



Ministry of Finance of Georgia

Current and Planned activities of 2014 Public Finance Management Reform Annual Report



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

Progress: The annual report on the implementation of 2013 state budget was prepared and submitted to the State audit office and Parliament of Georgia in accordance with the dates as set out by the Georgian Legislation. The Georgian parliament discussed and endorsed the report in accordance with the Georgian legislation.

Comment: Completed

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

Progress: The final version of the main data and directions document was prepared and submitted to the finance and budget committee of the parliament of Georgia on January 31, 2014

Comment: Completed

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

Progress: In accordance with the dates specified by the law, Budget execution reports for 3 month, 6 month and 9 month were submitted to the Parliament of Georgia

Comment: Completed

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

Progress: BDD document for 2015-2018 was prepared in accordance with the dates as set out in the Georgian legislation. The draft version which was approved by the Government of Georgia, designed the main parameters of the fiscal and economic indicators in mid-term period and the threshold quantity of allocations and numbering for each spending agency. Within the margins of the abovementioned parameters the spending institutions prepared budgetary suggestions for 2015 year. Alongside the state budget law, the refined versions of the BDD document for 2015-2018 were submitted to the parliament of Georgia.

Comment: Completed

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

Progress: The draft of the state budget law of Georgia for 2015 was prepared by the Ministry of Finance of Georgia, in accordance with the data provided by the spending agencies and with regard to the available resources. The government of Georgia submitted the draft document to the parliament in line with the Georgian legislation. The budget was ratified in December of 2014 in accordance with the dates as designed in the Budget Code of Georgia.

Comment: Completed

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

Progress: From January 1, 2015 within the framework of the Public Finance Management Reform, a reallocation of the accounts of local self-government units and LEPL's from commercial bank accounts to the unified accounts system of the State Treasury and the inclusion of the their budget planning and implementation process under the PFMS system was conducted. Realization of the abovementioned system requires changes to the legislation, for which the amendment project to the Budget Code and in other various regulations was prepared. Relevant amendments to legislation were ratified by the Parliament of Georgia and the legislative platform was prepared for the enactment of the Reform from 1 January, 2015 to start a new stage of reform

Comment: Completed



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

Progress: The draft is on the preparatory stage and work is ongoing to improve existing budget planning methodology, a GIZ expert is expected to arrive in January, 2015 to help prepare a detailed manual

Comment: Ongoing

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

Progress: A relevant functional became fully operational and the LEPL's provide electronically the quarterly reports of the State budget implementation with the help of the aforementioned software. Additionally, 200 users have been trained

Comment: Completed



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

Progress: Governmental decree #198, dated 21 February, 2014 “Defining the list of International Financial Institutions” was issued. In order to write off the financial/tax debt a governmental decree draft was prepared amending the previous decree on the special tax regimes; in addition the draft of the Ministerial decree on tax administration was prepared amending, decree of the Minister of Finance #996, dated December 31, 2010.

Comment: Completed

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

Progress: In frame of the Association Agreement preparation of the tax legislation harmonization action plan with EU directives is ongoing alongside with the comparative analysis of the tax legislation with the EU directives. The EU legislation harmonization process, namely with the 2011/64/EU directive of 21 June, 2011 directive to implant/install the fair competition rules on the tobacco market, to ease the tax administration procedures and to introduce strict rules regulating tobacco market, the law of Georgia was prepared and ratified by the parliament amending the Tax Code, according to which from January 1, 2015 excise tax was increased on filter cigarettes (a pack of 20 cigs.) By 0, 15 GEL. And on cigarettes without filters (a pack of 20 cigs.) By 0, 05 GEL. Per pack, additionally a mixed system of excise taxation on retail trade since July 1, 2015 will be introduced (on cigarettes with and without filters) in the amount of 5 percent of realization/selling price per cigarette pack.

Comment: Ongoing

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



Progress: Currently, the process of preparation of the draft of the new customs code and draft amendment to the tax code is ongoing. A possibility of locating an import tax in the customs code is widely discussed. At this stage, the EU directives which according to the EU-Georgia association agreement are obligatory to be incorporated into the Georgian legislation are being translated

Comment: Ongoing

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

Progress: Several law amendment drafts to the tax code have been ratified with the aim to create a just and flexible legal platform for administration of customs related issues, further improve tax administration, support charity and correct technical and ambiguous regulations.

Namely: the goods included in the internal commodity operations are exempted from the VAT when engaged in the internal commodity operations in editing, construction, repairs, production, fixing and other forms of services provided.

The norms regulating the publication of the public decisions/decrees have been made more precise. The introduction of the norm regulating the weak capitalization has been postponed for ratification in 2016. If the tax arrear is less than 5000 GEL, the tax regulating body is allowed to postpone the payment by no more than a year without any provision of reliability guarantee. In order to support tourism, legal norms regulating taxation of a touristic enterprise have been significantly simplified and improved and etc.

The tax arrears accumulated and unpaid since 2005 have been written off; Fines and tax arrears accumulated before January 1, 2009 and the fines charged on the acknowledged tax arrears that were pledged to be paid since January 1, 2009 have also been written off; fines on persons for violating the rules of operation of control cash machine before 1 January, 2013 including the fines unpaid before this regulation entered into force have also been written off.

Comment: Completed

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

Progress: The main goal of the agreement is to widen economic relations among the countries to promote their attractiveness for investments. With the following aim, the agreement with Sweden has been signed. The amendment to the protocol for the avoidance of the double income and capital taxation between Georgia and the German Federal Republic has been signed. Negotiations have been held and the draft agreements with Belarus and South Korea have been agreed.



