



საქართველოს ფინანსთა სამინისტრო
სახელმწიფო ხაზინა



PFM Reforms in Treasury of Georgia Progress and Plans

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February, 2014



Treasury Service Mission and Vision



Ensure comprehensive , Effective and Transparent Public Financial Management

- Provide simple, user-friendly and transparent systems for budget users to perform budget operation
- Accurate and timely accounting and reporting on budget and related operations;
- Implement International Public Sector Accounting Standards;



Ensure Efficient and Safe Investment of Public Funds

- Manage and Operate Treasury Single Account and other bank accounts;
- Develop reliable and appropriate mechanisms and instruments for Public Cash Management;



PFM Strategy for 2009-2013



- PFM Strategy for 2009-2013 (Approved in Feb, 2009) defined Medium Term PFM Policy – Designed to answer the challenges faced during the crisis

Objectives:

- Maintain Macro Stability, Improve Macroeconomic Forecasting; Strengthen Fiscal Discipline;
- Enhance Strategic Planning, Implement program budgeting;
- Develop electronic PFM systems;
- Implement International Accounting Standards;
- Improve monitoring and oversight on Public Expenditure

Treasury PFM Reforms



Overview of PEFA Report



OVERVIEW OF THE INDICATOR SET

	2012 Score	2008 Score		2012 Score	2008 Score
A.PFM-OUT-TURNS: Credibility of the budget					
PI-1	A	D	C(iii) Accounting, Recording and Reporting		
PI-2	B+	C	PI-22	B+	A
PI-3	B	A	PI-23	B	D
PI-4	A	B+	PI-24	A	B+
B. KEY CROSS-CUTTING ISSUES: Comprehensiveness and Transparency					
PI-5	A	B	PI-25	C+	D+
PI-6	A	A	C(iv) External Scrutiny and Audit		
PI-7	A	B+	PI-26	B+	D+
PI-8	A	B	PI-27	A	B+
PI-9	C+	C+	PI-28	D+	C+
PI-10	A	B	D. RELATIONS WITH DONORS		
C. BUDGET CYCLE					
C(i) Policy Based Budgeting					
PI-11	A	A	D-1	C+	C+
PI-12	B+	C+	D-2	C	C
C(ii) Predictability and Control in Budget Execution					
PI-13	A	C+	D-3	D	D
PI-14	A	B			
PI-15	D+	D+			
PI-16	A	B+			
PI-17	A	B+			
PI-18	D+	NA			
PI-19	A	D+			
PI-20	A	C+			
PI-21	C+	D+			

- source: <http://documents.worldbank.org/curated/en/2013/09/18286451/georgia-public-expenditure-financial-accountability-pefa-assessment-2012>



Treasury Service PFM Reforms Dimension



**International Public
Sector Accounting
Standards**

**Public Financial
Management
Information System**

**Treasury General
Ledger**



Why IPSAS ?



We are aiming at:

- Strengthening Public Financial Management Structure
- Improving Transparency and Accountability.
- Building trust and credibility towards the government of Georgia, as a borrower and influencing Foreign Direct Investors' decision to participate in the Private Capital.

through

- Improving quality and reliability of accounting data
- Ensuring Continuity and comparability of the Financial Statements;
- Enhancing Macroeconomic Analysis and Forecasting abilities;





IPSAS –Implementation approaches across the world



Presently about 70 countries are working on IPSAS projects; There are some in the region.

Majority of countries decided to adopt cash IPSAS



Some Countries pursue IFRS adapted to the Public Sector (UK, New Zealand)

Global Financial Crisis stressed the Advisability and Rationality of Accrual Based Accounting



EC reported to the Council and the European Parliament (Brussels 6.3.2013) towards implementing harmonized public sector accounting standards in member states - develop, endorse and implement its own harmonized European Public Sector Accounting standards (EPSAS)



Treasury Service IPSAS implementation – Brief History



Long-term IPSAS Implementation Strategy Developed and Approved (2009 ¶);

Georgia Public Sector Accounting Standards Board Established as a consultative body to the Government agreeing and approving all the decisions and activities within the project;

Treasury People trained and prepared as trainers for Budget Organization staff trainings

After the successful Pilot Exercise (2011), Modified cash IPSAS was rolled out for the Entire Central Government and first International Standards Based Financial Statement prepared for the Y2012.

IPSAS translated in Georgian. The official Georgian Edition of IPSAS will be published upon IFAC's endorsement.



Treasury Service IPSAS implementation – Plans



Non-financial assets accounting related standards (IPSAS 17, 31, 12) requirements are analyzed against the local legislation and practices and gap analysis prepared -2014-2017

Develop and/or amend Accounting and Reporting regulations covering IPSAS requirements on reporting forms and elements. (IPSAS 3,4) - 2014

Implement Standards setting the requirements for Budget Specific transactions accounting and reporting (IPSAS 22, 23, 24, 19) - 2015

Implement Standards setting the requirements on loan, leasing and rent, as well as line thematic: agriculture, construction, (IPSAS 5, 9, 3, 27, 11) 2016

Continuous training program supports all stages of implementation



Parties Involved in the IPSAS Project



Project Success largely depended on cooperation, mutual understanding and support each other's activities of all involved parties





PFMS – Benefits



Public Financial Management System (PFMS)

