

MODERNIZATION OF FINANCIAL SYSTEM OF GEORGIA: THE SECOND PHASE

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Background

Strengthening the Ministry of Finance (MoF) and other key state financial institutions represents one of the most important components of the new government leadership's overall effort to institutionalize democratic practices and traditions in post-Revolutionary Georgia. The new government has initiated a series of reforms, which so far has resulted in significant macroeconomic and fiscal improvements. However, in order to achieve sustainable results, the reform process has to advance further. Therefore, the Ministry of Finance is consistently working to improve the Public Expenditure Management, with the focus on the following areas (Treasury system, Budget system, Financial Policy) and institutions (Tax Department, Customs Department, State Treasury, General Inspection, Financial Police).

The UNDP, through the ongoing program "Modernization of Financial System of Georgia" envisages continuing supporting the Ministry of Finance and its structures in strengthening their capacities. This includes supporting new reforms, enhancing transparency and responsiveness, upgrading technical infrastructure, capacity building and conducting continuous training for staff.

From September 2001 to May 2005 the UNDP Project "Modernization of Financial System of Georgia: Phase I" has been implemented. The overall objective of the Project was to assist the Government of Georgia in management of financial resources and reversing of current budgetary crisis through better coordination within the agencies of financial system. The Project enhanced mechanisms for policy formulation through increasing the effectiveness of the Ministry of Finance by introducing modern approaches to management and modern ICT. The elaboration and design of the Project – "Modernization of Financial System of Georgia: Phase II" – was initiated in 2004 by the new MoF top management and UNDP Georgia. As part of its strategy, UNDP will draw heavily on the experience acquired during the implementation of the seven following projects: "Improvement of Public Administration System for Development of Democratic Governance", "Modernization of Program and Administrative Systems of Ministry of Foreign Affairs", "Modernization of Financial System of Georgia: The First Phase", "Support for Democratic Governance in the Imereti Region of Georgia", "ICTD Framework for Georgia", "Strengthening Effectiveness and Transparency of the Parliament and Government of Georgia", and "Capacity Development of the Ministry of Justice of Georgia". These seven projects were built on the same methodological principles of good governance, HR development, e-Governance, promoting transparency, accountability and modern public management.

Objectives

1. Development of Management Capacity
2. Development of Human Resources
3. Assistance to the State Treasury

Activities

- Development of the information management system of the MoF structures
- Enhancement of information exchange system within the MoF agencies: Central Machinery (Apparatus), State Treasury, Tax Department, Customs Department, Finance Police, Excise Taxpayers Inspection, General Inspector, Adjara MoF, Abkhazia MoF
- Modernization of the inter-institutional relations of the MoF with Chancellery of the Government, Parliament, National Bank and public agencies
- Development of the MoF corporate web-site (mof.ge) through integration of new web-pages and databases
- Rationalization of human resources management procedures in the MoF agencies
- Provision of methodological, technical, and organizational background for capacity development of the MoF Training Centre

- Implementation of a Treasury Single Account for all budget receipts and payments
- Implementation of an on-line regime with the National Bank of Georgia
- Implementation of cash planning and cash management procedures
- Preparation the draft laws, secondary legislation, regulations and instructions (with description of the new arrangements and procedures)
- Training of staff

Expected outputs

- Capacity development of the MoF central and subordinated agencies through reform of the Ministry's administrative system. Creating an effective intra-agency and inter-institutional coordination model for the Ministry and subordinated agencies. Support to the Ministry's Central Machinery in further reform process. Support to the General Inspectorcy and Excise Taxpayers Inspection in institutional capacity building.
- Modernization and consolidation of the information provision/exchange system through support to institutional capacity-building reforms in the Ministry, enhancement of its management capacities, development of ICT-infrastructure and development of e-Government pilot model.
- Establishment of new professional capacities of the MoF civil servants basing on the modern methodological-practical approaches of personnel management, and extensive application of modern e-tools through development of human resources.
- Establishment of the fully functional Treasury Single Account (TSA) system
- Adopt the new mechanisms and procedures for the TSA related banking arrangements

Beneficiaries

Beneficiaries of the Project include main institutions/actors of the financial system of Georgia in the executive and legislative branches. The project will directly benefit the Ministry of Finance, its subordinated agencies - Central Machinery, State Treasury, Tax Department, Customs Department, Financial Police, Excise Taxpayers Inspection, and General Inspectorcy. The indirect beneficiaries of the Project include: Parliament, Chamber of Control, National Bank, Chancellery of the Government, PM's Office, Governments of the Autonomous Republics, Regional Administrations, other state institutions & public agencies, business community and Civil Society Organizations.