

# Guidebook for Effective Program and Performance-based Budgeting

3/28/2019

## About the Guidebook

Since 2014, local governments have been required to develop budgets based on program budgeting (PB) methodology. However, getting program and performance-based budgeting fully adopted at the local level requires a systemic approach to developing capacity and strengthening procedures.

PB entails a collaborative approach amongst sectorial and finance department staff, so there is a need to build capacity for program budgeting across each local government. Managers of organizations need to be fully familiar with PB concepts if they are to utilize performance measurement to improve the performance of public programs. This Guidebook is, therefore, aimed at a broad pool of civil servants involved in planning, budgeting, and management of municipal activities, as well as members of local legislatures.

The overall aim of the Guidebook and its related training program is to enable Georgian LSGs to take advantage of PB reform to improve the management of resources and delivery of local services.

The Guidebook is intended to serve as a set of simple, user-friendly instructions and illustrative examples that will assist local governments in successfully implementing their program and performance management systems. It particularly focuses on areas where gaps were identified during the initial survey of capacities and training needs of LSGs, undertaken by the Project team.

Chapter 1 presents the basic principles of program budgeting. It introduces the result chain model to clarify the linkages between inputs, activities, and results of a program.

Chapter 2 focuses on further strengthening linkages between local development plans and budget, addressing a common mismatch between strategic objectives and resource realities of local governments. This chapter complements the Updated PB Methodology for local governments (2018<sup>1</sup>) by providing recommendations for organizational and procedural design, as well as examples of good practices in strategic and fiscal planning, performance management, and prioritization of expenditure. It advocates a participatory approach in defining local development plan that reflect the priorities of communities and is fiscally sustainable.

Chapter 3 explains the importance of accurate medium-term cost projections for programs and addresses common challenges in this area. In particular, it focuses on estimating the full cost of capital projects in the medium term, including their operating impacts.

Chapter 4 explains the rationale for performance measurement and performance-informed budgeting. It presents the characteristics of an effective performance management framework and provides practical examples and case studies to help local governments develop and implement their own systems, tailored to local conditions and capacities.

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<sup>1</sup> See Appendix A of this document

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# 1 BASIC CONCEPTS OF PROGRAM BUDGETING

Program budgeting is about structuring local government functions in a hierarchical way starting with strategic goals and moving down to sub-program level. The performance indicators and cost estimation support this planning process.

Result of effective program budgeting is improved transparency and efficiency of public spending, and progress achieving strategic goals of LSGs.

## 1.1 From strategy to budget

Program budgeting is part of the long term and annual fiscal planning process and it uses the performance indicator system developed for the local government programs.

Effective planning, budgeting, and performance management is based on the following:

- integrated planning and budgeting process with clear roles and responsibilities, timeframe, and methodology for conducting the key steps
- a relevant team is leading this process
- a mechanism for performance information of programs to feed back into annual planning and budgeting

Program budget format, by its design, facilitates closer linkages between longer-term strategy of a LSG and annual allocation of funds. In “line-item” budgeting, effort is put into calculating how much a particular line item costs without looking at what exactly is being achieved. There is a deficiency in terms of clarity of purpose or aims for which the funds have been allocated or the achievements expected to be accomplished. In PB, on the other hand, the responsibilities and goals of organizations<sup>2</sup> are clarified and emphasis laid on programs and results of their implementation (see Figure 1 below).

**Figure 1.** Difference between Program and Line-item budget

<b>Line-item budget</b>	<b>Program budget</b>
<p>Presents:</p> <ul style="list-style-type: none"><li>➤ Detailed costs of inputs utilized in operations of budget beneficiaries</li></ul>	<p>Presents:</p> <ul style="list-style-type: none"><li>➤ Purpose for which funds are spent;</li><li>➤ How such spending is aligned with objectives, and</li><li>➤ What results are being achieved.</li></ul>

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<sup>2</sup> For the purposes of this Guidebook a term organization is applied with a meaning of both spending institution (local authority) and budgetary organization entitled to manage the allocations under the *programs/sub-programs* within the budget

Thus, program budget ensures that the funds are allocated for implementation of measures related to strategic objectives of LSGs. On the other hand, it ensures that the strategies and plans are in line with fiscal realities of LSGs and can be implemented.

Annual reporting on performance of programs establishes a mechanism to track achievement of the goals and use this information in the next of cycle of planning and budgeting - to improve effectiveness or efficiency of measures for achieving the strategic objectives.

Recommended organizational and procedural set up for integrated planning, budgeting, and performance management process is provided in Chapter 2 of the Guidebook.

## 1.2 Defining and costing programs

Various measures of organizations and their associated costs are logically grouped under a program budget structure, according to the functions of LSGs and results they aim to achieve. Program budget structure is built of the following elements: *programs*<sup>3</sup>, *sub-programs*, and *activities*.

When defining program structure of an organization, the following aspects are taken into consideration: 1) key competencies, 2) organizational structure, and 3) medium-term action plans and development strategies related to the work of the organization.

Programs are linked to the organisational structure to ensure managerial accountability for their implementation.

### *Term Clarifications: Definitions of Program Budget elements (Program Budget Methodology):*

*Program*- set of measures carried out for the achievement of a common ultimate result, which are grouped by common features. *Programs* are defined in line with key competencies of organizations. A program may be implemented only by a spending institution or also by a budgetary organization subordinated to the control (i.e. operating within the system) of such spending institution. Example of programs: Road infrastructure development, Development of Sports, Pre-School Education, etc.

*Sub-program*- a *program* may be further divided into *sub-programs*. A *sub-program* is a set of measures carried out for the achievement of common outputs that contribute to realization of program outcome. *Sub-programs* are established with regard to the competencies of organizations that are narrower in scope. For example: Maintenance of existing roads, Support for sports clubs, Building kindergarten X, etc.

Activity is an initiative of a relatively small scale within a *sub-program*. Implementation of an activity facilitates the implementation of a *sub-program* and achievement of respective results.

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<sup>3</sup>Throughout this Guidebook the generic name “program” is used when referencing all program elements. When a specific program budget element is referenced, element name is written in italic.

Program budget reflects the sum of costs associated to program implementation and achievement of desired results. This necessitates the determination of costs of inputs required for the planned performance (outputs) of programs.

Allocations of expenditure are made at the lowest level of program budget structure. An example of typical program budget structure and illustrative allocations is provided in Figure 2 below.

**Figure 2.** Typical program budget structure and allocations

**PROGRAM 1**

**Budget beneficiary 1**

**Sub-program 1.1**

- Remuneration
- Goods and Services
- Subsidies
- Other Expenditures

**Sub-program 1.2 (Capital project)**

- Goods and Services

**Sub-program 1.3**

- Remuneration
- Goods and Services
- Other Expenditures

**PROGRAM 2**

**Budget beneficiary 2**

**Sub-program 2.1**

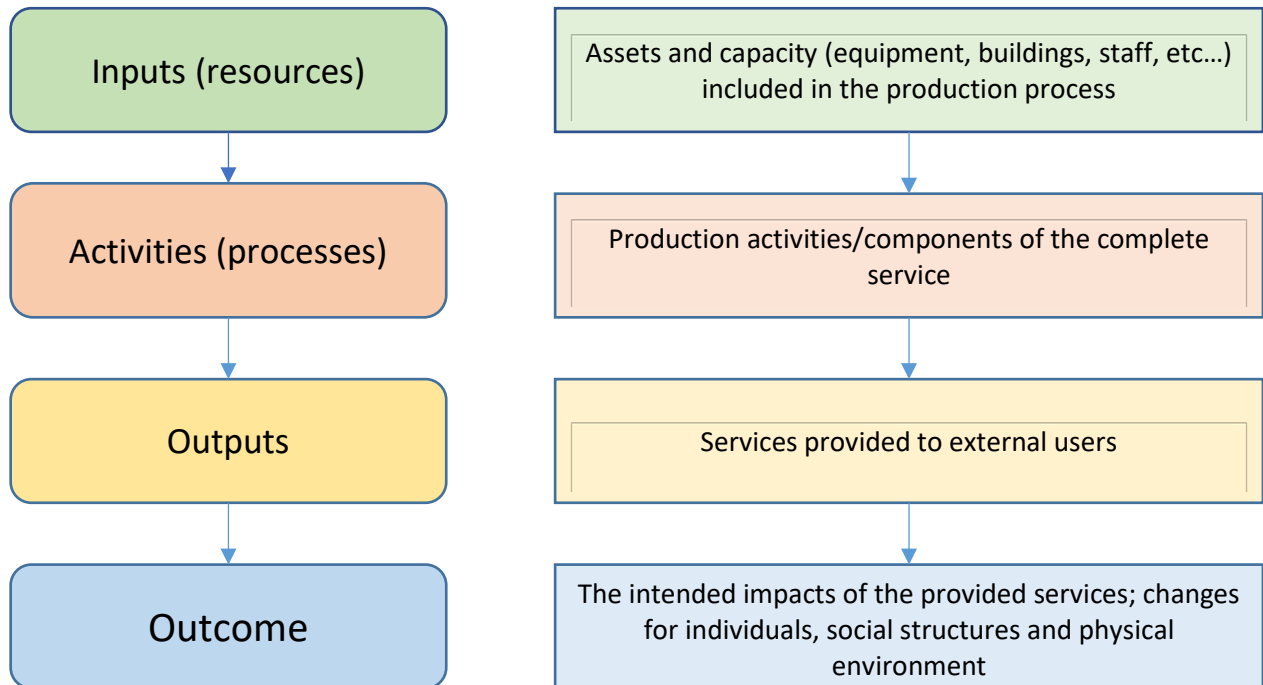
- Subsidies

To optimize planning and implementation of portfolio of the programs, LSGs need to consider cost implications of policy choices. Accurate projection of program costs (over the medium term) provides vital information for prioritization and decision-making on the strategic approach. Detailed instruction for costing of programs is provided in Chapter 3.

### 1.3 Using program and performance budget framework for planning

In order to facilitate costing of programs (in short and medium-term) as well as establishing the linkages between allocated resources and results of programs, a results chain framework is introduced (see Figure 3 and Example 1 below). It illustrates how inputs (resources) are utilized in production activities to deliver outputs and outcomes of a program. The application of result chain framework is instrumental in planning and decision-making process of LSGs.

**Figure 3.** Results Chain



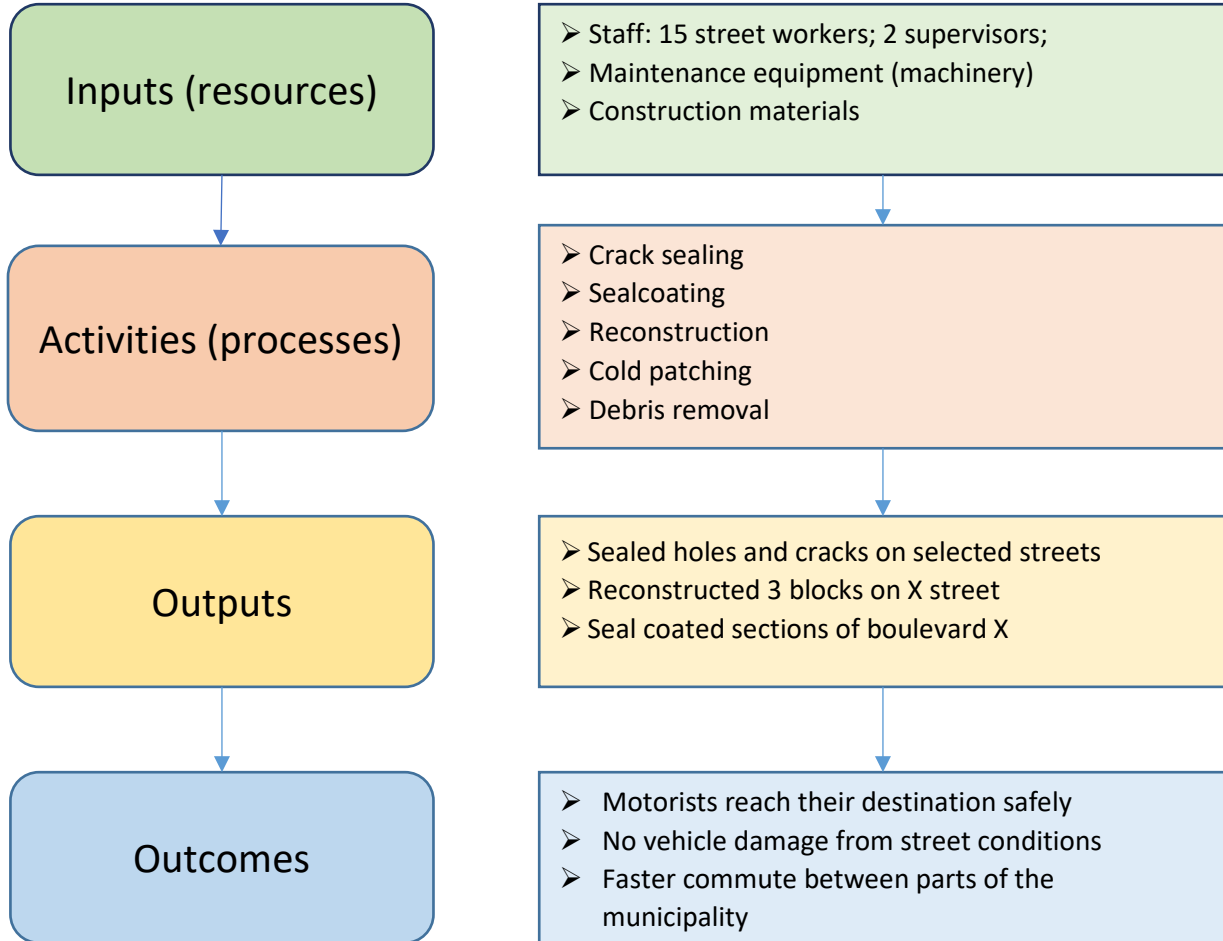
*Term clarification:*

Outputs are goods or services – the “products” – which an organization delivers to the community. For example, garbage collected, roads paved, advice received by farmers from agricultural extension officers; local tourism promotion campaign; etc.