Comment: Ongoing

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

Progress: The main goal of the agreement is to fight against tax fraud and tax avoidance. In order to attain the following goal, negotiations have been held with Lithuanian and Belarussian sides and an agreement concerning the exchange of tax information has been signed. Negotiations with Bahamas and Seychelles Islands to sign the abovementioned agreement are ongoing.

Comment: Ongoing

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

Progress: The main goal of the agreement is to prevent illegal activities in customs duties. In order to more effectively cope with the following task, negotiations have been held and an agreement was signed with Kazakhstan and Azerbaijan. Also, protocol on mutual recognition of customs control was signed with Kazakhstan.

Comment: Ongoing

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

Progress: The main goal of the evaluation report is the rapprochement with the international standards in transparency and tax information exchange of the Georgian tax legislation. Georgia has successfully passed through the first phase of evaluation conducted by the experts of Global Forum for Transparency and Tax information exchange. The first report was ratified and the second phase of evaluation has begun.

Comment: Ongoing



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

Progress: In the beginning of 2014, the registered cases in the Council of Tax Appeals numbered at 1250 to which 1950 new cases in total were added during the year and in the same period judgement have been made on 2700 cases. As a result, as of 31 December, 2014 the number of ongoing cases in the dispute resolution councils stood at 270.

Comment: Ongoing

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

Progress: Ongoing

Comment: Ongoing

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

Progress: Technical works ongoing

Comment: Ongoing

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

Progress: Information was exchanged spontaneously with Estonia, Germany, Israel, and Latvia. Negotiation to sign the same automatic information exchange memoranda with Argentina and Lithuania is ongoing.



Comment: Ongoing

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

Progress: First phase is passed; preparation to pass the second stage is ongoing, namely the questionnaire for the second phase was filled in and was sent to the evaluators group. Additionally, the Revenue Service Decree was issued certifying the information exchange manual.

Comment: Ongoing

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

Progress: A new window for improvement of the automatized program of the risk management system was added where all the Bazaar type firms are enlisted and an electronic purchase program was designed which uses different risk criterions to help identify risk-carrying enterprises. Additionally, processing of the 2013 profit declaration data as reflected by the businesses and defining of risk-factors criteria is ongoing.

Comment: Ongoing

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

Progress: Currently, from various tax agreements forms only one form is still used, namely the agreement for the tax reduction. In addition, rules which regulate submission of the final decision to the government of the agreement have been articulated and defined.

Comment: Ongoing

2.7 Optimization of program maintenance



Responsible Unit: LEPL Revenue Service

Milestone: Introduction of relevant modules

Timeframe: January-December

Progress: A new window for improving the automatized program of the risk management system was added where all the Bazaar type industries are enlisted. Electronic purchase program was designed which uses different risks criterions to help identify risk-carrying enterprises.

The Service Department took the initiative to draw out the following modules:

- The programmatic module for putting the property tax on soil drawing on the information received from LEPL Public Registry Agency;
- The module of monitoring of the distribution of goods with humanitarian aid status;
- For improvement of the taxpayers' active and inactive statuses, new criterions were elaborated.

Comment: Ongoing

2.8 Introduction of a single treasury code system

Responsible Unit: LEPL Revenue Service

Milestone: Introduction of a relevant strategy

Timeframe: January-December

Progress: Relevant amendments to legislative and sub-legislative normative acts are prepared and will be initiated shortly

Comment: Ongoing

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

Progress: Procedures manuals for service-centers have been developed and a survey on the service provided by the revenue service was carried out. A strategy to improve the weak points identified by the survey results of the Revenue Service working has been developed.

Comment: Ongoing



2.10 Elaboration of tax allowance reimbursement procedure

Responsible Unit: LEPL Revenue Service

Milestone: Developing relevant procedures

Timeframe: January-December

Progress: Procedures to help reimburse the tax allowance have been developed and during 2014 tax allowance was reimbursed in accordance of these procedures

Comment: Ongoing

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

Progress: The Revenue Service has completed working on the improvement on the electronic system for personnel administration. Within the framework of the TWINNING project in collaboration with the foreign experts, RS is preparing a plan for trainings, description of the specifics of a respective job position and for bonus system. With the aim to create an online education program, a pilot online course was introduced for the Customs Department employees/interns.

Comment: Ongoing

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

Progress: With the EPI financing a seminar for the journalists was organized where they visited Tbilisi, Batumi and Poti customs clearance zones and customs check points “Kazbegi” and “Tsiteli Khidi”. Additionally, a video clip was shot with the aim to raise public awareness concerning the significance and necessity of tax payment.

Comment: Ongoing



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

Progress: The revenue service is conducting negotiations with the Turkish side for the effective mutual management of the customs check-points as prescribed by the agreement. Currently, information is exchanged online in automatic regime.

Also negotiations with Armenia are underway on mutual management of the customs check-points as prescribed by the agreement.

In order to implement information exchange regime, negotiations are underway with Azerbaijan Republic.

Comment: Ongoing

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

Progress: The Kinological Service is already functional

Comment: Completed

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

Progress: The working process ongoing – amendments in legislative are prepared

Comment: Ongoing

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

Progress: Process ongoing

Comment: Ongoing

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

Progress: The number of persons involved in alternative auditing was reduced to 120 persons. 60 new assistants have additionally been recruited that currently are being trained. Additionally, with the use of media information was delivered to the persons involved in alternative auditing about the full closure of the program.

