

Milestone: Amendments of draft law approved by Parliament of Georgia.

Timeframe: April-December

1.3 Preparation and presentation of the harmonization center annual report to the beneficiaries

Responsible Unit: Harmonization center

Milestone: Annual report prepared and working meetings conducted

Timeframe: February-July

2. Internal audit system development Support

2.1 Organize trainings for internal auditors

Responsible Unit: Harmonization center, Academy of the Ministry of Finance

Milestone: Trainings conducted

Timeframe: March-December

2.2 Organize the pilot programmes of internal audit in different Ministries, or Entities

Responsible Unit: Harmonization center

Milestone: Internal audit report

Timeframe: March-December



3. Internal audit system entity development Support

3.1 Introduction of founding rules and procedures for financial management and control and formulation of procedures

Responsible Unit: Harmonization center, the government of Georgia.

Milestone: The rules and procedures of financial management and control approved by the government of Georgia

Timeframe: September-December



VII - Information Technologies

1. Development of PFM integrated information system

1.1 ebudget- system development and addition of a new functional

Responsible unit: LEPL Financial-Analytical Service

Milestone: Realization of the financial operations through the e-budget system for self-governing units and autonomous republics, and the possibility of consolidation of their budgets in the State Budget; Realization of LEPL financial operations through the e-Budget system; Integration of e-Budget system components with edms and etreasury systems.

Timeframe: January - December

1.2 etreasury – system development and addition of a new functional

Responsible Unit: LEPL financial-analytical service

Milestone: Realization of financial operations of LELP, self-governing units and the Autonomous Republics through the treasury system.

Timeframe: January - December

1.3 edms – System development and addition of a new functional

Responsible Unit: LEPL financial-analytical service

Milestone: Implementation of internal and external debt registration in the joint system; automatic registration of securities auction through the electronic service; realization of capitalization operation and implementation of external debt recognition procedure through the unified system.

Timeframe: January - December

1.4 ehrms – System development and addition of a new functional

Responsible Unit: LEPL financial-analytical service

Milestone: Realization of salary modules in the system and integration within the unified treasury system; integration of missions module within the unified treasury system; implementation of system refactoring.

Timeframe: January - December

1.5 ICT- infrastructure sustainability insurance of the Ministry of Finance of Georgia

Responsible Unit: LEPL Financial-Analytical Service



Unofficial translation

Milestone: Development and introduction of the Unified Monitoring System (MS System Center Operations Manager); functioning of the data storage's main and reserve centers in active-active mode; Increasing the transmission capacity of the network system, and enhancement of the data storage system's capacity to conduct and increase volumes.

Timeframe: January- December



VIII - Resources Management

1. Strategy and Action Plans Development

1.1 Coordination of Social-Economic Development Strategy of Georgia – Georgia 2020

Responsible Unit: Analytical Department

Milestone: Drafted Document

Timeframe: January - May

1.2 Development of Public Finance Management Strategy Document of Georgia

Responsible Unit: Analytical Department

Milestone: Drafted Document

Timeframe: January-May

1.3 Coordination of an Action Plan for Money Laundering and the Strategy of Fight against Terrorism Funding

Responsible Unit: Analytical Department, Judiciary Department

Milestone: Document drafted

Timeframe: January - March

1.4 Regulatory Impact Assessment – the pilot version of the "the Tax Code" Law

Responsible Unit: Analytical Department

Milestone: Developed document

Timeframe: April- June

2. The Academy of the Ministry of Finance

2.1 Trainings to be organized under the auspices of GIZ to promote Internal Audit departments Development in state structures

Responsible Unit: The Academy of the Ministry of Finance, Harmonization center

Milestone: Implemented trainings

Timeframe: January - December



2.2 Implementation trainings in order to develop International Accounting Standards (IPSAS)

Responsible Unit: Treasury Service of the Ministry of Finance, the Academy of the Ministry of Finance

Milestone: Trained employees retrained in budgetary organizations; effective implementation of the developed system

Timeframe: January - December

2.3 Organization of Trainings for the purpose of locating local self-government unit budgets in the Treasury Service system of the Ministry of Finance of Georgia

Responsible Unit: the Academy of the Ministry of Finance, Treasury Service of the Ministry of Finance, Budget Department of the Ministry of Finance, Judicial Department of the Ministry of Finance.

Milestone: Personnel trained in Budget Organizations; effective implementation of the developed system.

Timeframe: January - December

2.4 Cooperation with the Ministry of Finance of Holland

Responsible Unit: the Academy of the Ministry of Finance

Milestone: Trainings and consultations by the experts of the Ministry of Finance of Holland organized and the staff of the Ministry of Finance of Georgia trained

Timeframe: January - December

3. Renovation and development of the eauction.ge system

3.1 Renovation and development of the eauction.ge system

Responsible Unit: LEPL Service Agency of the Ministry of Finance of Georgia

Milestone: A simple and flexible system introduced

Timeframe: January-December

4. Development of state supervision system of Precious Stones, Metals and their products

4.1 Development of state supervision system of Precious Stones, Metals and their products

Responsible Unit: LEPL the Service Agency of the Ministry of Finance

Milestone: Development of Legislation, market analysis, service formation

Timeframe: January- December