



# Budget System of Georgia

2013

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# Public Finance Management Reform

- **2004 – Single Treasury Account;**
- **2005 –MTEF - BDD Document (Basic Data and Directions document);**
- **2009 – New Budget Code;**
- **2011 – E-Budget is activated**
- **2012 – Program Budget on State Budget Level;**
- **2013 – Program Budget on Municipal Level;**

**One Budget process cycle is completed since the first program budget was adopted**



- The Budget code aims to:

*determine Budget System formulation principles, to regulate drafting, discussing, adopting, performing, reporting and controlling mechanism of State Budget and Budget of Autonomous Republics and Local Self-Governing entities, as well as budgetary relationships and responsibilities among the central, local and autonomous republics' governments*

- Budget System of Georgia:

*„Unity of Budgetary Relationships regulated by legislation on mobilizing financial resources and using them in order to complete the functions of the Central Governments and Governments of the Autonomous republics and Local Self-Governing Entities.*

- Budget Process:

*„Activities by Budget process stakeholders which includes preparing, representing, discussing, adopting, adjusting, performing, accounting and control.*

## **Budget Code of Georgia**

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## 7 Principles:

- Comprehensiveness;
- Transparency;
- Accountability;
- Independence;
- Unity;
- Universality;
- Consolidation;



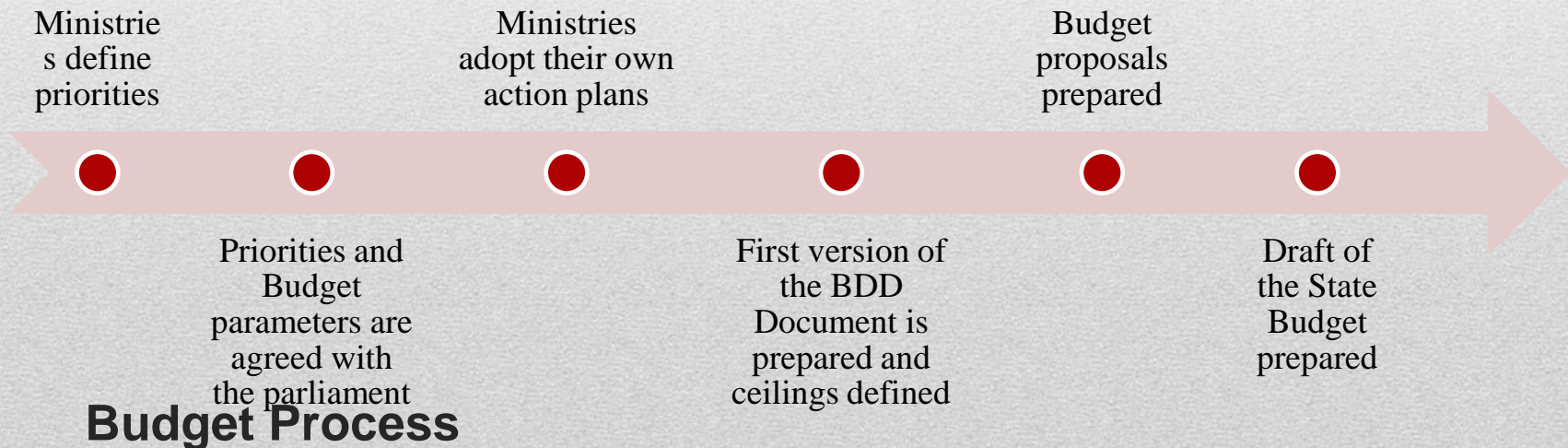
## GFSM 2001

- Total Revenues include:
  - Revenues;
  - Receipts from non-financial assets;
  - Receipts from financial assets;
  - Receipts from Liabilities;
- Total Expenditure:
  - Expenses;
  - Expenditure on non-financial assets;
  - Expenditure on financial assets;
  - Expenditure on amortization of Liabilities;
- Budget Classification – GFSM 2001;
- Surplus and Deficit;