Comment: Ongoing

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

Progress: Introduction with the best practices ongoing

Comment: Ongoing



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

Progress: An alternative method for profit tax forecasting was introduced. During the calculation relation between the profit taxes on the economic trends visible in the upcoming year was provided. The fiscal forecasting department also introduced a methodology for the forecasting of Gross domestic product (including GDP revenues) and by making calculations using the above-mentioned alternative methodology, the forecast for the upcoming year profit tax was set.

Comment: Ongoing

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

Progress: Macroeconomic indicators research planning system was improved and the number of macroeconomic indicators was also increased. As a result, the scope of studying of the macroeconomic indicators was significantly increased. Analytical information about such macroeconomic indicators as annual economic development, quarterly revised economic development indicators/data, GDP gap, evaluated fiscal multiplications, the amount of the tax expenditures and etc.

Comment: Ongoing

1.3 Preparation of alternative macroeconomic scenarios

Responsible Unit: Fiscal forecasting department

Milestone: Selection system for macroeconomic scenarios

Timeframe: January - December

Progress: Three scenarios for macroeconomic development were drawn out: Basic, optimistic and pessimistic scenarios. The basic scenario serves as the platform for the draft state budget. The pessimistic scenario is composed with the view of a stalled economic development and the optimistic scenario is created with the view on the significant rise in overall economic output.

The results are used for effective management and analysis of macroeconomic risk disclosure. Results document was attached to the 2015 state budget



Comment: Ongoing

1.4 Improvement of everyday income analysis system

Responsible Unit: Fiscal forecasting department

Milestone: Automation of data receipt and processing

Timeframe: January - December

Progress: The structure of the data-base platform and everyday indicators addition/renewal system was introduced

Comment: Ongoing

1.5 Structural budget deficit identification and analysis

Responsible Unit: Fiscal forecasting department

Milestone: Structural deficit identification methodology introduced

Timeframe: January - December

Progress: Methodology for the calculation of structural deficit was introduced and operational. A model was used in calculation, which requires additional study of the indicators such as the GDP gap, elasticity of budget expenditures and incomes in relation to GDP gap. The calculation was based on the aggregation method and sensitivity analysis was also conducted.

Comment: Ongoing

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

Progress: Department has been preparing monthly information on indicators of macroeconomic development and stability of the analytical and informative material (economic growth, inflation, foreign trade, monetary indicators, balance of payments, etc.); The area of the indicators have been increased significantly and analytical information was added about the preparation of such indicators like economic growth, seasonally adjusted economic growth, GDP gap, was estimated fiscal multipliers, and other tax expenditures.

In 2014 analytical topics have been prepared and discussed with the management of the Ministry of Finance

Comment: Ongoing

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

Progress: Since March 2014, the fiscal forecasting department was actively engaged in working on fiscal risk identification and management issues. A model for macroeconomic and debt related risks model was prepared and evaluated. Demographic and financial models were also created and were interlinked with the above-mentioned model and a questionnaire for studying the fiscal risks was also introduced.

The report on fiscal risks identification and management was attached to the documents accompanying the draft State budget.

A registry for big state industries was created.

Cooperation with different state structures to introduce the system for collecting the data was started.

Comment: Ongoing



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

Progress: The first draft of the strategy is available. The following year further improvement of the Strategic document is planned. The current version is made of the following sections: the main strategic goals for 2015-2017 and subsequent actions which could help identify the terms for the new debts selection and management of the risks associated with the debt portfolio.

Comment: Completed

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

Progress: With the aim to identify necessary procedures and to give a description of the main duties of the subjects involved in the process of the state debt formation and servicing the following documents were formulated: "manual for procedures governing the public debt formation of Georgia", "manual for procedures for public external liabilities data collection, examination and servicing" and "manual for procedures for public internal liabilities data collection, examination and servicing"

Comment: Completed

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

Progress: in order to maintain transparency of public debt data a Statistical bulletin was formulated, which covers a half year periods and each of them includes the information about the state of the debt and inflows as of date covering last three years. The statistical bulletin is already published on the MoF website for the second half of 2013 and first half of 2014.

Comment: Completed



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

Progress: With the use of the IMF methodology a public debt sustainability analysis was prepared which was accompanied with the documents attached to the draft state budget. The analysis illustrated again that the public debt is sustainable and will be maintained so in the midterm perspective.

Comment: Completed

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

Progress: Georgia continues to cooperate with the following international rating companies: Standard & Poor's, Fitch and Moody's. The representatives of these three companies visited Georgia in 2014 and for the first time they made changes to the outlook on Georgia's financial stability from “stable” to “positive” and rating from BB- to “Ba3” (that is equivalent to BB-) was kept similar, though according to Standard & Poor's Georgia rating is “BB-Stable”.

Comment: Completed

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

Progress: On March 6, 2014 a meeting was held at the Ministry of Finance upon the ongoing and planned projects in the roads sector

Comment: Ongoing

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

Progress: Monthly updated information about the projects carried out with the Donors' support reflected in the State Budget is published on the Ministry of Finance website (<http://www.mof.ge/5321>).

Comment: Completed

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

Progress: The action plan for 2014 has been prepared, which includes the implementation of the Association Agenda, to be implemented within the competence of the Ministry of Finance. Also the annual report for the 2014 Action Plan and 2015 Action Plan were prepared

Comment: Completed



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

Progress: To adopt IPSAS standards in accordance with the accrual methods and for general improvement of public finance management and alignment with international standards a study of IPSAS 2, IPSAS 3, IPSAS 4, IPSAS 6 and analyses of the existing accounting system was conducted. The study revealed divergence of the existing system with the international standards and a report was prepared upon the discovered inconsistencies.

