

Report on Study Tour Trip

Dublin, February 15-20, 2010 the Government of
Georgia

The study tour to Dublin, Ireland was organized on February 15-20, 2010 for the Government Officials of Georgia, including, the mid-level management from the Ministry of Finance, the Ministry of Education and Science and Tbilisi City Hall with the focus on the capital budget process from inception through appraisal and selection and into implementation.

The new Budget Code adopted by the Parliament of Georgia in December 2009 requires implementation of program and capital budgets in 2012; in addition to this, the Government of Georgia took the commitment to the World Bank and EU Commission to fund implementation of these changes. The conversion is a fairly long and difficult process; therefore the Government of Georgia has decided to implement it gradually. The Government has already made some steps forward to meet the Budget Code requirements; it was the first time that the 2009 Annual Budget Law included an information addendum of pilot capital and program budgets; however, that was only an initial draft and required further elaboration and improvement.

Considering that Georgia is an active member of the Public Expenditure Management Peer Assisted Learning (PEM PAL) network the decision was made to use these relations and arrange a study tour in Ireland.

The Georgian delegation had meetings with the Department of Finance, Department of Education and Science, National Development Finance Agency (NDFA), where they listened to the welcome speech by Brian Murphy, CEO of the NDFA who invited Georgians on that trip. In addition, Georgian participants had a meeting with National Roads Authority to get additional information on capital project development and implementation to get a view of another Department with the largest capital budget. The delegates also had a very good meeting with the private entities: KPMG corporate finance representative and BCM Hanby Wallace Solicitors involved in the national capital budget process and implementation phases. The Delegation had a chance to learn about the extensive use of Public/Private Partnerships for the implementation and operation of capital projects as a way to transfer risks associated with these projects.

Georgian delegates had a wrap-up meeting with the Department of Finance to get a chance to ask all of the questions that they had accumulated during the visit. The discussion turned out to be very interesting. Per Georgian delegates' request, The Head of the Finance Section under the Department of Finance made a presentation on program budgeting as program budgeting is another project that the Government of Georgia has undertaken simultaneously with the capital budget and it was interesting to learn from the Irish experience. They were pleased to make the presentation as they were very proud of their achievements in program budgeting.

Generally, the study tour to Dublin, organized for the Government officials of Georgia, fully accomplished its aims, and despite a tight time frame allowed for participants to examine the systems of capital budget planning and budget implementation.

The most important process for Georgia was an introduction of a system that is completely functional and appropriate for Georgia.

It is practical to have experience exchanges with such countries such as Ireland on a continuous basis, as they will be very useful to gain more detailed and in-depth knowledge of methods and processes for implementation in this country.

The key lessons learnt were:

- ***The Capital Budgeting Process in Ireland:*** by participating in the Study Tour, the delegation learned that the country develops 10-year National Development Plan based on which rolling 5 year capital plans are created at the Department level. The process is well conceived and highly effective; leading both to central control and more flexibility for line ministries while promoting mid-term planning. All Ministries are involved in the process. They are using an automated budget preparation system. There is not a lot of detail in the budget document itself other than financial allocations for the year and the estimates for the out-years; however, they have a very sophisticated capital project evaluation system with a selection criterion and indicators to measure against. They do not utilize forms for the submittal of budget detail, but rely on discussions between the Budget Office and the Departments when there are questions.
- ***Lessons learnt in the transition to this process that would apply to Georgia? What worked that should be replicated? What didn't work that should be avoided?*** They did not do an adequate job of training for either the Ministries or Parliament. If they do this again, they would focus more efforts there. They implemented the process slowly over number of years and this served them well as they did not introduce too much too fast. They are also using very effectively public-private partnerships (so called PPPs) in the capital budgeting process. They have a very positive attitude towards that approach as a way of reducing risks
- ***The most important and least relevant information learnt:*** the delegates had an opportunity to get very detailed information about the capital budgeting system; in addition participants also learnt that Ireland has been trying to convert their line item budget into program budgeting; it was very helpful and interesting to learn how capital and program budgets interplay as Georgia has been undertaking both efforts simultaneously.

The process of project justification and “business case” was incredibly interesting but would probably be enhancements that will come over time in Georgia. At this point this information was the least relevant information for the delegation; albeit very interesting

- **Based on the Study Tour and personal knowledge what are the comments and recommendations for the Ministry of Finance as it implements Capital Budgeting in Georgia:** having limited experience, Georgia has to try to do things slowly, start small and grow from there. Start with one year simple capital budget and grow gradually to the multi-year program budgeting. Get commitment and sponsorship from the highest level possible, desirably at the PM level as a way to ensure active participation from line Ministries.

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