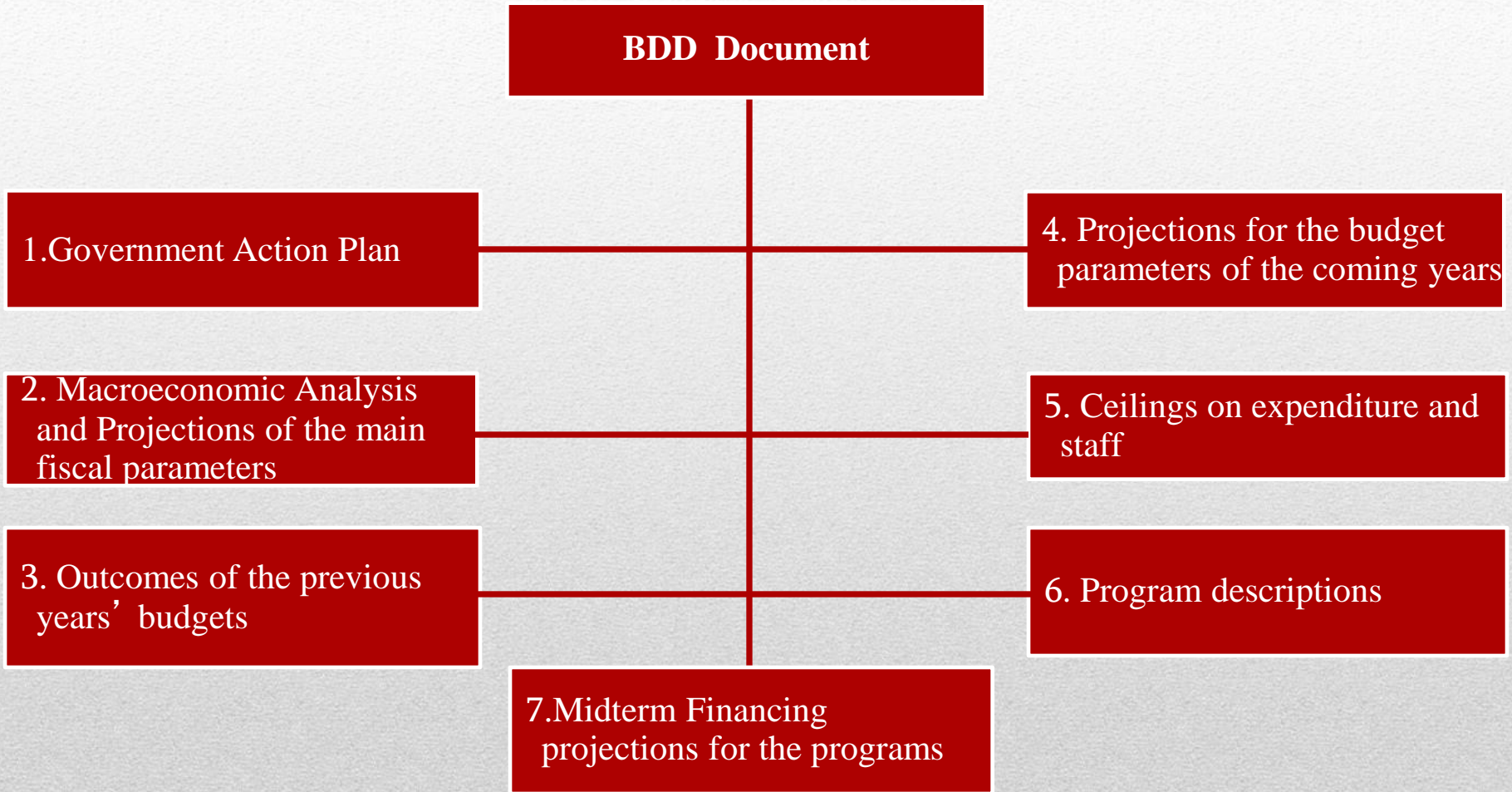
### **Budget Classification**

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- Ministries define priorities;
- Government agrees the priorities with the parliament;
- Based on the recommendations from the parliament Ministries adopt their midterm action plans;
- BDD Document (Basic Data and Directions) is prepared based on the Ministries’ action plans and the document includes Budgetary ceilings and financing of the major programs for the 4 year period
- Spending Units prepare their budget proposals according to the parameters defined in BDD;
- Draft of the State Budget is prepared based on the budget proposals represented by the spending units ;
- Draft of the budget is sent to the parliament for discussion and adoption;