Comment: Completed

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

Progress: After conducting a thorough analyses of the IPSAS requirements and inconsistencies with the existing practice, a legislative package amending reporting and accounting normative acts have been drafted, which after being agreed upon with the public sector accounting standards council and other budgetary organizations was adopted by the decree of the Minister of Finance of Georgia.

Comment: Completed

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

Progress: Several employees being selected as trainers from Accounting Methodology and Analyses department conducted a training on the introductory course of IPSAS for the budgetary organizations accountants. The training course included introduction of the participants with the basic principles of IPSAS and teaching of the relevant methods for modified cash methodology.



Comment: partially completed. Training of budget organization accountants alongside with the introduction of IPSAS will continue further

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

Progress: A detailed model of principles and mechanisms of Local self-governing units' budgets service by the treasury service in accordance with the budget code was prepared and envisages inclusion in the e-treasury system.

Comment: Completed

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

Progress: To locate local self-governing unit budgets in the unified treasury service system, legislative and sub legislative normative acts package was prepared and entered into force/became effective since/on January 1, 2015.

Comment: Completed

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

Progress: With the joint efforts by the financial-analytic service and the state treasury service, analytics of local self-governing unit budgets in the integrated informational system of state finance management was conducted, and relevant program maintenance software was designed and launched on January 1, 2015.

Comment: Completed

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

Progress: Training of the local self-governing units' representatives for the purpose of enriching their skills for using the new program maintenance system was conducted.

Comment: partially completed. Further Training of local self-governing units' representatives will continue in 2015.

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

Progress: Detailed model of LEPL's service principles and mechanisms in accordance with the budget code was designed by the treasury service, which ensures their transfer/reallocation to the treasury service system.

Comment: Completed

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

Progress: legislative amendments package and sub legislative normative act projects for the purpose of transferring LEPL budgets to the unified treasury service system by the treasury service was prepared and entered into force on January 1, 2015.

Comment: Completed.

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

Progress: On the first stage of the project, with the close cooperation of financial-analytical service and state treasury service, analytics of LEPL budget management module in the integrated information system of state finance



management was carried out and appropriate program software designed, which became operational since January 1, 2015.

Comment: Ongoing

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

Responsible Unit: Treasury service

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

Timeframe: January-December

Progress: The LEPL representatives were trained for the purpose of educating them in the use of the new program software.

Comment: Partly completed. Training of LEPL representatives is to continue in 2015.



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

Progress: Analysis of the Needs and gaps in this sector comes ahead of the introduction of a strategic vision document has been ongoing since June 2014 with the support of OECD/SIGMA. Iup Vroliki and Noel Hepvort, International experts of OECD/SIGMA, have visited Georgia on several occasions and have been engaged in the evaluation of the existing conditions in the following areas of the public sector (management): internal audit, financial management and control, inspection, the harmonization center. The last visit within the framework of the research conducted by OECD/SIGMA experts took place in September. Drawing on the raw information and methodological materials prepared by the experts, the Ministry of Finance of Georgia started deeper study/analyses of existing regulations in the financial management and control systems and working to amend the normative documentation concerning financial management and control rules and procedures in the public sector. This process has required from the experts to reengage in the revision of correctness of the facts and circumstances as provided by the study that has interrupted the presentation of the final gaps analysis document. Accordingly, the development of strategic vision document was implemented by the harmonization center in 2015 with the support of the representatives from OECD/SIGMA and the Ministry of Finance of Holland, within the framework of the signed memorandum between the Ministry of Finance of Georgia and Ministry of Finance of Holland.

Comment: Ongoing

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

Progress: In 2014, amendments to law by the harmonization center was prepared, with some important changes made to the final version of the draft law project: namely, according to the amendments of the draft law inspection does not fall in the functions of internal audit that will result in the increased independence of internal audit office, definitions and terms are further clarified, the capabilities of the harmonization center is increasing and is becoming a structural unit of the ministry of finance, the independence of the local self-government units is preserved and etc. The draft law was submitted to the Ministries, The Government of Autonomous Republic of Abkhazia and Adjara and Ministries, State Audit Service for discussion and presentation of their opinions upon the issue. The above-mentioned issue was twice put to discussion in the dispute resolution council and was decided to submit the draft law to the Government of Georgia in 2015 and in case of approval by the Government the draft law will be submitted to the spring session of the parliament for discussion and ratification.

Comment: Completed



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

Progress: The 2013 annual report was prepared by the Harmonization center in accordance with the dates prescribed by the law. The mentioned report was presented to the 11th session of the internal control discussion board on July 10, attended by the chairman of the board – Minister of Finance Nodar Khaduri, co-chairman – Mr. Giorgi Tabuashvili, heads of internal audit entities of 16 Ministries and international experts. The annual report of harmonization center is public and will be published on the site as of the date of its approval. [Www.ia.ge](http://www.ia.ge)

Comment: Completed

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

Progress: Harmonization center is continuing to organize trainings for auditors this year in accordance with the developed training concept. Trainings will be conducted with the support of German International Cooperation Society (GIZ) and are held in the Academy of the Ministry of Finance.