Outcomes are the intended impacts of outputs –the changes brought about by public programs upon individuals, social structures, or the physical environment. For example, the intended outcomes of local tourism promotion campaign are increased number of tourists visiting municipality and increased income from tourism. The intended outcome of advice received by farmers from agricultural extension officers is higher yield or higher quality agricultural products.



**Example 1.** Value chain related to *Maintenance of road infrastructure sub-program*



Program and performance budgeting approach (application of results chain) is used for planning of both current operations and capital investment of LSG. A focus of budgetary decision-making is typically on the new investments, and thus, a benefit of using program and performance budgeting in planning of capital investments is often more direct. It provides of clear picture of what a LSG gets for money invested, and justification of investment decision. In addition, the outputs and outcomes of capital investment are “more tangible”, so it is easy to measure progress in capital project implementation.

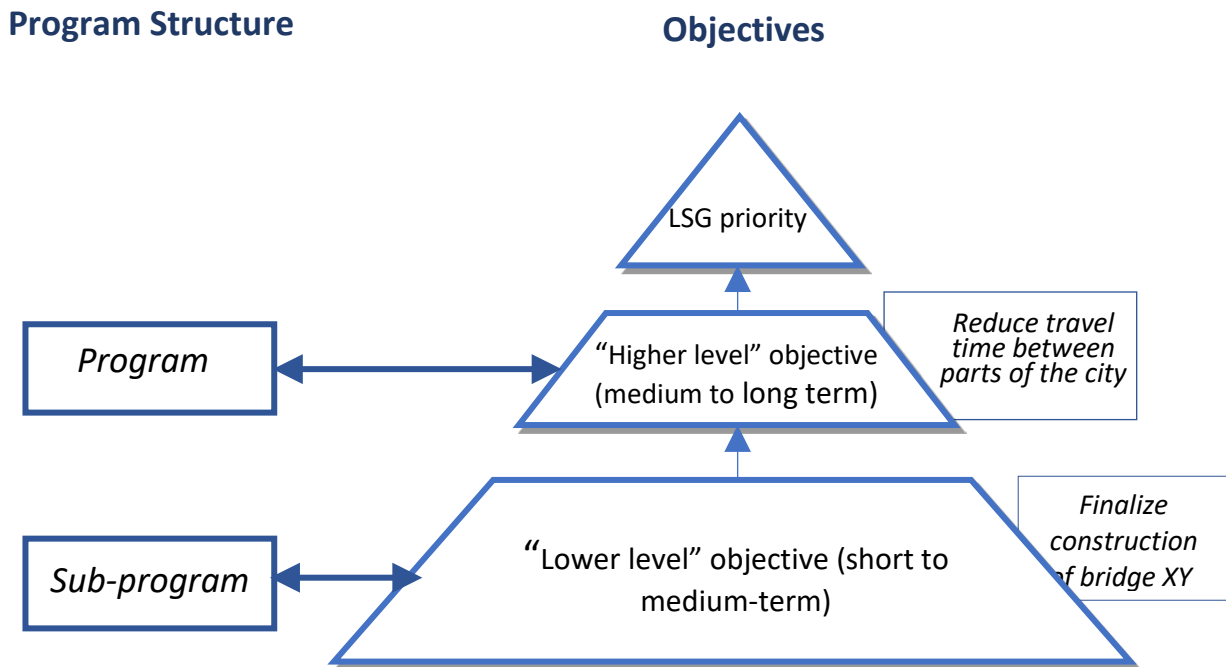
On the other hand, utilization of program and performance approach in planning of current operations also brings benefits for management of funds and activities. First, it enables more accurate projection of costs of services provided by LSG in short and medium term, and estimate of funding that will be available for new investments. Second, it provides information of how efficient and effective a service delivery is – which should have a significant impact on prioritization and distribution of funding across programs. Performance information of current operations signals potential weaknesses of government service that should be addressed. Special attention needs to go in creating and conducting effective satisfaction surveys of citizens with government services, and monitoring the results.

## 1.4 Measuring performance of programs

Objectives of *programs* and *sub-programs* are derived from longer and medium-term planning documents of LSG, sector strategies, etc. The process of setting objectives and linking them with budget programs is explained in details in Chapter 2 below.

Illustration of relationship program budget structure and objectives is provided in Figure 4 below.

**Figure 4.** Program budget structure and objectives



An objective of a *program* relates to the desired outcome of its implementation, i.e. specific social or economic effect to be achieved. On the other hand, an objective of a *sub-program* typically relates to the outputs of *sub-program* implementation.

Performance indicators (PIs) are specific numerical measurements that are used to track the achievement of objectives. An objective is the expression of *what is intended to be achieved*, whilst a performance indicator provides answer to *whether the objective is being achieved*. For example, for objective: *Finalize construction of bridge XY*, a PI could be: *Percentage of bridge built* or *Total length of bridge constructed*.

Performance monitoring is a continuous process, within the competence of an organization, which includes the collection, analyses, and reporting on the achieved values of performance indicators.

Evaluation of a program includes analyses of performance as well as financial results, and relevance and effectiveness of measures undertaken to achieve program objectives. This analysis shows whether some measures need to be changed, suspended, or replaced to ensure a greater contribution is made towards achieving a certain objective.

PIs, monitoring and evaluation of programs are explained in more detail in Chapter 4 below.

## 2 ORGANIZATIONAL AND PROCEDURAL SET-UP FOR EFFECTIVE PLANNING AND BUDGETING

The Georgian regulatory framework (the Budget Code and the Program Budget Methodology) established the basic prerequisites for program and performance-based budgeting at both central and local government level, in line with good international practice<sup>4</sup> (see the textbox below).

### The International Monetary Fund (IMF): A Basic Model of Performance-Based Budgeting

According to the IMF's research, international experience shows that for performance-based budgeting to work, the annual budgeting process need to be well designed and include the following elements:

- a “strategic phase” early on in the budget cycle, with a preliminary consideration of the expenditure priorities;
- a requirement that all budget submissions are supported by information on the effectiveness and efficiency of its expenditure
- a performance monitoring and review process
- a systematic process for scrutinizing all proposed new spending initiatives
- a planning process fully integrated into the budget cycle.

The precise design of the process should be country-specific, depending in part on national characteristics of the political and administrative systems, but those key elements are common to effective performance-based budgeting systems.

The modifications of the Budget Code (2009) and updates of the Program Budget Methodology (2015, 2018) introduced the following:

- 1) development of the Basic Data and Directions (BDD) Document at the central level, and the Document of Priorities (DoP) at the local level, as well as Mid-term Action Plans (MTAPs), early in the budget cycle (spring phase). These documents set the strategic direction of government activities and expenditure priorities in the medium-term;
- 2) performance information (goals, targeted and achieved results) of programs as a mandatory part of budget submissions;
- 3) performance reporting as a mandatory part of annual financial reporting of spending agencies;
- 4) detailed instructions on integrated planning and budgeting process at the central level and local level of governance;
- 5) the responsibility of local executive body to issue a legislative act that defines the steps, timeline, and participants in development of the DoP.<sup>5</sup>

<sup>4</sup> *A Basic Model of Performance-Based Budgeting*, Marc Robinson and Duncan Last, IMF Fiscal Affairs Department, 2009

<sup>5</sup> In the course of this Guidebook this legislative act would be referenced as “DoP instruction”.

Regulatory Requirement (Budgetary Code, Updated PB Methodology for LSGs, 2018):

With the purpose of drafting the DoP and MTAP of the local self-government body, the executive body of the local self-government shall begin work from March 1 each year, for which it shall issue a corresponding legislative act that defines the list of information for setting the priorities and terms of submission.

The relevant budgetary organizations of the municipality and their structural units are beginning to work on the budget application according to the aggregate program amounts given within the initial version of the DoP.

This Guidebook complements the Updated PB Methodology for LSGs (2018) in providing recommendations on organizational and procedural set-up, as well as examples of good international and local practice, with aim of helping the municipalities establish their own effective planning and budgeting processes, in line with municipality-specific political and administrative conditions. The result of such process should be a DoP and MTAP that defines the strategy and action for local development in the medium term that reflects the priority needs of community and is fiscally sustainable.

## 2.1 Organizational Set-Up

One of the key prerequisites for effective planning, budgeting, and performance management is to form a relevant team to participate in this process - with clearly defined roles and responsibilities. An executive order from the Mayor (“DoP instruction”) on establishing the “Planning and Budgeting Working Group”, and its work calendar, contributes to the commitment of the members and relevance of their work. An example of the “DoP instruction” is provided in Appendix C.

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

The Working Group is responsible for preparation of the draft DoP and MTAP.

It is advisable that the group is chaired by the mayor or mayor deputy who oversees the budgetary process.

The group should include deputy mayors, heads of structural units of the municipality and leading officials of all spheres. If necessary, in order to get consultations in the form of program budget, the specialist may be invited to the Working Group.

The composition of the Working Group will dictate the inclusiveness, comprehensiveness and ownership of the plan and budget. Based on the good practice, it is recommended that the Working Group also includes:

- Local Planning Coordinator (representative of the Finance Department)
- Heads of Public Authorities
- Village representatives
- Sakrebulo Committee Chairpersons of major sectors and/or their permanent alternates

- Council of civil advisors (representatives of the private sector and civil society organizations) who may not necessarily be voting members of the Working Group

Based on good practice, it is recommended that the same Working Group is also responsible for the following tasks:

- development of longer and medium-term development documents of LSG
- review of annual performance reports
- considering various options of cost allocation and prioritization of expenditure in annual budgeting process

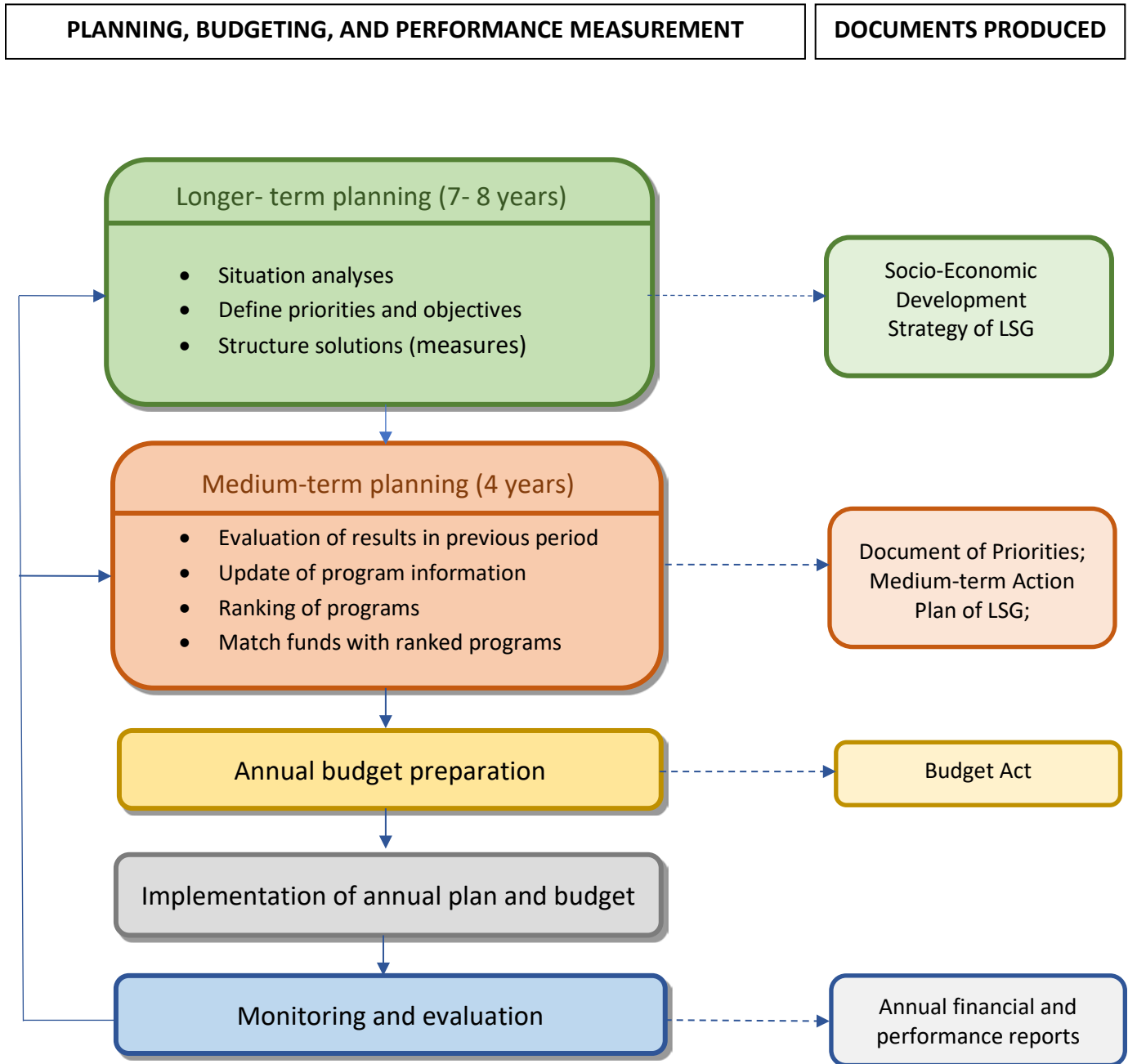
The Working Group should make relevant decisions in line with the budget calendar. Technical input (documentation) that serves as a basis for decision-making of the Working Group is prepared by the technical representatives of departments (structural units) of Gamgeoba/City Hall, in line with their mandates.

