

General Conditions for tranche release

Area	Condition	Source of verification
Public finance policy	<p>Satisfactory progress in the implementation of the partner country public finance policy and strategy. The Ministry of Finance (MoF), and the State Audit Office (SAO):</p> <p>(i) Update and publish, on their websites, relevant and credible medium-term reform strategies an PFM-related governance together with costed action plans, as well as the main achievements having taken place during previous year, using the 2012 PEFA assessment and other assessment tools,</p> <p>(ii) Ensure and demonstrate that the above-mentioned PFM reform strategies and action plans are clearly reflected and costed in the multiannual Basic Data and Directions Document (BDD) and in the annual budget law submitted to the parliament.</p>	<p>1. MoF, SAO strategies for 2014-2017 years.</p> <p>2. MoF, SAO action plans for 2015, 2016, 2017.</p> <p>3. GoG Basic Data and Directions document for 2015-2018, 2016-2019, 2017-2020 years.</p> <p>4. MoF, SAO websites.</p>
Macroeconomic stability	<p>Satisfactory progress in the maintenance of a stability oriented macroeconomic policy.</p> <p>Satisfactory progress in the implementation of its programme to improve and reform public financial management, as evidenced of SAO, Parliament, Donor Community, Civil Society) meeting on a quarterly basis to discuss reform plans and progress on PFM-related governance and policies.</p>	<p>IMF, WB, EU reports</p> <p>1. PFM Coordination Council meeting minutes.</p> <p>2. EU PFM Reports.</p> <p>3. MoF, SAO quarterly reports on PFM action plan implementation.</p>
Public Financial Management		<p>1. Open Budget Index methodology.</p> <p>2. IMF, WB, EU Reports</p>
Transparency and oversight of the budget	<p>Satisfactory progress with the regard to the public availability of accessible, timely, comprehensive, and sound budgeting information</p>	

Specific Conditions for tranche release

The specific conditions for tranche release apply to individual tranches in addition to General Conditions which are applicable to all tranches.

Tranche	Amount (EUR mln)	Indicative disbursement request date (Quarter/Year)	Indicative disbursement date (Quarter/Year)	Condition/Criteria/Activity for disbursement	Source of Verification
First Fixed Tranche	1	Q/1 2015	Q/2 2015	General Conditions as set out in Table General Conditions above	
First Variable Tranche		Q/1 2015	Q/2 2015	<p>General Conditions as set out in Table General Conditions above</p> <p>(1) Improved Policy-based budgeting</p> <p>1.1 The Ministry of Finance (MoF) develops guidelines (planning horizon, content, costing, monitoring, reporting).</p> <p>1.2 The MoF upgrades methodology for program budgeting (program budget structure and content, reporting).</p> <p>1.3 The MoF develops and updates quarterly a database (including info on actual revenues and expenditures) of Legal Entities of Public Law (LEPLs)¹ that are managed by the government on line ministries.</p> <p>(2) Study on Fiscal governance conducted, discussed with stakeholders and published</p> <p>2.1 The Ministry of Finance (MoF) produces a report which (i) briefly description the current status of Georgia Fiscal Governance in relation to EU Fiscal Governance, and (ii) presents the main medium- and long-term perspectives for Georgia to approximate with EU fiscal governance.</p> <p>(3) Government's Accountability mechanisms are strengthened</p> <p>3.1 The '2015 Citizens Guide to the State Budget' is prepared by MoF and published (in Georgian and in English language) on the MoF website by end- December 2014.</p> <p>3.2 The Government establishes the mechanism for monitoring the implementation of Parliament recommendations related to main SAO findings.</p> <p>(4) Improved Public internal financial control and audit</p> <p>4.1 The central Harmonization Unit in the MoF develops the Rules and Procedures for Financial Management and Control in accordance with international best practice.</p> <p>4.2 Internal Audit units are established in all line ministries that are functioning according to the DIFC Law.</p>	<p>Methodology for strategic/medium term planning.</p> <p>Methodology for program budgeting</p> <p>LEPL database</p> <p>MoF study of fiscal governance</p> <p>2015 Citizens Guide to the State Budget</p> <p>MoF website</p> <p>Government of Georgia decree establishing the monitoring mechanism (status, responsibilities)</p> <p>FMC rules and procedures</p> <p>Organigrammes of line ministries</p>