## Midterm Planning

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- After the adoption of the BDD Document by the Government, Spending Units are notified on their budget ceilings
- Before September 1, spending units are to fill in their budget proposals within the E-budget in accordance with the budget ceiling defined in the BDD Document;
- Spending Units can provide proposal on above the ceiling parameters with the strong justification;
- Major Budgetary parameters are prepared by the MOF and submitted to the Government before September 15;
- After the Government recommendations the first draft of the State budget is submitted before September 25 to the Government and submitted to the parliament before October 1;
- After the final submissions of the draft of the budget to the parliament it should be adopted before the third Friday of December or before December 31.

## **Drafting of the State Budget**

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# Pilot period for Program Budgeting

- 2009 – First Stage:  
2010 Budget proposals were prepared in parallel with the organizational structure according to the program budget structure by the following ministries:
  - Ministry of Justice;
  - Ministry of Education and Science;
  - Ministry of Labor, Health and Social Protection;
- 2010 – Second Stage:
- 2011 Budget proposals were prepared in parallel with the organizational structure according to the program budget structure by the following ministries:
  - Ministry of Justice;
  - Ministry of Education and Science;
  - Ministry of Labor, Health and Social Protection;
  - Ministry of Corrections and Legal Assistance;
  - Ministry of Agriculture;
  - Ministry of Environment
- 2011 Spring:
  - All the ministries were asked to rearrange their 2011 budgets in Program Budget Format;
- 2011 Summer: Program Budget Methodology was finalized and adopted by the Minister of MOF.
  - 2012 State Budget proposals were submitted to MOF in program budget format
- 2011 Autumn:

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  - Draft of the 2012 State Budget submitted to the parliament in program budget format;
  - Annexes added to Budget package

- Program Budget – Results oriented budget;
- Better links between spending and outcomes;
- Program Budget includes:
  - Programs and Subprograms directly linked to the priorities;
  - Program aims and outputs/outcomes;
  - Activities for achieving the outputs/outcomes;
  - Performance measurement indicators;
  - Midterm Financing of the programs;
- Program – Main Unit of the Budget;

## **Program Budget**

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- Program Budget Methodology;
- Methodology includes:
  - Introduction \_ general terms;
  - New BDD structure; ;
  - New Budget Structure;
  - New Budget Annexes;
  - New Budget performance report;
  - Transition from organizational classification to program classification

## **Program Budget**

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- A program is unity of activities aimed to achieve one of the goals of the priority, grouped according to its content and targeted to one outcome in long term;
- Each program has its program code in the program classification and assigned money for expenditure;
- Programs are produced from the competencies of the ministries;
- Each program is a responsibility of one Spending Unit;
- Law on Budget includes description of each program and subprograms (if any);
- Program can be of a different type (subsidizing, service providing, infrastructural etc);