## **2.2 Establishing effective planning, budgeting, and performance management – good practice**

Program budget format facilitates closer linkages of plans and spending of LSG: priorities, objectives and measures outlined in the planning documents are directly reflected in budget programs designed for their implementation. In addition, performance information of programs facilitates decision-making in both policy and budget planning.

Figure 5 illustrates phases, linkages and steps for integration of planning, budgeting, and performance monitoring and evaluation, into a single, effective process.

**Figure 5.** Integration of Planning, Budgeting and Performance Monitoring and Evaluation



## 2.3 Longer term planning – good practice

The product of a longer-term planning is a socio-economic development strategy of a municipality. It sets the strategic direction (priorities) and objectives for next 7-10 years, and serves as the starting point for medium-term planning of LSG and developing the DoP. Longer term planning includes the following steps:

- situation analyses
- determine vision, priorities, and objectives
- structure solutions

### Step 1: Situation analysis

In this step, data on the existing conditions within the municipality is collected and analyzed. This includes information on the level of development, and strengths and weaknesses in areas of the LSG competency: health and social protection, education, economic activity, infrastructure (roads, utilities), environment, culture and sports, etc. The level of institutional development, the material and financial resources available to the LSG are also assessed during situation analyses. Information such as coverage of population by a service and/or average price of service is helping a municipality to better understand where it is relative to the group of municipalities with similar characteristics (population, geography, development level, etc).

Techniques that are often utilized in this effort include SWOT (strengths, weaknesses, opportunities, and threats), PESTLE, or Gap –analyses. These methods are described in detail in planning guidebooks for the LSGs<sup>6</sup>.

Technical inputs in the areas of data generation, analysis and presentation are mainly the responsibility of the technical representatives of the departments (structural units) of Gamegoba/City Hall. The interpretation of the data and the explanations and implications of information derived from the data, however, should be undertaken through broad consultative and participatory processes involving the Planning and Budgeting Working Group, and possibly external sector experts.

#### TIP: PROCESS ORGANIZATION

LSG might decide to engage a strategic planning expert to facilitate situation analyses process, and provide methodological guidelines to technical representatives and the Working Group. It is reasonable to launch the process with an introductory workshop during which the Working Group, technical representatives of the departments, and the facilitator agree on the scope of analyses and data to be collected. After the technical inputs are developed, another workshop is held to interpret and discuss data and summarize the conclusions of the analyses. It is good practice to present the findings of the situation analyses to the public.

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<sup>6</sup>For example, see *Practical guide for drafting a municipal medium development document*, prepared by the Association of Young Economists for the Ministry of Infrastructure and Regional Development, funded by UNDP, the Swiss Development and Cooperation Agency (SDC), and the Austrian Development Agency (ADA), included as Appendix B of this document.

The results of the situation analyses are used as a basis for determining priorities and objectives of a LSG.

## **Step 2: Determine vision, priorities and objectives**

A vision is a brief statement of a desired state or scenario of the LSG and its people. It describes what the LSG wants to become or where it wants to go; it keeps the LSG in its course despite changing demands of constituents and shifting political and economic forces.

Example of vision: *An economically vibrant city with developed tourism and sustainable use of natural resources, where citizens live in a secure, healthy and comfortable environment.*

A priority (direction) relates to a specific sector/area of municipal jurisdiction and broad strategic goals of LSG. Priorities should capture the fundamental purposes for which the local government exists and be broad enough to have staying power from year to year.

### **TIP: Scope and Number of Priorities of a LSG?**

There is no straight-forward recommendation on the scope and number of priorities that a municipality should define. Several aspects should be taken into account when determining these.

To insure direct linkages exist between priority goals and funding for their respective realization, LSG should consider established PB structures when defining priorities. It is recommended that the priorities are defined above or at the level of budget program. Typically, a priority corresponds to several budget programs, through which it is implemented. Illustrative grouping of budget programs under priorities has been provided in the PB Methodology (under description of Annex N3: Allocations of the Local Authority Budget). In certain cases, a priority of LSG is more narrowly defined and corresponds to only one budget program that is recognized for its strategic and financial importance.

Priorities are the basic units for presenting, prioritizing, and monitoring the activities and expenditures of a municipality. In order to keep the system efficient for those efforts, the number of LSGs should not be too large (exceed 10).

Objectives are statements of an outcome or result defined for each priority (see Example 2 below). The objectives under a priority are proposed by the technical representatives of department(s) that contribute to realization of that priority. The Working Group reviews, modifies or adopts the proposed objectives.

### **Example: Priority *Infrastructure development***

#### **Objectives:**

- Reduce travel time between parts A and B of the city through construction of bridge X
- Increase the quality of municipal road and street infrastructure
- Increase the coverage of municipal water supply system
- Increase the coverage of municipal sewerage system



#### TIP: PROCESS ORGANIZATION

It is reasonable to set the vision, priorities, and objectives of LSG over the course of several workshops of the Working Group, facilitated by a planning expert (coordinator). Input and comments are solicited from technical representatives of the departments (beyond the members of the Working Group) and potentially also from external sector experts. The external experts might be also invited to participate in the workshops.

### **Step 3: Structuring solutions (measures)**

Once the objectives are formulated, the policy measures to address the objectives are proposed by the technical representatives of departments (structural units) of Gamgeoba/City Hall and implementing organizations.

The proposed measures should address each facet of the objective/problem and can take the form of:

- provision of services by local government departments and organizations
- fiscal incentives (subsidies, grants, etc),
- infrastructure projects
- other type of projects (informational and educational campaigns, institutional reorganizations, etc)

Distinctive features of a project, compared to other type of measures, are the limited life cycle and specific outputs produced within the fixed budget and schedule.

For each proposed measure, the following information is included: implementing organization; duration; estimated resources needed for its implementation; envisaged source of funding; estimated timeframe for its implementation, etc.

The measures are considered, discussed and finally adopted by the Working Group.

The proposed strategic framework and measures for its implementation are also presented to the public (published on-line, promoted and disseminated in printed version, etc.). Feed-back from citizens and different stakeholder groups should be considered and reflected in the final version of the document.

The strategic framework and measures are formally adopted by the Mayor/Gamgebely as part of the longer-term strategic development plan of municipality (Socio-economic development plan).

#### TIP: PROCESS ORGANIZATION

It is reasonable to allow at least two workshops/meetings of the Working Group to review and adopt the proposed measures. One of the workshops should be held before the public consultation process, and another workshop should be dedicated to review of the input collected from the public.

## 2.4 Mid-Term Planning: Document of Priorities and Mid-term Action Plan

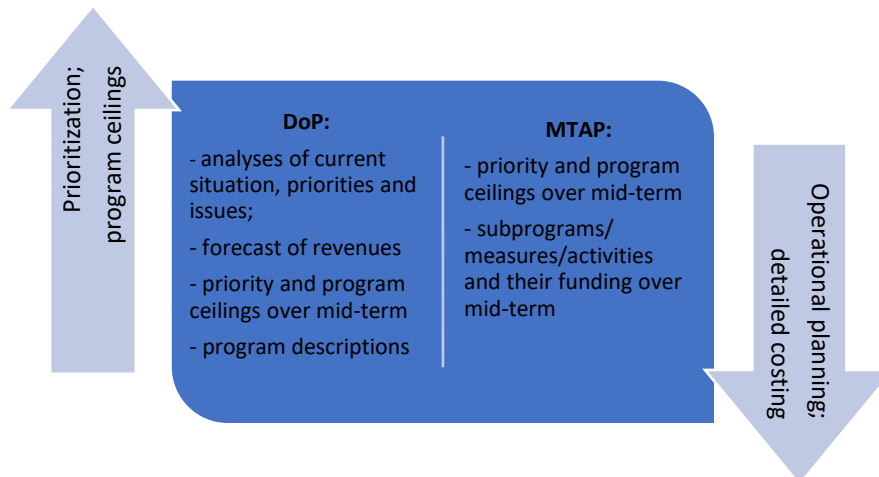
The products of medium-term planning are the Document of Priority (DoP) and the Mid-Term Action Plan (MTAP) of LSG. They are developed for a four-year period and updated annually, as regulated by the updated Program Budget Methodology for LSGs (2018).

The DoP puts the medium-term development objectives and measures of LSG in the context of available resources, and allocates resources to areas and programs that are of the most value to the community.

The DoP includes information on:

- priorities (policy areas) - the basic units for presenting, prioritizing, and monitoring the activities and expenditures of a municipality. A priority corresponds to several budget programs, through which it is implemented.
- spending ceilings per priorities and programs over mid-term period that have to be respected in preparation of budget act for the following year

The MTAP of LSG fully reflects the DoP in terms of priorities, programs and related funding in the four-year period, and yet provides more detailed, operational planning of measures and activities of LSG.



### 2.4.1 Document of Priorities

Priority areas defined by the DoP and their financing dynamics should be based on the needs of the municipality and addressing the problems identified. Current situation and trends in different policy areas as well as the major issues should be highlighted at the beginning of the DoP.

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

The first chapter of the DoP should include the following information about the municipality:

- Number of towns, towns, communities and villages in the municipality;
- Area (% with region, country); Road length
- Number of population (% with region, country);
- Living in urban / rural areas; The number of children of 0-5 years, children of school age and pensioners; Population density
- Number of socially vulnerable people
- Number of residents in high mountainous settlements
- Other information relevant for the municipality.

In the preparation of a fiscal envelope for financing the priorities and programs, the municipalities should realistically forecast the revenues over the mid-term, in line with fiscal indicators defined in the country's Basic Data and Directions Document. In forecasting program expenditures, they should be guided by the margins of the assignments specified in the DoP prepared in the preceding year and the existing trends.

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

The second chapter of the DOP should include the following information:

- 1) Aggregate revenue and expenditure for the previous, current, planed and next 3 years:
  - Budget revenues (according to the main articles of budget classification and financing sources);
  - Budget payments (according to the main articles of budget classification and financing sources);
  - Budget Balance (according to the main articles of budget classification and financing sources).
- 2) Implementation rate of the previous year's budget and current budget (in first six months)

In determining priorities and financing plan, LSG need to take into account their own and delegated powers as well as the central government's priorities and different strategies related to the municipality Action Plans (eg, decentralization strategy, regional development strategy, etc).

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

- In the third chapter of the DoP, expenditures ceilings are set for each of the priority, for the planning year and the following 3 years.
- Funding of priorities from LSG's own sources of revenue and the total funding should be indicated.
- Funding for implementation of current (ongoing) policy and new initiatives should be disaggregated.
- Following presentation of aggregated figures on priority level, the DoP should include financial information for programs within each priority, as well as program descriptions.

Example of the DoP structure and content is provided in Appendix D.

#### *2.4.2 Mid-Term Action Plan*

The MTAP is an operational plan which bridges between the DoP and program budget. While the DoP has a more global character, setting goals and funding ceilings of major priority areas and programs, the action plan specifies concrete sub-programs and activities required to achieve program goals. It “feeds-in” into program budget, or the program budget is based on the detailed outline and costing of the activities in the MTAP.

A well-prepared MTAP, establishes clear linkages between proposed activities, financial resources needed (including increases or decreases on annual basis) and effects on realization of program goals. Thus, it makes it easier for municipal management to make a valid and justified budgetary decisions.