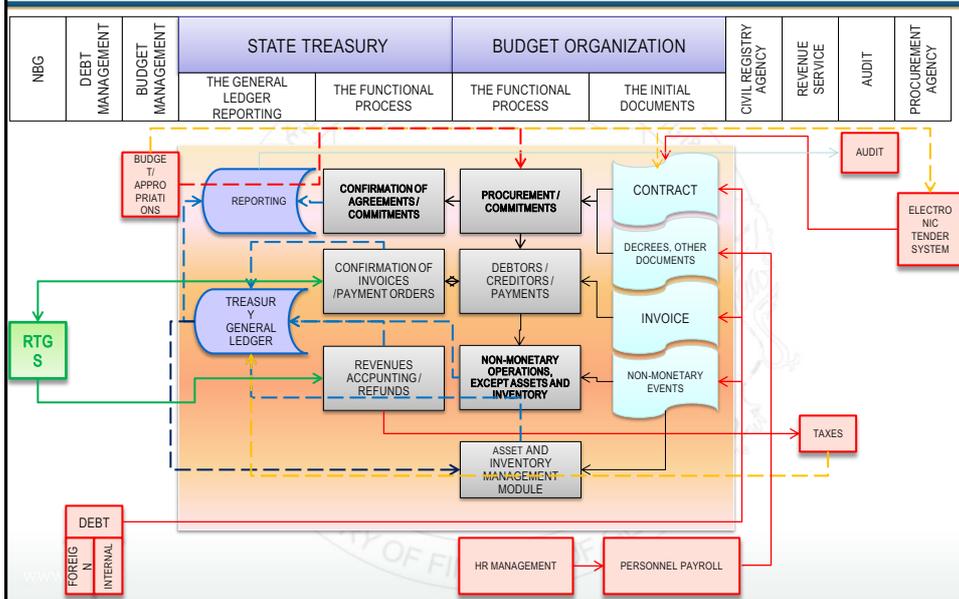
is an information system designed to

- Provide support for all public finance operations,
- Reduce financial transaction costs;
- Collect accurate, timely, complete, reliable and consistent information on all financial events,
- Provide adequate management reporting,
- Support government-wide and agency policy decisions,
- Provide complete audit trail / auditable financial statements.

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Treasury Service PFMS Model





Treasury Service PFMS implementation – Brief History



Concept of the PFMS developed based on the World Banks Treasury Reference Model by Ali Hashim (2009)

Three main sub components identified: core treasury -TIS, budget and Debt management. Three task forces created. Business analytics and software developing started.

Electronic Treasury Launched which gradually covered all the regions by January, 2011; Integrated with the E-budget in 2012. Integrated with the External Debt and grants management in 2013.

TIS Integrated with the Public Procurement Agency's Electronic Procurement System in 2011. Integration deepened in 2012-2013. Information flows both direction.

State Budget Loan Management module developed and integrated in the Core Treasury from 2013



Treasury Service PFMS implementation – Brief History



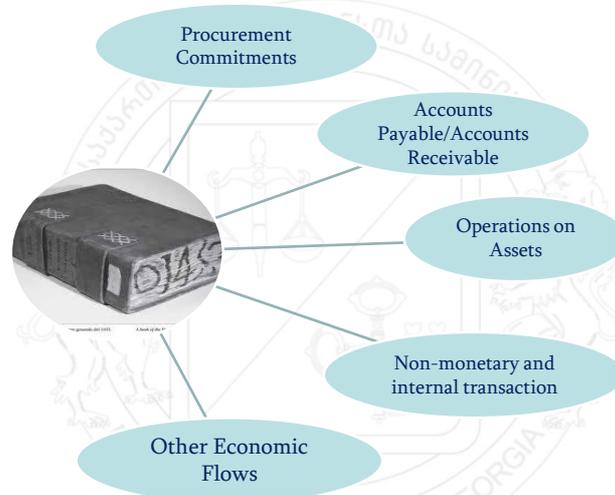
In order to avoid Multiple Currency Practice, new mechanisms for Government FX transaction developed with the National Bank of Georgia. Respective changes were made to the TIS business processes.

Full Payroll module with some components of HRMIS established in 2012. Accrual accounting transactions in Payroll captured in the Treasury Information System in 2013.

Establish Single Tax code and distribute taxes paid on the TSA according to the real tax liability shown in the Taxpayer's personal card – Integrated with the Revenue Service Database.



Treasury Service Treasury General Ledger



Treasury Service Treasury General Ledger



Treasury General Ledger is accessible in a real time.

Payroll – on accrual (2013). Includes detailed information on wages paid to each employee, income tax, insurance premium, other levied amounts paid on behalf of the each employee.

Taxes – on accrual (July, 2014); Data on actual tax liabilities and excessively paid tax downloaded from the Revenue Service Database .



PFM Strategy for 2014-2017



- PFM Strategy for 2014-2017 – Draft developed.
Priorities:
 - Maintain Fiscal Discipline and Improve Fiscal Forecasting;
 - Improve Public Finance Planning;
 - Improve Public Finance Management, Accounting and Reporting;
 - Implement IPSAS
 - Cover Local Budgets in the Integrated PFMS
 - Enhance TSA Coverage of LEPLs

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