Trainings being conducted from 2014 to present:

- Basic training – Principles of internal audit 25-28 March, for 25 internal auditors;
- Basic training – Principles of internal audit on 5-8 May in the Autonomous Republic of Adjara, 25 internal auditors from the Ministries and municipalities of the Autonomous Republic of Adjara;
- Basic training – Principles of internal audit 27-30 May, for 25 internal auditors;
- A month of intensive trainings for the heads of internal audit entity held in GIPA. Topic: management for internal auditors.
- Intensive Training – systemic audit, held on 22-24 September, for 25 auditors;
- Intensive Training – corruption and swindle prevention, for 25 auditors.

Apart from trainings a study visit to Slovenia and Croatia with the participation of the heads of internal audits from 9 different Ministries of Georgia and the staff of the Harmonization center was organized in 2014. Also, working meetings concerning the internal audit guide manuals and the working meeting held by the experts of the Ministry of Finance of Holland on the following topics was conducted: program budgeting, financial management and control.



Comment: Completed

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

Progress: In 2014, a pilot project for auditors control started in 2013 at the Ministry of Finance was completed. In March of the same year, with the support of GIZ, a pilot project for auditors' financial control was started at the Ministry of Environment and Natural Resources Protection of Georgia. An examination with the participation of international experts and employees of the Ministry of Environment and Natural Resources Protection of Georgia was ongoing for three month.

Comment: Completed

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

Progress: Harmonization center with the support of OECD/SIGMA is working on the formulation of instructions for the financial management and control systems rules and procedures. Necessary prerequisites for the implementation of the aforementioned events are the availability of the skilled human resources and the support provided by the donors. In the 4th quarter of 2014 several visits by OECD/SIGMA representatives took place, and with their support a concept and an adapted working draft variant was developed, which will be discussed with the treasury service and the budget service of the Ministry of Finance as the most interested parties in the process of financial management and control systems development. The abovementioned document also needs to be agreed with the higher management. After the document takes the final shape in 2015, submission together with the strategic document to the government of Georgia for final ratification/approval is planned.

Comment: Ongoing



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

Progress: management of LEPL-s and NNPL-s budgets.

- Automatized linking to the compound of the sent files;
- A functional for editing the imported data from the Treasury and Budget Systems to incomes and debts annexes and plans parts of the system
- Legal persons search mechanism;
- Consolidated Reporting Document - grouped in accordance with quantitative attachments describing LELPs' income, expenditures, the records of balances, number of persons employed;

Targeted grant:

- Preparation of targeted grant agreements report document in spending agencies and administration portals;
- Summation of the data for the current and previous years in the targeted grant functional/window;
- A Four digit currency code removal and validation cancellation task was performed from the following parts of the budget system:
 - Composition of the organizational structure
 - Notification of the structural change
 - Sending files
 - Binding/approval of the consolidated budget

On the basis of amendment made to the annual budget law, a mechanism has been developed notifying on the change in the number of employees;

Within the framework of refactoring the system:

1. Database structure Analysis and optimization

1.1. Tables naming convention

1.2. Development of a new structure

1.3. Normalization of the databases

1.4. Database indexation

1.5. Spreadsheets partitioning

2. Architectural changes in the project



- 2.1. Improvement of a relation method with a database (transition from Ado.NET to Entity Framework)
- 2.2. DLL service decentralization works
- 2.3. Transition to the new versions of Silverlight and Telerik
- 2.4. Upgrade/improvement of MVVM model
- 2.5. Necessary works for assurance of security quality
 - 2.5.1. Authorized and sanctioned form of accession to the services (opportunities for getting high privileges)
 - 2.5.2. System protection from SQL Injection danger.
 - 2.5.3. Improvement of information exchange security awareness with other systems (GLE, EDMS, Etreasury)
- 2.6. Resources and localization support (Compatibility with different languages)
3. A new functional
 - 3.1. Administrative Portal
 - 3.1.1. Donors and positions classifications
 - 3.1.2. Dynamization of GFS-2001 configuration
 - 3.1.3. Dynamization of budget financing sources during the working period
 - 3.1.4. Connecting funds with relevant organizations after budget is approved.
 - 3.1.5. Dynamization of the budget years during the working period.
 - 3.1.6. Establishing a “many-to many” type of network in the working period constructor.
 - 3.1.7. Centralized Data import and upgrade within the compound.
 - 3.2. Portal of spendings.
 - 3.2.1. Transfer/adaptation of a law amendments notification chain functional in the portal of spendings.
 - 3.2.2. In a constructor among the organizational classifications "Many- to many" type of networking functional.
 - 3.3. A donor synchronization task was carried out/implemented resulting in the unified donor classification for all three systems under the PFMS.
4. Changes to the existing functional and navigation
 - 4.1. Management Portal
 - 4.1.1. Transition Navigation from the first page of the management portal to other portals participating in the budget planning and administration.
 - 4.1.2. Inclusion of classification initiation/creation and management functional in the “period”.
 - 4.1.3. Withdrawing the classification versions from the existing system of the management system functional.
 - 4.1.4. Withdrawing from the system the control dates from the files grouping
 - 4.2. Spending agencies portal
 - 4.2.1. Relocation of the functional classification to the organizational structure construction form.
 - 4.2.2. Transition and redesign of the labor imbursement conversation and analytical forms to the modal window.
 - 4.2.3. Improvement of working history with files.
 - 4.2.4. Improvement of general navigation (movement between working periods and depths).
 - 4.3. Portal for fiscal forecasting.
 - 4.3.1. Improvement of general navigation (movement between working periods and depths).
 - 4.3.2. Partial transition of files configuration functional to the administrative portal.