Various organizational units responsible for implementation of specific activities provide input for development of MTAP and it serves as a basis for internal monitoring of results. The Working Group in charge of the DoP drafting is also in charge of coordinating the MTAP development. Those processes should be carried out simultaneously (starting from March 1 each year).

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

The MTAP should include the priorities, programs and sub-programs specified in the priority document with the relevant amount of financing, as well the activities of these programs and sub-programs to achieve the results defined by the priority document.

For each program, sub-program and activity it is advisable to provide the following information for the planning year and next 3 years:

- a) Description and purpose of program / sub-program / activity;
- b) Implementing Municipal Service;
- c) Expected final and interim results;
- d) Baseline indicator of performance assessment indicator and target indicators;
- e) funding source;
- f) the cost estimate for the implementation of activities under existing financing and overall (if the activity in additional financing may be otherwise developed);
- g) Change of target indicators in case of additional source;

The financial information should be presented within the framework of the existing policy and within the new commitments under the legislation and new policies.

In line with the calendar established by the “DoP instruction”, information on planned activities of different organizational units is submitted to the financial services. The document is updated under the framework of the draft DoP and the approved budget parameters. The Working Group reviews information presented in the draft MTAP and existing resources, no later than August 15, and prepares the proposals on determining the allocation of funding to activities according to the annual priorities of the municipality. The MTAP is adopted by September 1.

The MTAP may include an attachment outlining those activities which cannot be implemented to achieve the goals set in the DoP within the set program ceilings. The implementation of those activities is negotiated between the responsible agency and the Working Group during the updating of updating the DoP. If the mobilization of additional financial resources above the ceilings defined by the DoP is approved, then these funds should also be reflected in the renewed MTAP along with the results to be achieved with the marginal funding.

Example of the MTAP structure and content is provided in Appendix E.

## **2.5 Annual Update of DoP– good practice**

Annual update of the DoP, includes the following steps:

- Evaluation of program results in the previous year
- Update of program information for next four years
- Ranking of programs
- Matching available funds with ranked programs

### *2.5.1 Evaluation of program results in previous period*

Annual update the DoP starts with organizations and departments of Gamgeoba/City Hall in charge of program implementation, analysing the results achieved in previous fiscal year. If certain programs/measures are not delivering their intended outcomes/outputs or are doing so at an unreasonably high cost, different policy options are considered. The recommendation could be made by the manager of an organization (or department in charge) about the program abolishment, scale-down, or restructuring. A model form for reporting on performance of programs and the additional instructions of how performance reports should be structured are provided in Chapter 4.

The deadline for submission of the individual annual financial and performance reports should allow enough time for review of the reports by the Planning Working Group, compilation of the individual reports into annual report on the budget execution to the Sakrebulo no later than end of February.

**TIP ON TIMING:** The recommended deadline for submission of performance reports to the Working Group is February 15.

The Working Group reviews and discusses submitted performance reports and can also provide recommendation on the program abolishment, scaled-down, or restructuring. The organizations should consider Working Group's recommendations during planning of activities for next year.

The Finance Department compiles the aggregated annual report on the budget execution and performance of the LSG. The Gambagely /Mayor submits the report to Sakrebulo by end of February.

### *2.5.2 Update of program information*

Taking into consideration performance results of programs/measures during previous period, as well as the current situation in program area, organizations and departments of Gamgeoba/City Hall in charge of program implementation provide program narratives. Program narrative summarizes the direction, objectives and measures to be implemented in the next four-year period, and emphasizes any change to the previous course of program.

**TIP: Guidelines for program narratives**

An effective program narrative should provide following information:

- How is a program implemented, i.e. through which key program elements and measures?
- What is the policy direction/key strategic objective in program area?
- How is the program funded: some programs are fully funded from the budget, whilst others receive partial funding from other sources (donors, loans, etc.)
- Which new public policy measures are to be put into effect as part of a program? The list of new measures in description of the program clarifies the relation between policy and expenditure changes from year to year.
- Who are the key stakeholders in program implementation (if relevant)?

When writing the ‘story’ of your program, do so from the perspective of the average member of the public who knows nothing about the program- consider what you would like to know about the areas listed above if you were this average member of the public.

Under this step, organizations (and departments in charge) also draft proposals of new measures, which could be parts of the existing programs or self-standing new programs. The narrative (justification) of new measures should be more elaborate and provide sufficient information for decision makers to understand the benefits of implementing the new measure. For example, the number and structure of beneficiaries, socio-economic impact/environmental/economic impact, details of implementation, sustainability, etc.

The proposals of new measures could also come from the representatives of the private sector and civil society organizations (CSOs) or wider public – if this is envisaged by the planning process design of a particular LSG.

During this step, organizations (and departments in charge) are together with the Finance Department, estimating the costs of the existing and any new *programs/sub-programs* in the medium-term framework. This process is explained in more details under Chapter 3.

This step is concluded with submissions of the narrative and expenditure estimate for next 4 years for new and on-going programs (measures) to the Finance Department.

**TIP ON TIMING:** It is recommended that the date for finalization of this step is set and that it allows enough time for deliberation and ranking of the proposed new measures. For example, the deadline could end of May.

### **2.5.3 Ranking of programs**

The key point of priority-driven budgeting is that resources are allocated to programs according to how effectively a program achieves the objectives that are of the most value to the community. Programs are ranked, through a collaborative, evidence-based process, according to how well they align with the established priorities of LSG, and funding is allocated in accordance to the ranking.

Some LSGs take into account additional factors (criteria) in evaluating and ranking of programs (besides their contribution to the priorities of LSG). Those might include some of the following:

- Mandated service?
- Emergency situation or critical to government operations?
- Benefit to citizens?
- Address health/safety concerns?
- Reliance on the local government to provide the service?
- Level of cost recovery for the service?

In such systems weights (numerical values) could be assigned to each criterion based on its relative importance). Criteria should be broad enough to apply to a wide range of services.

In designing a prioritization process, a LSG should decide on its scope based on the local circumstances and aspirations. There are several models:

1) Model A: Under this model, **all programs – on-going and newly proposed are included into prioritization process** (with exclusion of contracted capital projects, legal obligations, and support service programs that have fixed costs). This model identifies the programs that provide the highest value to the community and continues to provide funding for them (or increase it), while reducing service levels, divesting, or potentially eliminating lower value programs. It represents the greatest shift from a traditional budget process which often attempts to continue funding all the same programs it funded in previous years. Due to its complexity, this model is the most difficult to implement.

2) Model B: Under this model, **only newly proposed programs (or newly proposed measures as parts of existing programs) are prioritized**. Under this model, the on-going programs (services) are considered to be “business as usual” and change in their expansion/contraction is not considered. However, if a change of policy related to on-going program is proposed, it should be included in the prioritization process. For example, a policy proposal related to Road infrastructure development program (and Maintenance of roads, streets and sidewalks sub-program) is to provide asphalt paving to the streets in the neighborhood where two new factories are being built (as to improve business infrastructure) and the proposal diverges from regular street paving plan of LSG. As the resources needed for implementation of this new policy measure within an existing program are significant, this measure should be included in the prioritization process – along with all other newly proposed programs.

3) Model C: Under this model, **special criteria are established for prioritization of new capital projects**, due to the share of capital investment in all new investment of LSG, and its significance for community development. Under this model, each capital project is evaluated against predefined rating criteria which could have a weight attached to it.

Scoring against criteria such as expected socio, economic or environmental impacts, or return rate of investment, should be supported by the quantitative analyses methods - especially in cases of the projects of high value. The threshold for projects that qualify as “high value” should be determined by each LSG in line with its total capital budget and capacity for conducting advanced quantitative evaluations of projects. Evaluation of projects which is supported by quantitative analyses increases transparency and credibility of the prioritization process.



The scores for each of the criteria and total scores calculated are presented in a tabular format and utilized in the program ranking stage. The total score a project earns determines its importance (rank) for inclusion in the capital budget for next year.

Illustration of special criteria for prioritization of capital projects with weights assigned for criteria is provided in Example 3 below. In such approach, the weights are assigned based on the strategic focus (priorities) of a particular LSG. For example, a LSG with a priority of developing ecotourism might will likely put a higher weight on environmental impact of a project, while a LSG focusing on reducing the unemployment rate might define a higher weight on permanent job creation criteria. Thus, such model is more tailored to specific conditions of LSGs.

**Example 3. Prioritization Model for Capital Asset Investments: Drakenstein Municipality, South Africa**

Under this model, each capital project is evaluated against predefined rating criteria, which has a weight attached to it. If the project affects the criteria it scores one point. The total number of points a project earns determines its importance for inclusion in the capital budget for next year.

The following definitions are attached to the rating criteria:

- (a) Statutory requirement: Is legislation regulating this capital expenditure project?
- (b) Service delivery: Will this capital expenditure/project enhance basic delivery (roads and storm water, electricity, water, sanitation and refuse)
- (c) Essential service: Is this capital expenditure/project an essential service?
- (d) Economic stimulation: Will the execution of this capital expenditure stimulate investment in the local economy?
- (e) Community benefit: Will this capital expenditure/project enhance the quality of life of our local community and be for the benefit of the local community?
- (f) Permanent job creation: Will this capital expenditure/project lead to permanent job creation?
- (g) Labor intensive construction: Is this capital expenditure/project intensive that would lead to temporary job creation?
- (h) Revenue generating: Will this capital expenditure/project generate significant additional revenue for the municipality?
- (i) Aesthetical improvement: Will this capital expenditure/project improve the aesthetical appearance of the city/town?
- (j) Social upliftment: Will the execution of this capital expenditure/project contribute to the social upliftment of the community?
- (k) Spatial development framework compliance: Does this capital expenditure/project comply with the developmental directions of the Municipality's spatial development framework?
- (l) Risk factor: Is there any risk for the municipality in not executing this capital expenditure/project? In other words can't this project be executed at a later stage?
- (m) Time factor: Is there a time factor involved for this capital expenditure/project or foreign investment in infrastructure?

Table 1, is an example of how the percentage points of a capital project is calculated. The capital project comprises of the construction of an electrical regulation network to the value of R 4,750,000 in Ward 4. The capital project is very technical of nature and the labor-intensive construction approach will not be followed. When the capital project is completed it will enable 250 houses to connect to our electricity grid and it will therefore generate additional revenue for the Municipality. The total percentage points earned amounts to 75%

**Table 1.** Calculation of percentage points of a capital project

Infrastructure category: Basic services				
Department/Division: Electricity				
Project description: Electrical reticulation network (Ward 4)				
Budget implication: R 4,750,000				
No.	Rating Criteria Description	Points (a)	Weight (b)	Total (a) x (b)
(a)	Statutory requirement	0	10	0
(b)	Service delivery	1	12	12
(c)	Essential service	1	8	8
(d)	Economic stimulation	1	8	8
(e)	Community benefit	1	5	5
(f)	Permanent job creation	0	8	0
(g)	Labor intensive construction	0	7	0
(h)	Revenue generating	1	12	12
(i)	Aesthetical improvement	1	5	5
(j)	Social upliftment	1	5	5
(k)	Spatial development framework compliance	1	5	5
(l)	Risk factor	1	10	10
(m)	Time factor	1	5	5
Totals =			100	75

Another approach is taken in the prioritization model developed for prioritization of capital projects of LSGs funded through the regional development funded (see Example 4 below<sup>7</sup>). In this model, all criteria included in project evaluation are perceived of equal importance (there are no weights attached to criteria). Advantage of such approach is uniformity and comparability of project evaluations of different LSG. Utilization of this model by LSGs in evaluation of capital projects regardless of their source of funding, would reduce the administrative burden and enable them to compare the evaluations of projects financed from different sources.

Each system has its advantages, but the important thing is to make sure the scoring rules are clear to everyone and applied consistently.

The next variation in prioritization process relates to who is who is participating in the evaluation/ranking of programs and in what ways. Are the members of the Planning and Budgeting Working Group evaluating and ranking the programs? Are representatives of the Council of civil advisors also included in the process? Certain LSGs opt to seek input from citizens and citizens' representatives through structured channels to better respond to the community needs. The prioritization organization of two US municipalities are provided below, in Examples 4 and 5.

