



European Union

Strong Support to the Reform of the Georgian Public Finance Management

Governments can empower their people to make the most in creating a favourable environment for business, for innovation and for long term development. The European Union and Georgia share the vision that a transparent and effective public spending is one of the crucial ingredients of a country's development. Since 2004, the European Union has funded a series of programmes supporting Georgia in making public spending more effective by:

- Supporting the setting up of the legal framework and an efficient management of the national budget ;
- Supporting the reform of the tax and custom systems, by setting up more clear and efficient procedures easily understood by taxpayers;
- Establishing modern internal and external systems of verifications, recommendations and assessments of the management of the public finance, and
- Improving the transparency and efficiency of public procurement of goods and services.

From 2004, the European Union has been providing assistance to those public institutions - Ministry of Finance, Chamber of Control, State Procurement Agency and ministries of Justice, Health, and Education- involved in the reform of the Public Finance Management. In practice, most of the aid dedicated to this sector, € 25 million between 2004-2011, is transferred into the Georgian state Treasury.

In addition, technical assistance of €5 million has been fully available to public institutions in order to reinforce the harmonisation process of Georgian standards and norms with those of the European Union.

A more open and participatory process

The assistance provided by the European Union in the sector of the Public Finance Management has also focused on the role that the civil society and other social actors can play in the reform of the management of the public finance. The European Union has broadly encouraged the creation of platforms for consultations and debate.

An efficient and transparent management of the national budget

The support provided by the European Union to the Government of Georgia to reach an efficient level of management of the national budget has been focusing on:

- planning and executing public spending
- monitoring, evaluating and reporting on the use of public funds.

Making public spending more efficient and transparent is a key for better allocation of resources and a cornerstone for a reform based on general consensus. This is why the EU is helping the Government of Georgia to improve transparency and effectiveness of the Public Finance Management. More transparency enables the government to improve the way to set out its priorities, and design its economic strategies.

The European Commission is the European Union's executive body

"The European Union is made up of 27 Member States who have decided to gradually link together their know-how, resources and destinies. Together, during a period of enlargement of 50 years, they have built a zone of stability, democracy and sustainable development whilst maintaining cultural diversity, tolerance and individual freedoms. The European Union is committed to sharing its achievements and its values with countries and peoples beyond its borders".

With funding from the European Union between 2004-2011:

€ 25 million have been transferred into the Georgian State Treasury to support reforms and making public spending more effective

A modern accounting and control system has been put in place

Strong support to the Tax Reform Process



European Union



Easier access to information and administrative assistance for the taxpayers

077 - toll free number of the call centre and Help line to assist taxpayers

Pocket Tax Book published

The European Union has helped the Georgian authorities to identify the shortcomings in the management of the public finance system and develop a strategy and action plan for reforms. The Ministry of Finance has also benefitted of further assistance to improve its capacity of revenue forecasting. In practical terms, forecasting from public funds become more accurate and predictable. Part of this assistance was also meant to help the identification and adoption of those practices shown to produce successful results in the sector.

Besides, the European Union supported the establishment of a modern accounting and control systems. New procedures have been set up so that every public institution has to establish an internal audit and control process on how public funds are spent. This system will enable the formulation of recommendations to the line ministries on how the budget can be spent in a more effective way

Tax reforms for a solid economic growth

The European Union's assistance will also contribute to the strengthening of the citizen's trust in the tax reform process initiated by the Government, through a support of €2.4 million. These reforms will allow more efficient use of tax revenues without increasing fiscal pressure on the taxpayer. Therefore, the country will be in a better position to resume economic growth, create jobs and ultimately reduce poverty. Tax reforms will ensure continued progress on the fight against corruption, opening up for foreign investment and the facilitation of trade.

A general assessment of the Georgian tax system has been published in October 2009. This "Fiscal Blueprints" have helped the Ministry of Finance, and the Tax Department to further enhance awareness and dialogue with the tax-payers based on principles of transparency, impartiality and full respect of law.

With part of this funding, € 300.000, the European Union helped the Ministry of Finance to make life easier for taxpayers and entrepreneurs. On 8 May 2009, a new Call Centre for taxpayers was inaugurated. 077 is the toll free number of the Call Centre and Help Line to assist taxpayers in Georgia with their queries related to tax and customs legislation. Besides, the European Union has financed the publication of a *Pocket Tax Book*, also available on the Ministry of Finance's website in both Georgian and English languages. It provides extensive information about rights and responsibilities under the new tax code, how to file returns and pay taxes, tax forms and declarations.

Macro-Financial Assistance

Sound management of public finance has also been a requirement for an additional support package that the European Union has provided to Georgia since 1994 through the Macro-Financial Assistance (MFA).

The Macro-Financial Assistance is a financial instrument providing support on a case-by-case basis with a view to helping the partner country in dealing with a difficult external financial situation.

Between 1998 and 2006, Georgia benefitted from a grant totalling € 53.5 million and a loan of € 110 million.

These funds have been used by the Government of Georgia to stabilise the economy and engage in agreements with the international donors to further support the social-economic development of the country.

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