5. Reports

5.1. Ensuring accounts' interactivity (opportunity of base parameters transmission).

5.2. Optimization of account reporting document preparation process.

5.3. Eradication of the existing gaps in the reports of respective budget chapters'

5.4. Dynamic reporting module was added to the system, which allows dynamic construction of standard accounting system and its location in different portals. Through this module, system administrator can give (construct) relevant forms and shapes to a report document and locate it in different portals for further usage.

6. Testing of refactorized budget version analytics has been implemented by the financial-analytical service and also, by the budget department curators of the Ministry of Finance of Georgia.

7. Changes to the e-Budget system have been carried out concerning budget preparation procedures.

A reform- "integration of the Autonomous Republics, self-governing entities and LELPs in the system" was implemented.

The first and second iteration phase for units of self-government, the Autonomous Republics and lepls involvement reform in the budget system was implemented which includes annual planning phase for the incomes and expenditures as well as the alteration of remainder, quarterly budget planning and a respective joint budget management functional.

During the first and second phase of iteration, the intendant administration option was added to the system for 79 self-governing units, which in line with the possibility for planning revenues, expenditures and changes to the remainder also has the option for administering a joint budget and accessing the budget reporting document. During the first and second phases of iteration several basic functions have also been altered, in particular, configuration of the system forms became more dynamic, since not only columns, but also lines and filling rules of the table lines can be configured as a result of undertaken changes to the system. Therefore, the system has the option for configuring different budget application forms versions'.

Navigation and accession parts of the system were altered, in particular, "back" and "front" offices were unified and accession after authorization to all modules from external network to one address became possible. Funding sources "grant-remainder", "credit-remainder" and "other remainders" were abolished, and the information on the usage of the remainder instead of being uploaded in separate articles is put with a single number of conversion forms for each project into the system. Additionally, a functional for Self-Governing units' quarterly budget management was added to the system.

In the last quarter of the year, working on the budget law was finalised that lead to the addition of a renewed functional for registering nortmative acts and making and consolidating different types of transfers between budgets. A process for determining lepls' personal resources have been designed in a way to allow them not only the introduction of changes but also their ratification.

Integration connections was broadened with the treasury system in the budget determination process, in particular, the information concerning the spending process of the money allocated to a given project is sent to the treasury system and the treasury system in its turn is re-sending the data to the budget system within the framework of the ongoing projects.

The existing functional for baskets and chains was broadened to carry out determination process in the system in a balanced form, enabling synchronic and balanced alteration of the expenditures, revenues and remainders. The above-mentioned functional was also added to revenues and remainders modules besides being added to the expenditures module.



The adjusted quarterly distributed plan form was altered (adjusted budget analyses form) to reflect separately the transfers made from other budget funds.

Comment: Ongoing

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

Progress: For the purpose of switching local self-governement units and LEPL/non-commercial, non-profit legal entity budgets to the state treasury service a number of changes have been introduced and new modules have been developed. Within the framework of this reform the following changes have been introduced into the system: regions, transit and tax codes management module was improved enabling users of the treasury service to independently add a new participant organization in the treasury service system and create its income codes without any external technical interference; Normatives management module was improved and a new functional has been added to it, which enables a user to manage and make necessary changes to the normatives in the treasury system.

“Back” and “Front” modules interface navigation has been altered, and a functional for selecting different budgets was added to the system.

The following functions to the “front” part of the system were added: an operation enabling territorial units and lepls to place their own funds on a bank deposit; An operation for transferring funds to lepls enabling lepls/nnpls to transfer funds to lepls that are on the balance of other treasury service; disbursements module enabling lepls/nnpls and territorial units financial departments to check funds transferred to their accounts; deposit operations enabling a respective organization to manage funds transferred to their account; A bank deposit placement operation enabling lepls/nnpls and territorial units to place their funds on bank deposits; disbursements module enabling lepls’/nnpls’ and territorial unit financial entities to check the funds transferred to their accounts; deposits operations enabling respective organization manage the funds transferred to their accounts.

A new electronic service has been developed which re-sends information concerning the payment order sent from a bank and the Treasury system to the Revenue Service.

A new registration element has been added to the system, an event which is imported from the budget to the treasury system. Above-mentioned element enables to control financial commitments and requirements.

Intermediate sub-system layer was added to the system in which the financial units of the territorial entities will operate. With the help of the system the financial departments will administer financial activities of the organizations funded from their respective budgets.

An accounting module was added to the system. Within the framework of the module, the system makes automatic calculation of disbursements and expenditures and controls funds on a given account to be sufficient when expenditures are made.

Comment: Ongoing

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

Progress: A new submodule linked with the State securities auction was added to the system's internal debt module to reflect all important agreements and upload copies and a new report was also added to calculate pure increase in the state securities.

Accounting filters optimization has been implemented in the internal debt and targeted grant modules of the system.

An automatic upgrade functional of the National Bank of Georgia statuses was added to the system.

An automatic calculation functional for the national currency rate of the projects payment and disbursement dates were added to the system.

Migration of Municipal Development Fund loan from the test to the real operational mode of the system was implemented.

The works are ongoing on the composition of an emission calendar functional, the process also involves the composition of a multiyear emission calendar in the system to facilitate financial analysis.

Optimization of payment notification electronic service was implemented.

A new functional for working with the exchange rates was added to the system, under the framework of which the following changes to the system have been introduced:

- A new model of exchange rates was designed.
- All fixed exchange rates by the National Bank since 1996 were imported in the system.
- Electronic service optimization of rates import from the National Bank was implemented.