<sup>7</sup> It would be beneficial to include an example of a project evaluated using criteria for evaluation of project form regional development fund would be included in the Guidebook as illustration - if approved by the MRDI

#### **Example 4. Internal priority setting process: San Diego, California**

San Diego has established a process where scoring and ranking of projects is done by the executive body (management of departments and the mayor). However, input from external parties (stakeholders) is collected prior to the ranking, in the organized manner. The steps of the process are outlined below:

- External stakeholder input:
  - Citywide resident satisfaction surveys: annual telephone and online survey
  - Community forums: 20 educational forums annually
  - Departmental customer surveys
  - Citywide service priority ranking survey: every 3 years the city conducts a survey of citizen priorities
- Executive body consider input from external stakeholders
- Executive body identified projects and develops criteria
- Executive body scores and ranks projects in electronic board meeting (Team assigns points from a 5-point scale)
- Prioritized list of projects is allocated resources

#### **Example 5. Setting priorities with citizen participation: Mecklenburg County, North Carolina**

Mecklenburg County has designed a process where a significant role in prioritization of the capital investment is given to the Citizens Advisory Board. The steps of the process are outlined below:

- County departments prepare capital budget requests
- Staff, committee, board review and prioritize requests based on the legal mandate and county development plan
- Citizens Capital Budget Advisory Board reviews the ranking and can reorganize the list based on the public needs evaluation
- Citizens Capital Budget Advisory Board recommends capital investment program
- County board adopts 3-year capital investment program

#### **TIP ON TIMING:**

The ranking of programs should be finalized early enough to allow for the executive body to make the resource allocation decisions and set the expenditures ceilings across the spending agencies well before the work on budget starts (by July 15).

**The results of the scoring process are provided as recommendations to the elected officials, who hold the final authority to make resource allocation decision**

#### ***2.5.4 Match ranked programs with available funds***

Under this step, the Finance Department generates Medium-Term Revenue Forecasts (4 years) that includes own-source revenues, transfers from central level, borrowings and grants. In this

effort, the basic budgetary parameters for the planned budgetary year provided by the Ministry of Finance by July 15 are utilized.

Based on medium-term cost estimate of on-going programs submitted by organizations and departments under step 2, the Finance Department aggregates the Medium-Term Costs Estimate of On-Going Programs of the LSG. Estimating the Medium-Term Costs of On-Going Programs is explained in details in Chapter 3 below.

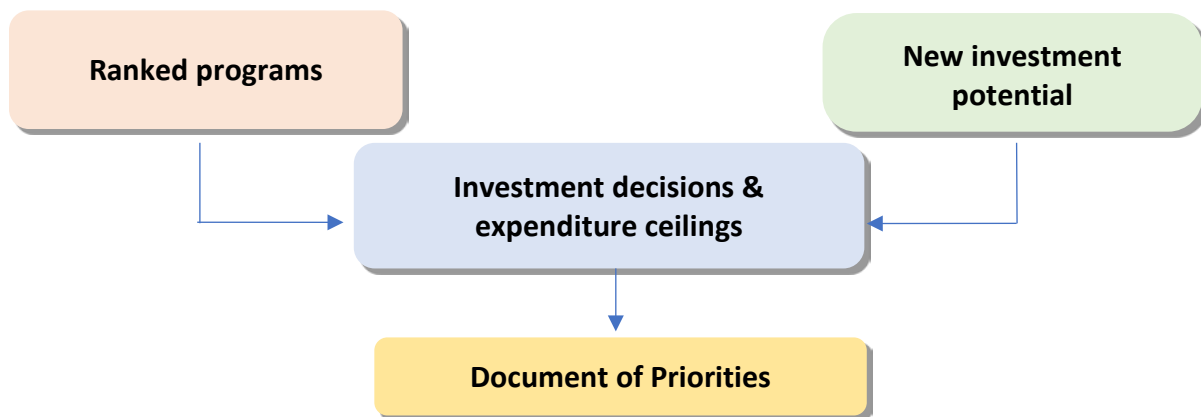
The ranked list of programs is considered for investment and cross-matched with available resources. In case that the ranked list includes only new programs (measures), it is cross-matched with the new investment financing potential. Selection of new programs to get the funding is straight-forward: a line is drawn where the cost of the most highly prioritized offers or programs is equal to the new investment potential.

$$\text{New Investment Financing Potential} = \text{Medium Term Revenue Forecast} - \text{Medium Term Costs Estimate of On-Going Programs (Measures)}$$

In case that the ranked list includes both **on-going and newly proposed programs** it is cross-matched with the difference between Medium Term Revenue Forecast and Projected Mandatory Expenditures in the Medium-Term. Allocation of funding across programs in this model is not straightforward. Programs with highest priority should be given increase in funding, while programs on the bottom of the list should suffer cuts or termination, but exact allocations can be done in different ways (using different criteria).

Decisions on the new investment directly influence the expenditure ceilings across organizations and programs that reflected in the Document of Priorities (as illustrated in Figure 7).

**Figure 7.** Relationship between decisions on new investments, expenditure ceilings, and document of priorities



**REGULATORY REQUIREMENT (Updated PB methodology):**  
The draft DoP is approved by the Mayor of the Municipality until August 15<sup>th</sup>.

Ministry of Finance of by October 5 notifies the local self-government bodies on the forecast indicators of financial assistance and the revenues from taxes.

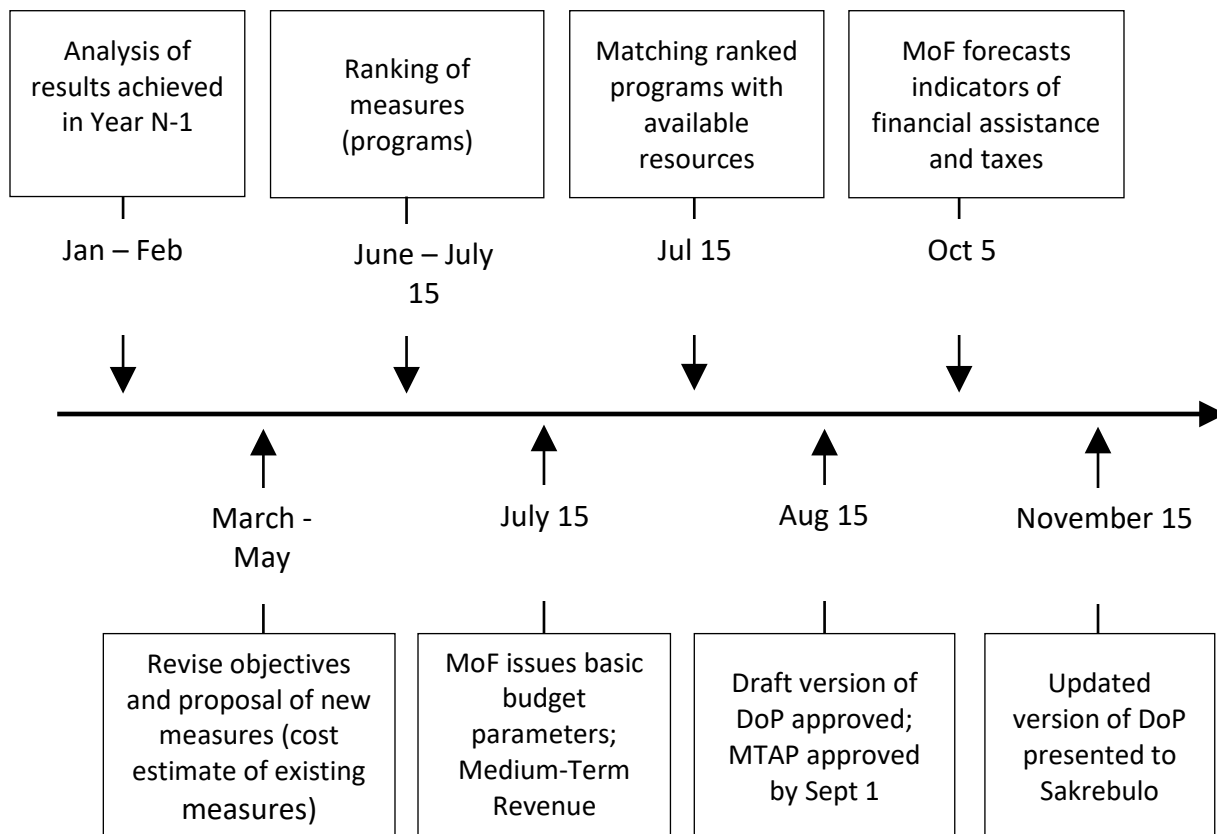
This information is along with any new information on realization of programs in the current year (6-month financial report) used to reconsider the projections of cost of programs in the medium-term and investment decisions reflected in draft DoP, and make any modifications.

The updated version of the DoP is jointly with draft budget presented to Sakrebulo by November.

### 2.5.5 Timeframe for developing DoP – good practice

Summary of key steps and recommended timeframe for developing the DoP is provided in Figure 8 below.

**Figure 8.**



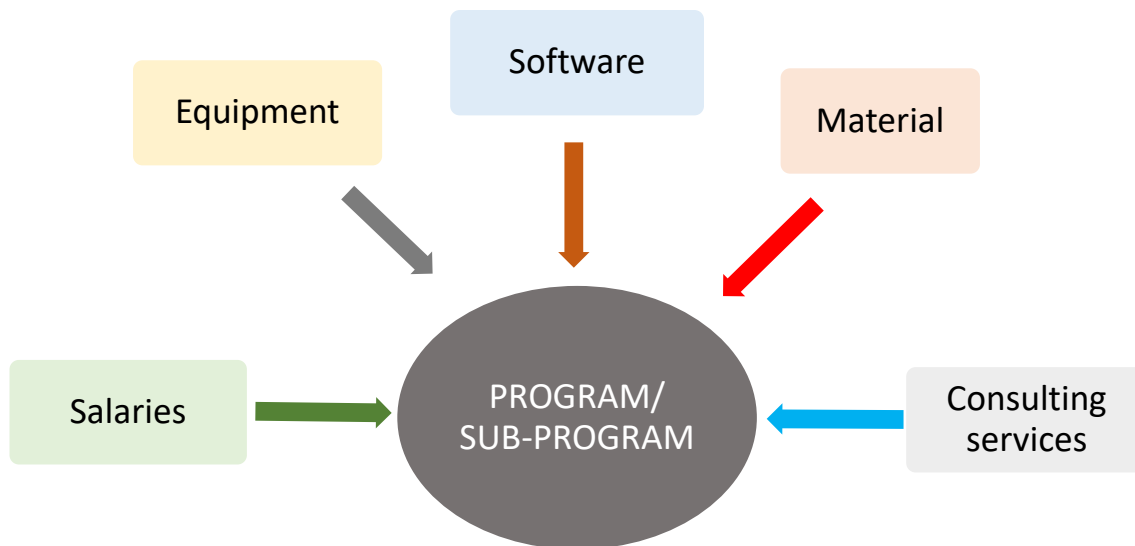
### 3 PLANNING EXPENDITURE IN PROGRAM BUDGET

#### 3.1 What is the cost of program implementation?

Planning of a program budget is a goal-driven exercise, with a focus on the output and outcomes, rather than on the historic patterns of budget allocations among the organizations. Program budget calculates costs associated to the achievement of the desired results.

This necessitates the determination of costs of inputs required for the planned performance (outputs) of programs (see Figure 9 below).

**Figure 9.** Illustration of Program Inputs



Planning the costs of a newly introduced program requires a technical specification of the service or product to be delivered that is as detailed as possible, reconstruction of all inputs needed for service/product delivery, as well as an updated database on cost of various categories of inputs.

When planning the costs of an on-going program for the coming year, the following aspects have to be taken into account:

- Budget execution and performance in the preceding budgeting period, as well as implications for the coming period;
- Changed circumstances (e.g. greater or smaller numbers of projected beneficiaries of incentives);
- Increase or reduction in the volume of work to be performed as part of the program at hand, and its implications for the budget; and
- Changes to the costs of inputs relative to the preceding year.

##### 3.1.1 Linking funding to outputs

The most advanced models of program and performance-based budgeting establish the direct (formula-based) links between the quantity of output (i.e. volume of services provided) and the

level of funding (models of performance-based budgeting are explained in more details in chapter 4 below).

Direct linkages can be established for *standardized outputs* with uniformed unit cost (for example, km of road of specific characteristic built). However, significant share of public service outputs is not standardized. For example, in provision of cultural events (such as exhibitions, concerts and festivals), the level of service meets the specific client conditions and circumstances, so the outputs and related costs cannot be uniformed.

Where service is not standardized, the relationship between the level of funding and the outputs that an organization can be expected to produce is unpredictable. This, in turn, means it can be difficult to closely link funding to outputs. Formula-based performance budgeting can therefore be applied only selectively and only to the right types of services.

In case of programs of standardized service, it is reasonable to plan the cost *with reference to targeted outputs*, even though formula-based budgeting is not a mandatory standard for LSGs and state level organizations in Georgia.

The unit cost of a product/service to be delivered is multiplied by the desired quantities of product or services. A precise and up-to-date projection of unit costs is prerequisite for such exercise. Such calculations should be included in program elaboration (description), to strengthen the justification of the level of program funding and understanding of expected program deliverables.

Example of output-based cost calculations for the Road Maintenance *sub-program* are provided in Table 2 below:

**Table 2.** Output-based cost calculation for the Road Maintenance sub-program

Outputs	Volume	Avg Unit Price	Total (GEL)
Paved streets halls repair asphalt-concrete (sq.m)	35,000	31.25	1,093,750
City streets paved with concrete slabs (sq.m)	4,200	20.00	84,000
Unpaved streets repair sand-gravel mixture (m)	120,000	1.78	213,600

### 3.2 Estimating program expenditure in the medium-term

Program budget classification enables projections of organizations medium-term expenditures based on the costs of individual programs and their planned outputs. Such projections are inherently more accurate than the projections based on historic spending patterns of budget beneficiaries.