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Second Fixed Tranche	1	Q/1 2016	Q/2 2016	<p>(5) SAO's mandate, performance and communication is strengthened</p> <p>5.1 The State Audit Office (SAO) produces and transmits to the Parliament and to the EU Delegation, a policy paper (in Georgian and in English language) assessing the degree of compliance with the INTOSAI's Mexico declaration principle 3: Independence, Objectivity and Impartiality. Therein a specific attention will be paid on monitoring of political parties' financing and on issues such as improving SAO services to Parliament and citizens.</p> <p>5.2 The Performance Audit Methodology is in line with ISSAI performance audit guidelines 3000-3100.</p> <p>5.3 The SAO develops and implements an improved external communication strategy with special attention on developing better service to the public and to the Parliament, as well as informing on the percentage of the general government budget which has been audited by SAO in the previous years and on the percentage that SAO plans to audit in the coming years.</p> <p>(6) Budgetary oversight, transparency and communication is strengthened</p> <p>6.1 The Budget and Finance Committee of the Parliament develops a work plan for 2015 structured on a quarterly basis, which is published on the Parliament website and includes the participation of Parliament-designated staff to the PFM Reform Coordination Council.</p> <p>6.2 The Budget and Finance Committee of the Parliament conducts public hearings on the State Audit Office (SAO) audit reports and on government annual report on the state budget execution.</p> <p>6.3 Based on its review of existing model(s) of Budget Office and on lessons learnt, the Budget and Finance Committee finalizes and publishes a synthetic multi-annual strategy and an initial and indicative multiannual action plan in order to progressively build a full-fledged, relevant and credible Budget Office the Parliament of Georgia.</p>	<p>Performance audit methodology.</p> <p>SAO communication strategy</p> <p>Work plan of the budget and Finance committee</p> <p>Parliament website</p> <p>Medium Term strategy and action plan for establishing fully pledged Budget Office</p>
Second Variable	5.2	Q/1 2016	Q/2 2016	<p>General Conditions as set out in Table General Conditions above</p> <p>(1) Improved Policy-based budgeting</p>	

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Tranche				<p align="center">Condition/Criteria/Activity for disbursement</p> <p>1.1 At least 5 line ministries develop medium term strategies and action plans according to MoF guidelines; strategies are cosed and included in the Basic Data and Directions Document and in the annual budget law.</p> <p>1.2 The 2016 State Budget is presented according to the upgraded methodology and contains programme budgets for all line ministries</p> <p>1.3 Information on LEPLs actual revenues and outlays is submitted to the parliament as the part of the quarterly state budget execution reports.</p> <p>(2) Study on Fiscal governance conducted, discussed with stakeholders and published</p> <p>2.1 After discussions within the government, the study is finalized by the MoF and published (in Georgian and in English language) on the MoF website by end-November 2015.</p> <p>(3) Government's accessibility mechanism are strengthened</p> <p>3.1 The "2016 Citizens Guide to the State Budget" is prepared by the MoF and published (in Georgian and in English language) on the MoF website by end-December 2015.</p> <p>3.2 By end of June 2015, Government submits to Parliament the report on the progress of implementing the 2014 recommendations of the Parliament related to main SAO findings.</p> <p>(4) Improved Public internal financial control and audit</p> <p>4.1 Internal Control system is established and functioning according to "FMC rules and procedures" in at least 4 line ministries.</p> <p>4.2 In at least 12 line ministries Internal Audit Units have completed and transmitted to the responsible Minister at least two financial and/or compliance audits. At least one performance or/and system based audits are conducted in 4 ministries.</p> <p>(5) SAO's mandate, performance and communication is strengthened</p> <p>5.1 Following discussions with the Parliament, the SAO prepares and submits to the Parliament draft legislation deriving from the findings of the policy paper.</p> <p>5.2 At least 3 audits completed in 2015 are performance audits and their main findings and recommendations are published in the SAO website not later than 30 October 2015.</p>	<p align="center">Source of Verification</p> <p>Line ministry strategies BDD for 2016-2019 years.</p> <p>State Budget for 2016 year</p> <p>2015 State Budget quarterly execution reports.</p> <p>MoF website</p> <p>Government report on implementation of 2014 Parliament recommendations.</p> <p>Fact finding missions in line ministries.</p> <p>Financial/compliance audit reports Performance and/or system based audit report.</p> <p>Draft legislation submitted to the Parliament.</p> <p>Performance audit reports SAO website.</p>