BDT (Build Deploy Test) functional was introduced within the framework of which an automatic testing scenario was developed. With every update of the system with the help of BDT all the operations and report data that has been carried out through the system is being checked on correctness by the system.

A functional for composing a scheduled calendar was added to the system, which is generating a detailed calendar for the amounts of needed emissions and required payments for the upcoming years as indicated by the user.

Auctions adding process was optimized, through which automatic recalculation of the payments schedule is carried out.

The documents registry was added to the National Bank of Georgia's loans module, allowing to keep all important agreements and documents related with the loans to be concentrated on a single spot/point.

Optimization of existing reports in the internal debt module was implemented.

Restructurization module modification was carried out in the loans granted from the budget section with the penalties restructuring function being also added to it.

Addition of the data on the funds being spent inappropriately with relevant dates and statutes to the detailed information in the payments schedule was implemented.

The project information form and file sent to the budget in the budget information module were modified.

Automatic tests for reports was added to the system which allows checking of the data.



Comment: Ongoing

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

Progress: the system has been improved in several directions. In particular, existing functional was upgraded and an insurance component was added, interface and classifier management scheme have been changed, private cards of the staff has been updated and existing plug ins on the card have been improved. As a result of addition of a new register the users have been given an opportunity for acquiring information concerning professional competencies, driving licences and insurance policies of other co-workers/employees. Computer skills registry form has been upgraded and improved.

Statistics reporting functional was upgraded and improved. The following reports after upgrades being done to the system were added: report on private card filling procedures, report on a staff member attendance (in accordance with attendance table), information concerning an employee health insurance, data on an average attendance rate, a detailed report on the employee attendance prepared in accordance with the turniket data.

At the current stage, more than 40 different reports have been generated in the system. In addition, date and time is

Experience management functional was upgraded in the system, sorting of the notes on the length of service has been implemented in accordance with prescribed dates. Also, attendance management functional was improved, in particular, the number of days permissible for use has been determined which allows identification depending on the number of days used for attendance as shown on a card memo to identify the number of unused days.

Changes to the missions module have been introduced to further improve the working of the functional.

System optimization has resulted in the increased operational speed for the system. Optimization includes processes such as: authorization, transition to insertions, inspection of messages/emails, forms calling/saving, generation of reports and etc. The changes introduced will simplify users working capabilities, inspection of reports and their generation in the system.

The System recognizes different levels of accession for users. Accordingly, based on a demand for the required level of accession a user is awarded a possibility to access a respective level.

The Accession rights have also been defined. In particular, in the sub-departments and positions registry, in the missions and administration windows, in the offices, insurance packages companies and companies registry.

The existing functional and design have been changed, also affecting the employees' personal cards, their exportation, and notifications functional. The system also allows hiding a personal card of an employee (fold up in a page). Also, with regard to design, the existing statistics functional window and authorization page have been improved. Additionally, existing mandatory filling fields in the system are represented in the visually different form, marked by symbol - „ * “, simplifying the process of working with customers.

On the authorization page of the system, a user's manual has been added and contact information updated.



The works to further develop and introduce the system in other public sector agencies are still actively ongoing, which is also reflected in the active rise of the number of users of the system.

Before the introduction of the system, contracts with respective agencies are signed, trainings are held and only then the process of system introduction procedures begin.

At the current stage the system has already been introduced in the operation of more than 30 state units. Namely: the Ministry of Finance of Georgia and in all its units, Administration of the President, LEPL Civil Aviation Agency, LEPL Land Transport Agency, The Ministry of Culture and Monument Protection of Georgia, Vano Khukhunaishvili Center for Effective Governance System and Territorial Reform, Administration of South Ossetia, Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees of Georgia, the Office of the State Minister of Georgia for Diaspora Issues, the Administration of Public Defender of Georgia, Government of Autonomous Republic of Adjara, the Ministry of Finance of Autonomous Republic of Adjara, the Ministry of Regional Development and Infrastructure of Georgia, LEPL National Forestry Agency, LELP Municipal Development Fund of Georgia, LEPL National Center for Disease Control and Public Health Agency of the Ministry of Labor Health and Social Affairs of Georgia, LEPL Educational and Scientific Infrastructure Development Agency of the Ministry of Education and Science of Georgia, Ministry of Energy of Georgia, LEPL State Regulation Agency for Medical Activities of the Ministry of Labor Health and Social Affairs of Georgia, LEPL Roads Department of Georgia of the Ministry of Regional Development and Infrastructure of Georgia, State Procurement Agency, Tbilisi V. Komarovi N199 public School of Physics and Mathematics of the Ministry of Education and Science of Georgia, LEPL Civil Service Bureau, Social Service Agency of the Ministry of Labor Health and Social Affairs of Georgia, National Assessment and Examination Center of the Ministry of Education and Science of Georgia.

Presentation of the system was conducted in the following state organizations: the Ministry of Economy and Sustainable Development of Georgia, Samtskhe – Javakheti –the State Governor’s Administration of , Ilia State University, LEPL the Center of Electoral Development, Reforms and Trainings, State Governor Administration in Kakheti Region, Tbilisi Transport Company, the Ministry of Education and Science of Georgia, the Ministry of Sport and Youth Affairs, the Ministry of Agriculture of Georgia, the Ministry of Environment and Natural Resources Protection of Georgia, Samegrelo Zemo Svaneti Province, Zugdidi Municipality, Mestia Municipality, Technology Development Fund of Tbilisi City Hall.