Program and performance budgeting is the most effective when it includes the medium-term perspective. To optimize expenditure policy LSGs need to consider both performance information of programs and the medium-term cost implications of expenditure choices. In the extended horizon, a LSG can make investment decisions on the basis of the resources that will be available over the full medium-term period.

Based on: 1) projection of available resources in the medium-term; 2) cost estimate of on-going programs in the medium-term; and 3) cost estimate of new programs (measures) in the medium-



terms, LSGs can make explicit decisions on expenditure priorities and set credible spending ceilings. Those decisions are reflected in the draft Document of Priorities.

Projection of cost of on-going programs in the medium-term allows the LSG to analyze and answer the following questions:

- Are current policies also sustainable in future? Can we continue to afford the current level of government services?
- What funding is available for implementation of new programs if the current ones continue?

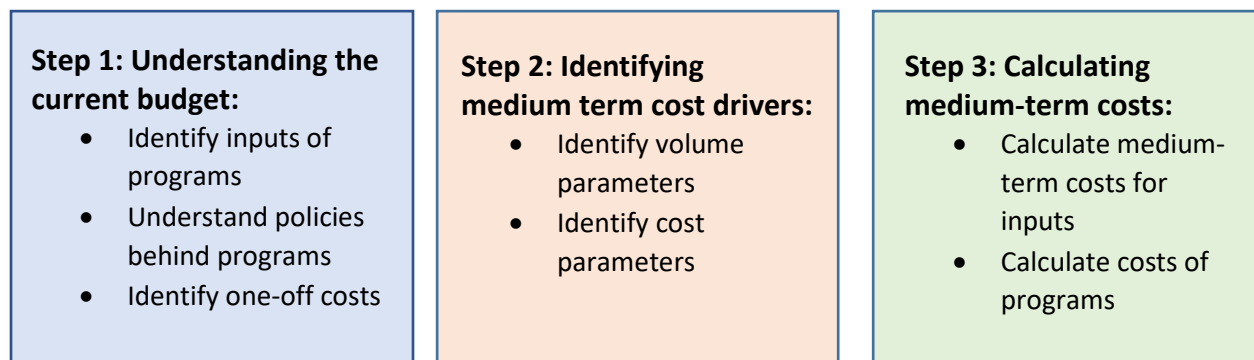
With accurate estimates of medium-term cost of on-going programs, the focus of budgetary discussion is on new proposals – what new programs will be funded over medium-term, within available resources? On the other hand, to make sound decisions on the new investments, the fiscal impact of proposed new programs need to be accurately projected over the medium-term.

A recommended procedure (steps) for developing accurate medium-term cost estimates of programs is illustrated in Figure 10 below.

### 3.2.1 Steps for developing medium-term cost estimates of programs – good practice

Medium-term cost estimate of a program is a joint effort of program implementer (organization or department in charge) and Financial Department: with program implementer knowing the policy behind program and its effects on volume of service provided over time, and Financial Department providing a trajectory of cost parameters over time.

**Figure 10.** Steps for developing accurate medium-term cost estimates of programs



#### **STEP 1: Understanding current budget**

**1.1 Identify inputs of programs and their costs.** Inputs under programs should be examined in a disaggregated form of economic classification to better understand the changes of inputs and their costs over time. For example, ‘goods and services’ should be disaggregated to the following types of inputs: utilities, office supplies, current maintenance, travel, etc. At least two years of comparable figures on actual budget outturns per input should be prepared together with the budget for the current year and the most recent available data on budget execution. This should serve as a base for further rearrangements of data and calculations of cost estimates in the medium term.

**1.2 Understand policies behind budget programs.** Understanding policies and how they influence the cost in the medium-term is the key to the accurate projections. This includes being familiar with documents such as sector legislation and strategy, as well as central and local government decisions.

**1.3 Identify one-off costs.** Those are costs that are specific for the current or previous years and will not occur in the budget on a regular basis. Examples include one-off subsidies to farmers due to flooding; costs related to local elections, etc. One-off cost should not be taken into account in medium-term cost estimation of programs.

## **STEP 2: Identifying medium term cost drivers**

Each input cost can be disintegrated into volumes and price. For example, the size of the wage bill is determined by the number of staff (volume) and base salary (price); the rents paid for the office space depend on the square meters (volume) and price of sq.m, etc. Accurate forecast of input cost in the medium-term requires understanding future changes of input volumes and price.

**2.1 Identify input volume parameters that reflect changes in level of service provided.** Examples of factors that could cause changes in the volume of services provided in the medium-term include: demographic changes affecting the number of children in pre-school educational program; delay in capital project implementation affecting the planned levels of output; increase in unemployment affecting the number of beneficiaries of social security programs; changes of legal provisions affecting implementation of program, and so on.

**2.2 Identify input price parameters.** Usually overall inflation forecast serves as a useful price parameter. However, inflation forecast cannot be applied in situation of regulated prices, or indexation rules (for example, for wages or pensions).

## **STEP 3: Calculating medium-term costs**

**3.1 Medium-term cost of inputs.** Medium-term cost of input is typically calculated by multiplying base value of input by its price and volume parameters for each year of the medium-term period. The most recent figure on the level of input should be used as a 'base value'. Therefore, if cost estimates are prepared early in the year (e.g. during the first quarter) the budgeted figure for the current year could serve as a base value for the preparation of cost estimates for the year  $t$  i.e. the first year of the medium term framework or the next budget year. Then, projected level of input for the year  $t$  will serve as a base value for the application of price and volume parameters relevant for the year  $t+1$  and so on. However, if the estimates are prepared or updated latter during the current year, it would be useful to estimate current year' spending levels using the most recent data on execution and on developments in price and volume parameters. Cost estimates for the next budget year (year  $t$ ) could be calculated using an estimated level of the current year (instead of budgeted level) as input base value.

In certain situations, the medium-term cost of input cannot be calculated in a simple way. For example, calculation of wage bill is not a simple multiplication of assumed changes in the number of employees and base salary with the base level of wage bill. Factors such as pay grades, projection of progression factors or costs related to different type of employment should also be taken into account for the most precise calculations. In calculating the medium-term cost of an input, the LSGs should choose the level of detail that provides reasonably accurate estimates without making this exercise too labor and time consuming. The share of an input in the overall

cost of program is one of the factors that should influence how detailed a calculation of input cost is.

**3.2. Medium-term cost of programs.** Medium-term cost of program is calculated by summing projected costs of inputs within programs and including any identified one-off items.

### 3.3 Estimating full cost of capital projects

The capital budget mainly involves projects that have investment nature, i.e. the final product created within the project itself should become an integral part of economic activity or should contribute to economic development. Capital projects imply creating new infrastructure or fundamental improvement of existing ones.

Regulatory Requirement (Updated PB Methodology for LSGs, 2018):

The capital project should meet the following conditions:

- In case of construction and rehabilitation, its value shall not be less than 30,0 thousand GEL and the use of the product created less than 2 years;
- In case of purchase of machinery and other equipment, as well as program purchase, the unit or total project cost shall not be less than 50,0 thousand GEL and their use is less than 1 year;
- The cost of the project shall include all expenses related to the project, including the cost of designing, preparing works, transportation and legislation.

The operating impact of a capital project is an essential factor to consider when making an informed decision about the new investment, but also when estimating the medium-term cost of capital projects that are either completed or planned to be completed during the projection period.

The operating impacts of a capital project that should be considered and quantified include: 1) increased expenditures; 2) increased revenues; or 3) additional cost savings.

- **Increased expenditures** are often associated with a new facility, like a library, kindergarten, etc. This would result in additional headcount and associated expenditures.
- **Increased revenues** may be the result of providing a new or improved service that users are charged for. For example, through construction of a new swimming pool, or a sports facility.
- **Savings** may result from a number of items such as more efficient energy savings, more productive software, and lower maintenance and repair expenditures.

**TIP ON PROCEDURE:**

A specific policy on calculating and presenting operating costs of capital projects should be included in the budget circular or an executive decree. A rule might be established that the proposal of new capital project may not be submitted/ approved until impacts are noted.

Operating costs of different capital project could be recognized as a single spending category under the relevant program, but the projections should be done and justified on an individual project basis.

Items to consider when calculating operating impact of a capital project include:

- a. Timing of realization of costs, savings or revenue. For example, first-year startup costs will likely differ from costs in successive years when savings may be realized.
- b. Whether the costs, savings, or revenues are recurring or non-recurring. For example, replacement and maintenance costs may occur on alternating or periodic years rather than annually over the life of a capital asset.
- c. Average maintenance cost for different types of project, when applicable. See Table 3 below for illustration.

**Table 3. Average Maintenance Costs**

Type of Projects	Average annual Maintenance Cost
Playground for children (Stadium)	GELx,xxx/ m <sup>2</sup>
Kindergarten	GELx,xxx/m <sup>2</sup>
Community Park	GELxx,xxx/ha
Library	GELx,xxx/m <sup>2</sup>
In-door sports facility	GELx,xxx/ m <sup>2</sup>

The illustration of impacts of several types of projects is provided in Table 4 below.

**Table 4. Impacts of Several Types of Projects**

Project	Year 1, Including Start-up Costs	Recurring Salary & Benefits	Recurring Other Operating Costs	Recurring Annual Revenues
Kindergarten X	GEL xx,xxx	GELxx,xxx	GELxx,xxx	N/A
Library Y	GELxx,xxx	GELxx,xxx	GELxx,xxx	N/A
Swimming pool	GELxx,xxx	GELxx,xxx	GELxx,xxx	GELx,xxx

A detailed calculation of related costs and summary narrative should be provided for each individual project (see Example 6 below).

**Example 6.** Narrative – explanation for the project operating impact

The new kindergarten will accommodate 60 children, in a 350 m<sup>2</sup>building. It is anticipated that it will start with operation in September 2018. Six new personnel will be hired full-time (two kindergarten teachers, two assistants, genitor, and maintenance worker). Operating costs may be broken down into start-up costs and on-going costs.

**Start-up costs** include:

- 1) Educational and play materials and supplies (toys, books, art supplies) (GELxx,xxx);
- 2) Furniture (chairs, tables) (GELxx,xxx); and
- 3) Kitchen equipment (GELx,xxx).

**On-going costs** include:

- 1) Cost of building maintenance (GELxx,xxx), as calculated based on average cost of kindergarten maintenance per m<sup>2</sup>;
- 2) Salaries and benefits for the staff (GELxx,xxx); and
- 3) Provision of meals for children (GELxx,xxx).

## 4 PERFORMANCE MEASUREMENT OF PROGRAMS

### 4.1 Why performance measurement

The public sector, similarly to private sector, needs an effective performance measurement system to ensure it is efficient, effective and accountable to its stakeholders.

An effective performance measurement system is based on:

- 1) clear goals and relevant performance indicators;
- 2) systematic collection of performance information;
- 3) regular reporting/dissemination of information.

In general, the primary purpose of performance measurement by LSGs is to:

- **Evaluate** performance data against benchmarks and determine how well an organization is performing (in relation to its strategy and objectives)
- **Compare** performance with other, similar local authorities LSGs, so improved practices may be identified and adopted. This could include comparison of quality, operational efficiency, or coverage of public service.
- **Set priorities** of LSG. Having the up-to-date information on the comparative strengths and weaknesses helps the local government to determine priorities over the short and medium term and set development directions.
- **Sharpen focus on results.** Performance measurement enables politicians and managers to clarify objectives and results expected from the agencies.
- **Improving performance:** Performance indicators serve as signaling device and shed light on problems with programs and service delivery. Once a problem or poor performance is identified, different approaches can be taken to improve performance.
- **Increase transparency and accountability.** Performance measurement facilitates dissemination of key information on current and targeted results of local administration to the representative body, citizens, and other stakeholders. This help the public to hold policy makers and service providers accountable for performance.
- **Motivate** people / organizations to improve performance
- **Better allocate and control resources**

#### 4.1.1 Use of performance information in budgeting – international experience

Introduction of performance information in budgeting aims to change the focus of decision making from distribution of funds across organizations to results that can be achieved with funding available. Following OECD categorization<sup>8</sup>, performance budgeting can be divided into three broad types depending on the relationship between performance information and proposed allocation of budget resources:

- **Presentational performance budgeting.** In this model approach performance information is presented in budgeting documents, but it does not play a role in decision

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<sup>8</sup> OECD (2008). Performance Budgeting: A User's Guide, OECD Publishing.

making on. Information on performance targets and results is used in dialogue with the representative body and citizens on public policy and public expenditure issues.