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Third Fixed tranche	1	Q/1 2017	Q/2 2017	General Conditions as set out in Table General Conditions above	
Third Variable tranche	6,6	Q/1 2017	Q/2 2017	<p>(1) Improved Policy-based budgeting</p> <p>1.1 At least 10 line ministries develop medium term strategies and action plans according to MoF guidelines; strategies are costed and included in the BDD and in the annual budget law.</p> <p>1.2 The 2016 State Budget execution report package includes the review of programmes according to the performance measurement indicators.</p> <p>1.3 The information on LEPLs actual revenues and outlays is submitted to the parliament as the part of the quarterly state budget execution reports.</p> <p>(2) Study on Fiscal governance conducted, discussed with stakeholders and published</p> <p>2.1 The MoF organizes a series of public discussions on fiscal governance in Tbilisi and in the regions, in order to raise public awareness on the importance of fiscal governance.</p> <p>(3) Government's accessibility mechanism are strengthened</p> <p>3.1 The "2017 Citizens Guide to the State Budget" is prepared by the MoF and published (in Georgian and in English language) on the MoF website by end-December 2016.</p>	<p>SAO report on communication strategy implementation.</p> <p>Work plan of the Budget and Finance Committee; Parliament website</p> <p>Meeting minutes of relevant public hearings.</p> <p>Media coverage of the hearings.</p> <p>Fact findings mission to the Budget Office.</p> <p>Line ministry strategies BDD for 2017-2020 years.</p> <p>State Budget execution report for 2016 year</p> <p>2016 State Budget quarterly execution reports.</p> <p>State Budget for 2017</p> <p>Writing minutes of the public discussions.</p> <p>Interviews with relevant stakeholders.</p> <p>2017 Citizen's Guide to the State Budget</p> <p>MoF website</p>

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				<p>3.2 By end of June 2016, Government submits to Parliament the report on the progress of implementing the 2015 recommendations of the Parliament related to main SAO findings.</p> <p>(4) Improved Public internal financial control and audit</p> <p>4.1 An Internal Financial Control system is established and functioning according to "rules and procedures" in at least 8 out of 16 line ministries.</p> <p>4.2 At least 8 out of 16 ministries' internal audit units have completed and transmitted to the responsible Minister at least one performance audit.</p> <p>(5) SAO's mandate, performance and communication is strengthened</p> <p>5.1 Based on, amongst others, its discussions with the Parliament, the State Audit Office transmits a comprehensive report (in Georgian and in English language) updating and presenting a relevant and credible medium-term reform strategy for the next five-year period.</p> <p>5. At least 10% of audits completed in 2016 are performance audits and their main findings and recommendations are published in the SAO website not later than 30 October 2016.</p> <p>5.3 The SAO provides evidence of the effectiveness of its (revised) communication strategy. SAO website will also inform, based on lessons learnt, how its communication will be further improved in 2017.</p> <p>(6) Budgetary oversight, transparency and communication is strengthened</p> <p>6.1 The Budget and Finance Committee quarterly work plans that are available on the Parliament website and includes the participation of Parliament-designated staff to the PFM Reform Coordination Council.</p> <p>6.2 The Budget and Finance Committee conducts, on a quarterly basis, hearings focused on the SAO audit report and on government annual reports on the state budget execution which are open to public and to the media.</p> <p>6.3 The first reports produced by the new budget office are structured and used by the Budget and Finance Committees of the Parliament website.</p> <p>A second two-year action plan for the Budget Office in published by</p>	<p>Government report on implementation of 2015 Parliament recommendations.</p> <p>Fact finding missions in line ministries.</p> <p>Performance audit reports.</p>
				<p>SAO report on communication strategy implementation.</p>	SAO website reports SAO website
				<p>Work plan of the Budget and Finance Committee; Parliament website</p>	Meeting minutes of relevant public hearings. Media coverage of the hearings. Parliamentary mission to the budget office.
				<p>Budget office report.</p>	Budget office report.