## **Program Budget**

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## Annual Budget Law

Chapter I – Main parameters of the State Budget

Chapter II – State Budget Revenues

Chapter III – State Budget Expenditure and functional classification

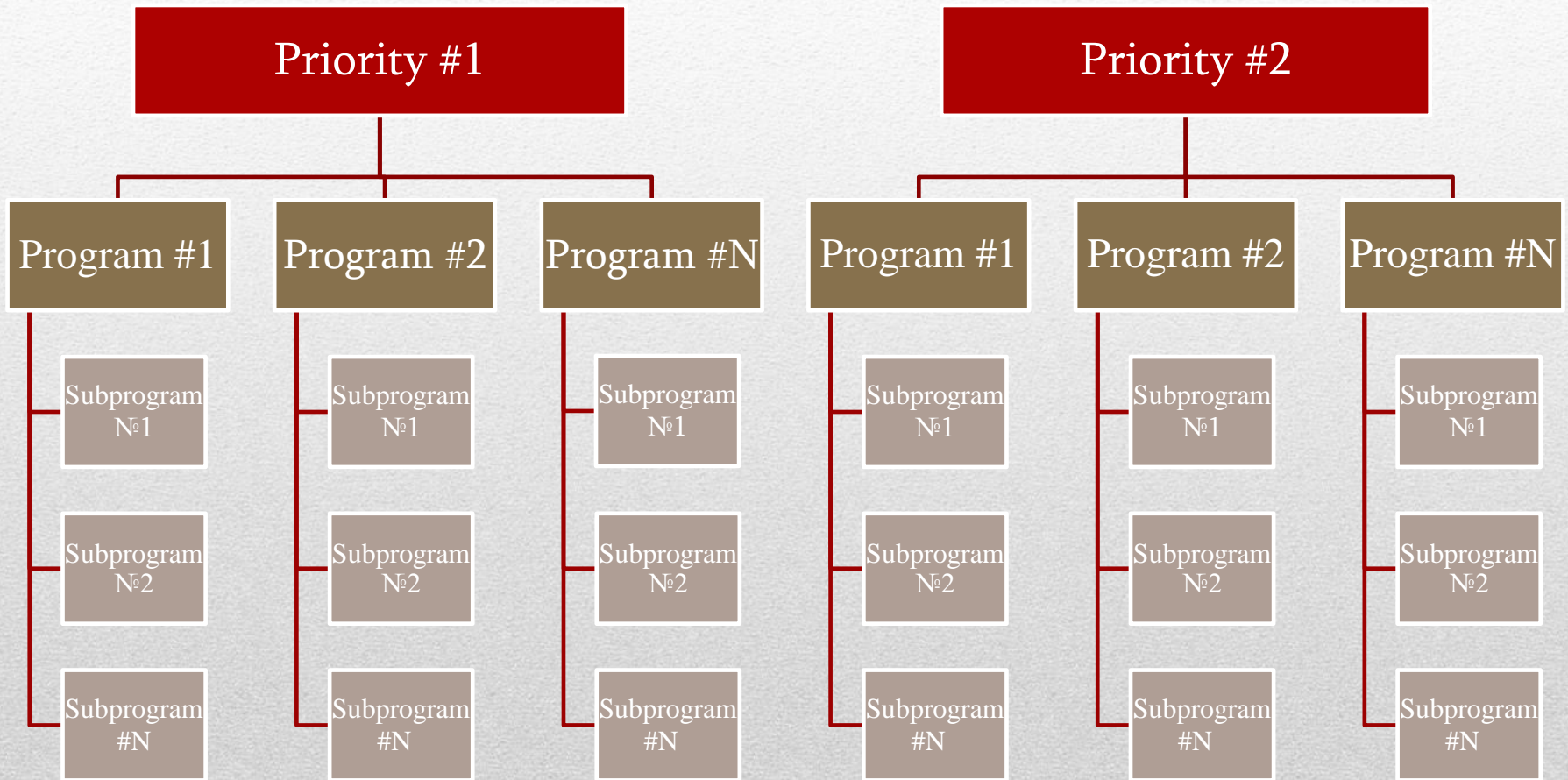
Chapter IV – Total Balance, Financial Assets and Liabilities