- **Performance-informed budgeting.** This model indirectly relates resource allocations with results. Demonstrated past and/or expected future performance is only one factor in the decision-making process. There is no direct or mechanical link between performance (planned or actual) and funding.
- **Direct (formula) performance budgeting.** In certain sectors (or sub-sectors) performance budgeting can be applied directly, explicitly linking past performance to current funding. This model of performance budgeting requires clear and explicit output measures and precise information on unit costs. For example, in higher education program, the number of graduates in a master program in previous year(s) and total cost per student determines the current program funding.

Any of those models can generate systematic and reliable information on the efficiency and effectiveness of government programs and actions, and influence the budget process (see Table 5 below). Formally or informally, quality PIs adds credibility to budget preparation and help the executive body make informed investment decisions.

**Table 5.** The role of PIs in different performance budget systems

Type	Linkage between PI and funding	Main purpose in the budget process
Presentationals	No link	Accountability
Performance-informed Budgeting	Loose/indirect link	Planning and/or Accountability
Direct(formula) performance budgeting	Tight/direct link	Resource allocation and accountability

When performance targets and results are used in budget process, they used along with other data to inform rather than determine budget allocations. Performance information is most often used to shed light on program areas that need change in the way they are implemented or the policy modification. Sometimes a part of solution to poorly performing programs is additional funding, while other times the solution is to terminate the program.

As Georgian public administration is at initial stage of introduction of performance measurement of program, and taking into consideration the existing analytical capacities to implement performance management system, the first model would be the most relevant for the central government organizations as well as for LSGs.

## 4.2 Key advice for successful implementation of performance management system

Based on research on performance management systems and experiences of OECD member countries<sup>9</sup>, some general insights are discussed below that are helpful to consider when designing, implementing or changing systems of performance management. Those include the following:

**Leadership is important.** The support of political and administrative leaders is vital for pushing the implementation of performance management. Strong political leadership can create momentum and impetus for change and help to overcome bureaucratic resistance.

**Develop the capacity of the Finance Department and organizations.** It is important that the Finance Department and organizations have the analytical and administrative capacities to implement performance measurement. Staff needs to have the relevant training and expertise.

**Have flexibility in implementation; one size does not fit all.** LSGs need to allow enough flexibility to take account of the differences in the functions performed by organizations while ensuring sufficient uniformity in approach and presentation of performance data.

**Consultation and ownership are important.** It is important to develop a dialogue with relevant parties. Consultations between departments of local administration in charge of *programs* and organizations implementing related *sub-programs* to establish a performance framework and set targets helps ensure that the framework has buy-in.

**Improve the presentation and reporting of performance information.** To encourage the use of this information in decision making, it is important that it be relevant, of high quality, credible and timely. PI should be presented in a simple and integrated manner. At a minimum, there needs to be a clear link between planning and performance reporting documents, and between programs, resources and results. The planned and actual results should be presented (ideally in a time series) in the same document along with financial information.

**Remember the journey is as important as the destination.** Some of the benefits of this approach come from reviewing existing systems, asking a different set of questions, and seeking to shift thinking and focus from inputs towards results.

## 4.3 Setting up objectives and performance indicators

Concept of performance assumes a clear statement of objectives against which performance is measured. In order to establish effective performance measurement system, the following guidelines should be considered in defining program objectives.

### 4.3.1 Desirable characteristics of objectives

**Objective represents essential aspects of program.** The objective(s) of program should relate to essential elements of the program (activities carried out within it), and the most important policy issues (problems) in program area. Consideration needs to be given to all activities within the program, regardless of who is implementing them, and or where the funding is coming from (budget, donor funds, loans).

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<sup>9</sup> *Improving Public Sector Efficiency: Challenges and Opportunities*, Teresa Curristine, Zsuzsanna Lonti, and Isabelle Joumard, OECD Publishing 2007



Objective of a *program* which includes *sub-programs* implemented by different organizations should reflect or summarize contribution of individual *sub-programs*. A department in charge of *program* implementation should discuss and agree with the organizations implementing *sub-programs* on the expected results of their efforts, when setting aggregate program targets. For example, objective *Increased share of population participates in sport and recreational activities* which is linked to program “Sport development” should relate to efforts of different sport organizations (financed through the program) on increasing the participation of citizens in sport and recreation.

**Achievement of objective depends decisively on program activities.** Achievement of the objective must be attributable, exclusively or primarily, to the activities of the program to which it is attached. The framing of the objective and the accompanying explanations in the program narrative should explain the link between agencies’ activities and the results expected from them.

Objectives that can only be achieved through far-reaching changes in the socioeconomic environment should be avoided. An objective which is to large extent affected by causes other than program action, or attributable to players outside the program should also be set aside. For example, *To increase the income per capita in LSG* is an objective that depends of various external factors (economy cycle, geographic location of municipality, political stability of country, business related regulation at national level, etc), so it would not be reasonable to set such objective for the program “Support to economic development”.

**Clarity of Objective.** The objective should be stated in a way that is simple, precise and easy for everyone to understand. Where possible it should be expressed quantitatively, for example: *To reduce the area of unattended municipality parks from 50% to 15% in three years.*

**Be measurable.** An objective must be measurable through application of relevant performance indicators. A well-defined objective narrows down the possible choices of indicators or make the choice indicator quite obvious.

Performance indicators must be quantitative, even when the objective is qualitative. For example, the progress in achieving qualitative objective: *To make municipality parks a decent and pleasant leisure venue for the public,* can be measure to a quantitative indicator: *Number of complaints of citizens related to park maintenance.*

**Reflect planned benefits to citizens.** The objectives that are most of value for citizens are those that relate to:

- **socioeconomic effectiveness (outcomes).** Such objectives bring about material changes in the economic and social environment and in ecological, health, and cultural areas etc.

Examples:

- *To provide access to quality pre-school education for all 6-year-old children in the municipality;*
  - *To make the community environment clean and safe from disease related to street garbage;*
  - *To increase the percentage of municipality population using irrigation water*
- **service quantity and quality objectives** that affect users of public service;

Examples:

- *To improve quality of the system of pre-school education and preclude complaints concerning the activities of pre-school institutions;*
- *To increase the amount of garbage collected and number of families in garbage collection program:*
- *To build 8 km of irrigation system annually*
- **efficiency objectives** that affect taxpayers. The aim of these objectives is to increase public service outputs for the same level of resources or to use fewer resources for the same level of output.

Examples:

- *To reduce the cost of maintenance cost per child in kindergarten through implementation of energy efficiency measures*
- *To reduce the cost of garbage collection per ton*
- *To reduce the unit cost of irrigation pipeline construction to industry standards*

#### **TIP for objective formulation**

The following verbs are typically used when defining the objectives: To improve; To expand; To ensure; To prevent; To reach; To protect; To eliminate; etc.

#### **4.3.2 Selecting performance indicators**

Performance indicators are quantitative measurement units that show progress towards achieving the objectives. There are several types of performance indicators:

- **Output indicators** relate to volume of service delivered (the quantity of units produced). Examples include length of paved streets, the number of construction permits issued; the number of nursery places provided; etc.
- **Efficiency indicators** reflect the unit cost of output (service delivered).  
Examples of efficiency indicators include the cost of repairing one kilometer of roads, the cost per student, the cost to collect one ton of garbage, etc.
- **Service Quality Indicators** relate to how satisfied customers/citizens are; how accurately a service is provided; and/or how timely a service is provided. Examples might be: Percentage of respondents satisfied with street cleaning service; Number of parents' complaints related to kindergarten service; Number of deviations from garbage collection schedule; Average wait time to have a permit issued; etc.
- **Outcome indicators** relate to socio-economic effects (results) of program implementation. Examples of outcome indicators include the share of irrigated green areas in total green areas, the share of households with access to potable water in the total number of households, and the share of the developed part of the city in the total space of the city.

Irrespective of the likely diversity in design and purpose performance measures, their desirable characteristics should be aligned as much as possible with the following selection criteria:

**Relevance.** There must a strong logical relation between the indicator and set objective. The indicator should present the most objective mean for measuring the achievement of the objective.

**Reliability and consistency.** Complete data on indicator is provided error free and unbiased, on annual basis. In cases where it is quite costly to track the value of an indicator annually - for example, when indicator value is generated through a comprehensive citizen satisfaction survey, it is reasonable to monitor the indicator at less frequent intervals.

**Easy to understand.** What is measured by an indicator should be easily understood by both local officials and the community residents.

Composite indicators based on complex formula are not easy for non-specialists to understand, and should be avoided.

Consider using percentage value indicators (as opposed to absolute value indicators) in situations where the environment is not controllable (see Example 7 below).

**Example 7.** Absolute vs relative value of indicator

The *number of construction permits issued within 15 work days* depends on the number of requests for construction permits submitted. Thus, it is not a good measure of efficiency of administration. In contrast, *a percentage of construction permits issued within 15 work days* is comparable from year to year, and enables assessing of progress in the efficiency of service.

Similarly, *a rate of school children that participates in sports activities* is a better measure of effectiveness of sport development program than the *total number of school children that participates in sports*: the value of that latter indicator depends also on demographic trends (and annual school enrollment figures).

**Enable evaluation and comparison.** An indicator must enable evaluation of performance data against set objectives, and/or comparison of results of one LSG with similar local authorities. It should yield meaningful change on an annual basis required for the budget cycle.

**Indicator value should be collected at reasonable cost.** The indicator must be obtained at a cost proportional to the usefulness of the information it provides. When data on some meaningful results is expensive to collect, the use of highly correlated proxies from existing data sets or collection of additional data through relatively low-cost surveys could be a solution.

These challenges can be resolved in a pragmatic way knowing that perfection is not possible, that tradeoffs must be made at the level of implementing agencies with full knowledge/awareness of the consequences.

TIPS for effective measurement system:

**Develop and use different types of PI.** It is necessary not only to develop different types of PI, but also to understand the potential and limitations of each one. It can be problematic to have a system that concentrates solely on one type of PI. The different types of PI should feed into each other and, if possible, be seen and used in conjunction with each other.

**Focus on outcomes, not just outputs.** While outputs are easier to measure, they may lead to a too narrow focus on efficiency and to the exclusion of the wider issue of effectiveness and orientation towards citizens' needs.

**Limit the number of objectives and PIs.** Too many objectives and indicators can create information overload and make it difficult to focus on key targets.

**Indicator systems are not static.** There are likely to be persistent challenges regarding data quality and measurement and ongoing opportunities to enhance the use of information.

The critical issue in establishing an effective performance management system is to ensure managerial responsibility for realization of programs and achievement of their objectives. In that sense, the selection of objectives and PIs of programs should be guided by existing performance management practices and forms.

When a *program* is implemented solely by a spending institution, the realization of objectives and performance management is the responsibility of the spending institution and the specific department/unit of the spending institution in charge of program implementation. If a *program* is implemented jointly by a spending institution and a budgetary organization subordinated to its control, then realization of objectives of the *program* (strategic objectives of LSG) is the responsibility of the spending institution, while realization of objectives of a *sub-program* implemented by a budgetary organization is the responsibility of that budgetary organization.

Example 8 below illustrates different type of objectives and PIs related to garbage collection. If *Garbage collection* is a *sub-program* implemented by the Municipal Cleaning Agency, within *Cleaning and waste disposal* program managed by LSG's Environmental protection department, then the strategic goal related to garbage collection (objective 3) should be set at *program* level as responsibility of Environmental protection department, while the operational goals related to garbage collection (objectives 1 and 2) should be set at *sub-program* level as responsibility of Municipal Cleaning Agency.

**Example 8. Objectives and Performance indicators for Garbage Collection**

**Objective 1:** *To increase the coverage of the garbage collection program and amount of garbage collected annually by 10%.*

**Output indicators:**

- *Number of families covered by garbage collection program*
- *Volume of garbage collected*

**Objective 2:** *To increase efficiency of garbage collection by reducing its frequency from thrice to twice weekly, while maintaining an adequate service standard*

**Efficiency Indicators:**

- *Cost of collecting one ton of garbage*
- *Cost of garbage per family*
- *Amount of garbage collected by one employee/truck*

**Quality-of-Service Indicators:**

- *Level of public satisfaction (indicator derived from citizen survey)*
- *Number of public complaints (annually)*
- *Number of deviations from garbage collection schedule*

**Objective 3:** *To make the environment clean and safe.*

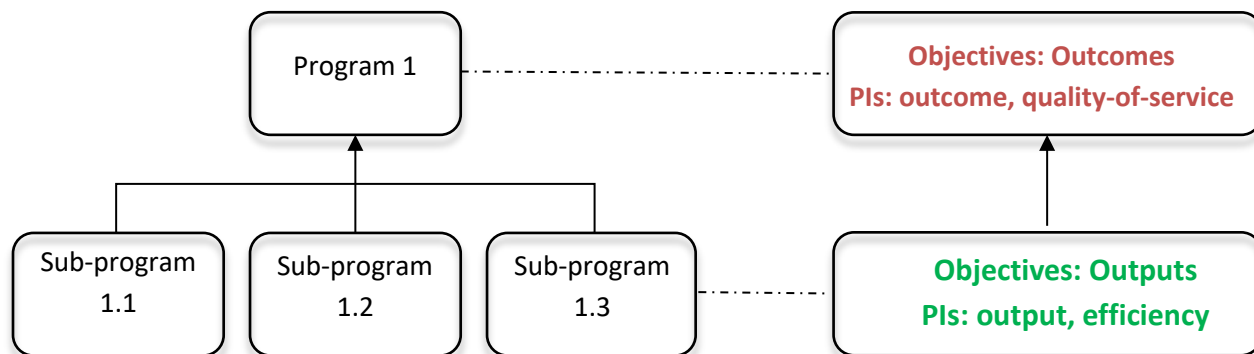
**Outcome Indicator:**

- *Share of clean streets in the total number of community streets*

#### 4.4 Linking objectives and performance indicators to program budget elements

Effective performance management system enables local officials and citizens to monitor progress in achieving: 1) LSG's strategic objectives (desired outcomes of programs) and 2) operational objectives of organizations related to improvement of public service. That is provided by establishing the hierarchy of objectives and performance linked to program elements, as illustrated at the Figure 11 below.