Comment: Ongoing

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

Responsible Unit: LEPL Financial-Analytical Service

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

Progress: EMC VPLEX technology - based architecture has been implemented in the main and reserve data centers and both systems operate in the “active-active” regime on its bases. Network infrastructure tools have been strengthened to transmit 10 gigabits of traffic. A new data storage generation system VNX has been introduced. Introduction of System Center Components is ongoing.

Comment: Ongoing



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

Progress: The document was approved by the Government Resolution N400 of 17 June 2014

Comment: Completed

1.2 Development of Public Finance Management Strategy Document of Georgia

Responsible Unit: Analytical Department

Milestone: Drafted Document

Timeframe: January-May

Progress: The document was approved with the Order of the Ministry of Finance N142 of 7 May 2014

Comment: Completed

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

Progress: The letters concerning the risk assessment in accordance with N1 task as designated by the action plan was sent by the Minister of Finance as the chairman of Inter - Agency Council. The corresponding responses have been received from all of the responsible persons. The Inter-Agency Council meeting N4 was held on the 26th of November, where discussion of a risk analysis based approach and also a progress report presented by Georgia to the European Council's 2014 MONEYVAL autumn session took place.

Concerning the issues falling directly in the competence of the Ministry of Finance, the biggest progress track is evident in the works to establish state supervision for the precious stones and metals. The draft law has been developed and submitted for consideration to the MONEYVAL Committee, as well as to the Council of Europe's Directorate for Human Rights and Rule of Law. A unit responsible for supervising precious metals and stones has been identified to be LEPL Service Agency. Additionally, a detailed action plan based on the prescribed dates by the LEPL Service Agency has been developed.

Besides the abovementioned, amendment project to the gambling games law was prepared and submitted to the MONEYVAL Committee for consideration.



It should also be noted, that the Ministry of Internal Affairs of Georgia is preparing an amendment project for the organization of Lottery, Gambling and Profitable games law. An unofficial version of the amendments draft project has been presented to the ministry of finance. It is evident that the amendments project is clearly in line with the FATF and MONEYVAL recommendations, also reflected in the National Action Plan.

Two the Council of Europe representatives visited the Ministry of Finance of Georgia in 2014. The primary goal of the visiting mission was identification and assessment of needs. Experts met with the representatives of all competent agencies and organizations involved in the fight against money laundering. The official report from the European Council is expected to be delivered by the end of January of 2015.

Comment: Ongoing

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

Responsible Unit: Analytical Department

Milestone: Developed document

Timeframe: April- June

Progress: With the help of foreign experts, the Revenue Service completed working on the pilot version of regulatory impact assessment.

Comment: Completed

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

Progress: Trainings for the internal audit departments personels (118 participants) has been conducted

Comment: Completed

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

Progress: The trainings were conducted with the participation of various budgetary organization employees specializing on finances



Comment: Completed

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

Progress: With the support of German International Cooperation Society GIZ office to the south Caucasus trainings for local self-governing units' financier and accountants (199 participants) has been organized.

In addition, in order to use a new software trainings and workshops for LELPs representatives were organized.

Comment: Completed

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

Progress: Trainings concerning taxation have been conducted for the audit and harmonization departments on the following subject: "program budgeting, financial management and control" (25 participants). Trainings and working meetings for the Investigation Service have also been organized on the following topics: the fight against crimes committed in the field of value added tax"; "Methods for fighting money laundering and compensating appropriated assets" (20 participants). A study visit with the participation for three Ministry of Finance of Georgia employees was organized to Holland. The main topics of the study visit was the State expenditures management and tax administration.

Comment: Completed

3. Renovation and development of the eaucution.ge system

3.1 Renovation and development of the eaucution.ge system

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

Milestone: A simple and flexible system introduced

Timeframe: January-December

Progress: The design of the web-page has become more attractive to users. Separate sections where the users' opinion survey and information on other services are available have also been added to the web page. A separate space for advertisements has also been apportioned in the lots section. The search parameters have been increased and for the



purpose of delivering a more comfortable service to the consumers a list of lots and also QR codes which enables consumers to view lots opened on the computer screens directly on the mobile phone screens were placed next to the lot.

Online consultation to further increase effectiveness of services was added to the Service Agency system which enables the users to get the information needed without making a phone call or visiting the service agency building.

In order to improve administrative part of the web-page a new report generating mechanism was created, dollar rate conversation mechanism has been changed and improved, a new payment scheme has been introduced.

A test version of mobile application of www.eauction.ge for mobile phones with IOS operative system has been prepared and internet-auction module has been improved with the possibility of realization also through the „Buy It Now“-capability.

Comment: Completed

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

Progress: A special working group was established in the Service Agency of the Ministry of Finance of Georgia, which is responsible for the establishment of state supervision system on precious stones, metals and their products.

The working group conducted a detailed study of the market of precious metals and stones, which revealed the specifications of the local market, trends, issues and risks.

An existing law was improved and 2 additional normative acts have been drafted by the working group.

Relations were established with the test services of different European countries for the purpose of collecting useful information and also sharing the experience. Also, the representatives of the Service Agency visited Portugal, Latvia and Lithuania.

Project detailed action plan was prepared.

The working group is conducting negotiations with donor organizations in order to obtain financing.

The study on the performance of test service laboratory was conducted covering the following activities: marking, equipping, organizational and technical issues.

Comment: Completed