Chapter V – State Budget Priorities and Programs

Chapter VI – State Budget Assigned Expenditure

Chapter VII - Transfer

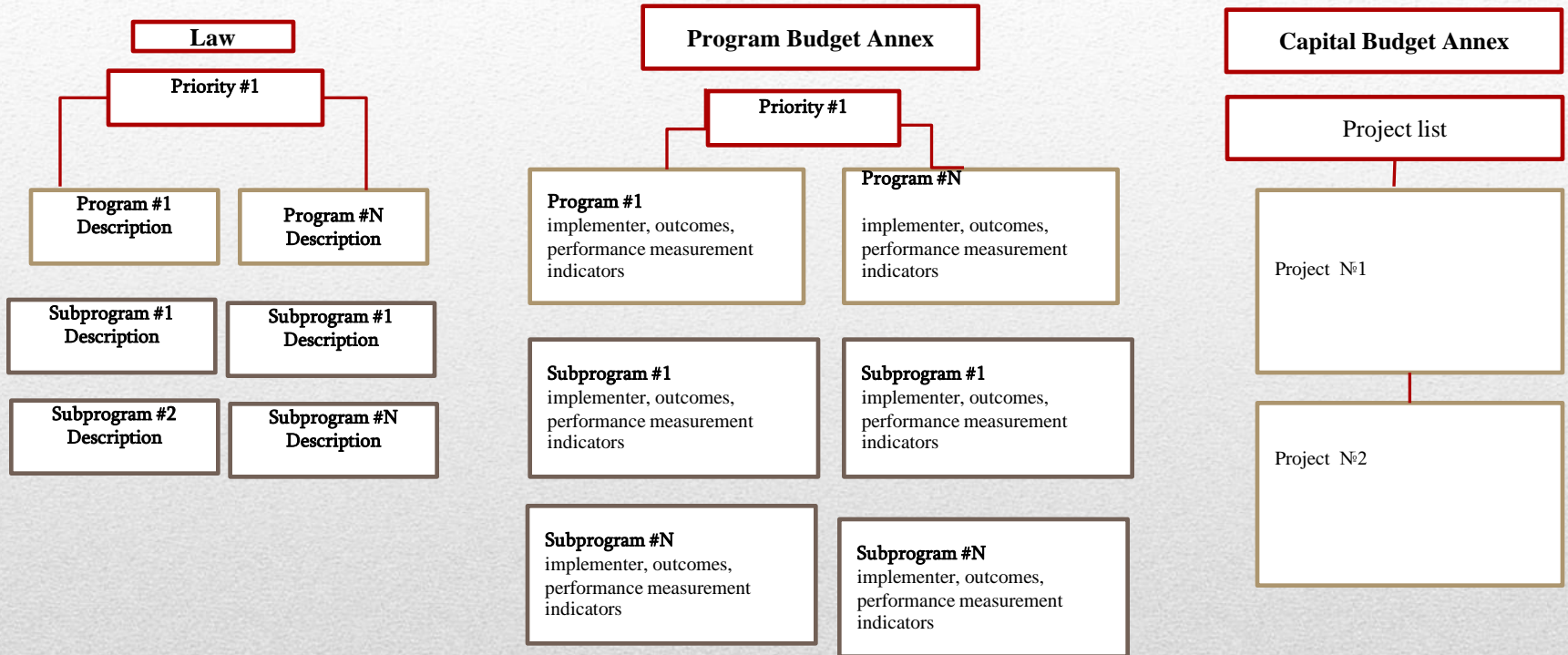
Chapter VIII – Regulative Norms



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## Program Budget Structure – Chapter 5





## Program and Capital Budget Annex

Responsibility to draft the Budget, execute it and report on its performance:

State Budget – Government of Georgia;

Budgets of Autonomous Republics – Respective Supreme Executive Body

Local Budgets - Respective Supreme Executive Body

Responsibility to discuss the draft law, adopt the law on budget and control it:

State Budget – Parliament of Georgia;

Budgets of Autonomous Republic – Respective representative bodies of the Government

Local Budgets – Respective representative bodies of the Government;

Consolidated Budget - MOF

**State Budget, Budgets of Autonomous Republics, Local Budgets, Consolidated Budget**



<b>Chapter</b>	<b>Information</b>
Chapter I	<ul style="list-style-type: none"> <li>• State Budget Balance;</li> </ul>
Chapter II	<ul style="list-style-type: none"> <li>• Macro-Fiscal Analysis;</li> <li>• Consolidated Budget Revenues;</li> <li>• State Budget Revenues</li> </ul>
Chapter III	<ul style="list-style-type: none"> <li>• Aggregate Expenditure;</li> <li>• Major Budget Activities;</li> <li>• Expenditure According to Functional Classification;</li> <li>• Expenses of General Government Importance;</li> <li>• Actual Transfers on Municipal Governments;</li> </ul>
Chapter IV	<ul style="list-style-type: none"> <li>• Total Balance;</li> <li>• Financial Assets and Liabilities;</li> <li>• State Debt;</li> </ul>
Chapter V	<ul style="list-style-type: none"> <li>• Progress on Programs' Achievement;</li> </ul>
Chapter VI	<ul style="list-style-type: none"> <li>• Actual Expenses according to Program Classification;</li> </ul>

## **Budget Performance Annual Report**

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