**Figure 11.** Hierarchy of Objectives and Performance



##### **Program Level**

At the *program* level, objectives typically relate to desired socio-economic conditions for LSG, i.e. outcomes. In certain cases, the objective at program level also relate to service quality or satisfaction of citizens with service.

Up to three objectives may be defined per program (according to the PB Methodology), but in most cases the objective is single.

*Program* objectives are set in a timeframe of medium to long-term. Desired outcomes can be reached only by efforts made throughout multiple years. When an outcome is achieved, it implies that the program is terminated entirely or in the current form. Nevertheless, for *programs* that are permanent by nature and reflect basic functionalities of LSG, objectives typically relate to improvement of conditions in a stable manner over a long period of time, or maintenance of current conditions in program domain.

Respectively, targets for performance indicators of the program outcome are set for multiple years (and presented for next four years in the budget documentation). Indicators of progress may be used to assess the performance of the program within a year.

##### **Sub-program level**

At the *sub-program* level, objective typically relates to improved provision of public services, i.e. outputs. This might include the larger quantities, reduced cost, and/or improved quality of service provision.

Achievement of outputs of *sub-programs* on annual basis, signals a step made towards the realization of desired *program* outcome (ultimate goal).

## Utilizing results chain framework for performance management system

In chapter 1, the results chain framework (also called a log-frame model) has been introduced. This framework provides a mapping from inputs via processes / activities to program outputs and desired outcomes. It can be instrumental in establishing the hierarchy of objectives and PIs and effectively linking them to program budget elements and organizational structures.

In developing a full results-chain framework, it is essential to: 1) have a good understanding of program logic (intervention); 2) identify ultimate outcomes intended by the program; and 3) reconstruct the hierarchy of results, establishing a relationship between program outputs and their effects on ultimate objectives.

Illustrative performance management framework for program Road Infrastructure Development (and sub-programs within it) is presented in log-frame format in Example 9 below.

**At the *program level***, the ultimate objective (outcome) and PIs reflect the efforts (activities) and outputs of all *sub-programs* within the program (*On-going maintenance of roads, streets and sidewalks, Capital construction of road infrastructure, Construction of bridge XY*). The realization of the ultimate program objective and performance management is the responsibility of the LSG and its Infrastructure Development Department.

Performance is measured by combination of the following PIs:

- **Outcome indicators:** Percentage of total road length consistent with established standards; Total length of roads
- **Quality of service indicators:** Index of citizen satisfaction with road infrastructure; Average time of commute between parts of municipality

**At the *sub-program level***, the performance is measured by the following PIs:

- **Output indicators:** Area of paved streets repaired with asphalt; Length of newly built road network; Length of rehabilitated streets; Rate of project implementation
- **Efficiency indicators:** Cost of km of new road

The realization of objectives and performance management of a *sub-program* is the responsibility of a budgetary organization (public authority) implementing the *sub-program* – *Agency for road and street maintenance and construction*.

*Some of the **outcomes** are sub-program specific (Number of cars crossing the bridge per day, Number of patches per km of street), while others are the result of efforts within more than one sub-program and it is reasonable to monitor them at the program level (Average time of commute between parts of municipality, Index of citizen satisfaction with road infrastructure).*

**Example 9. RESULT CHAIN FOR PROGRAM 1: ROAD INFRASTRUCTURE DEVELOPMENT**

<b>OUTCOME PIs:</b> <ul style="list-style-type: none"> <li>➤ Percentage of total road length consistent with established standards;</li> <li>➤ Total length of roads</li> <li>➤ Index of citizen satisfaction with road infrastructure</li> <li>➤ Average time of commute between parts of municipality</li> </ul>					
<b>SUBPROGRAM: On-going maintenance of roads, streets and sidewalks</b>		<b>SUBPROGRAM: Capital construction of road infrastructure</b>		<b>SUBPROGRAM: Construction of bridge XY</b>	
<b>INPUTS:</b> <ul style="list-style-type: none"> <li>➤ Staff</li> <li>➤ Maintenance equipment</li> <li>➤ Maintenance materials</li> </ul>		<b>INPUTS:</b> <ul style="list-style-type: none"> <li>➤ Staff</li> <li>➤ Construction equipment (machinery)</li> <li>➤ Construction material</li> </ul>		<b>INPUTS:</b> <ul style="list-style-type: none"> <li>➤ Staff</li> <li>➤ Construction equipment(machinery)</li> <li>➤ Construction materials</li> </ul>	
<b>ACTIVITIES:</b> <ul style="list-style-type: none"> <li>➤ Crack sealing</li> <li>➤ Sealcoating</li> <li>➤ Cold patching</li> <li>➤ Debris removal</li> </ul>		<b>ACTIVITIES:</b> <ul style="list-style-type: none"> <li>➤ Site clearance</li> <li>➤ Granular base</li> <li>➤ Leveling</li> <li>➤ Pavement construction</li> <li>➤ Placement of Road Surfacing</li> <li>➤ Landscape</li> </ul>		<b>ACTIVITIES:</b> <ul style="list-style-type: none"> <li>➤ Construction of the foundation (1<sup>st</sup> phase)</li> <li>➤ Completion of the bridge construction (2<sup>nd</sup> phase)</li> <li>➤ Miscellaneous work (railing, asphalt, access roads) (3<sup>rd</sup> phase)</li> </ul>	
<b>OUTPUTS:</b> <ul style="list-style-type: none"> <li>➤ Sealed holes and cracks on selected streets</li> <li>➤ Repaired paved streets with asphalt-concrete</li> <li>➤ Repaired unpaved streets with sand-gravel</li> </ul>	<b>PIs:</b> <ul style="list-style-type: none"> <li>➤ Area of paved streets repaired with asphalt</li> <li>➤ Area of unpaved streets repaired with sand-gravel</li> </ul>	<b>OUTPUTS:</b> <ul style="list-style-type: none"> <li>➤ Fully rehabilitated streets</li> <li>➤ New road infrastructure built</li> </ul>	<b>PIs:</b> <ul style="list-style-type: none"> <li>➤ Cost of km of new road</li> <li>➤ Length of newly built road network</li> <li>➤ Length of rehabilitated streets</li> </ul>	<b>OUTPUTS:</b> <ul style="list-style-type: none"> <li>➤ All phases completed in accordance with the deadline</li> <li>➤ Bridge opened for traffic</li> </ul>	<b>PIs:</b> <ul style="list-style-type: none"> <li>➤ Rate of project implementation (implemented vs planned) annually</li> <li>➤ Cost of m2 of bridge construction</li> </ul>



<p><b>OUTCOMES:</b></p> <ul style="list-style-type: none"> <li>➤ Smooth streets</li> <li>➤ Faster commute between parts of the municipality</li> <li>➤ Motorists reach their destination safely</li> </ul>	<p><b>PIs:</b></p> <ul style="list-style-type: none"> <li>➤ Number of patches per km of street</li> <li>➤ Number of car accidents caused by road condition</li> </ul>	<p><b>OUTCOMES;</b></p> <ul style="list-style-type: none"> <li>➤ Faster commute between parts of the municipality</li> <li>➤ Decrease of the traffic congestion</li> </ul>	<p><b>PIs:</b></p> <ul style="list-style-type: none"> <li>➤ Total length of roads</li> <li>➤ Average peak-period vehicle traffic speeds</li> <li>➤ Duration of “rush hour”</li> </ul>	<p><b>OUTCOMES;</b></p> <ul style="list-style-type: none"> <li>➤ Shorter travelling between parts of municipality</li> <li>➤ Decrease of the traffic jam on the local roads</li> </ul>	<p><b>PIs:</b></p> <ul style="list-style-type: none"> <li>➤ Average time of commute between parts of municipality</li> <li>➤ Number of cars crossing the bridge per day</li> </ul>
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## 4.5 Presentation of performance information in budgetary documents

To enable monitoring progress in achievement of objectives, each desired outcome and output of program is linked with relevant performance indicator(s). For each selected PI, the following information should be included:

- Baseline value (and optionally values of indicator in previous years)
- Target value (s)
- Data sources
- Methodological information (explanation of indicator) – where relevant
- Possibility of deviation (%) from target value – where relevant
- Potential Risks in achieving target value (s) – where relevant

Principles of performance accountability and control require detailed information on selected performance information (a fact sheet) to be regularly updated by the program implementer and made available to any interested parties. Key information on PIs is included in budgetary documents.

**Baseline value** is the latest value of PI available, showing the status quo or the current situation in field measured by PIs. It is utilized in the planning phase for benchmarking (comparison with referent LSGs) and understanding the treats and opportunities a LSG faces. In annual monitoring and evaluation phase, it used to assess whether programs are changing the initial situation and in what way (by comparing actual value of indicator and baseline value).

It is useful to include information of the year of the baseline value, as well as the achieved values of PI in previous year – to enable the analyses of trend (see examples below).

**Target value(s)** is showing the desired status of PI in the given year(s), in table format. In annual monitoring and evaluation phase, actual value of indicator is compared to target value of PI to assess if the objective is being achieved.

At the level of *program* target values for next three years should be provided (in table format). At the level of *sub-program* target value for next year is entered.

Program managers need to advise as to what a realistic and achievable commitment for a target is, given the available resources and capacity. Whilst targets should be realistic, they should pose a challenge to the municipality to do things significantly better. Managers will need to advise on seasonal changes and other externalities that should be considered in the process of target setting.

**Data source** is a database/report in which actual value of indicator is updated/published on a regular basis – at least annually. It is used as a source of information for program managers in planning and reporting phase, and could be used as source of verification on accuracy of data entered into budgetary documents.

**Methodological information** (explanation of indicator) is provided when an indicator cannot be easily understood by public based on its name - for example, when a value of indicator is calculated based on complex formula or relates to highly technical parameters. It can also explain if the indicator value is expressed in cumulative or annual terms.

**Possibility of deviation (%) from target value** is used to determine the range of acceptable indicator values, when target value cannot be precisely set.

**Potential Risks** in achieving target value (s) are noted when program managers recognize factors which might negatively influence achievement of desired targets.

Illustration of key indicator information is provided in Examples 10 and 11 below.

<b>Example 10. KEY INDICATOR INFORMATION, PROGRAM: ROAD INFRASTRUCTURE DEVELOPMENT</b>										
Performance indicator	Baseline Value (Year)	2018 Target	2019 Target	2020 Target	2021 Target	Unit of measure	Data Source	Methodological information	Possible Deviation from target (%)	Potential Risks
Percentage of total road length consistent with established standards	63.3 (2016)	65.0	67.0	69.0	71.0	%	Annual Report on Operation of the LSG (input provided by Infrastructure Department)	Road standards as established by the Civil Engineers Association of Georgia	3 %	Delays in procurement and implementation schedule of construction and rehabilitation projects.
Index of citizen satisfaction with road infrastructure	5.5 (2016)	-	-	6	-	index	Report on Citizen Satisfaction with public service done every 3 years	Index is calculated based on average score provided by citizen on scale 1-10	5%	Indicator is based on <i>perception</i> of citizens, which is not necessarily in line with actual improvements of road infrastructure
The total length of roads	377,865 (2016)	377,875	377,885	377,895	377, 905	m	Annual Report on Operation of the LSG (input provided by Infrastructure Department)	-	3 %	Delays in procurement and implementation schedule of construction projects.

<b>Example 11. KEY INDICATOR INFORMATION, SUB-PROGRAM: Rehabilitation of road infrastructure and capital construction</b>							
Performance indicator	Baseline Value (Year)	2018 Target	Measurement unit	Data Source	Methodological information	Possibility of Deviation from target (%)	Potential Risks
Area of rehabilitated road during the year	102,000	110,000	sq.m	Acts of delivery and acceptance provided by the Infrastructure Department	Rehabilitation includes cold patching, crack sealing and debris removal	3 %	Delays in procurement and implementation schedule of

							rehabilitation projects
Average cost of sq.m of new asphalt road	250 GEL	220 GEL	GEL	Acts of delivery and acceptance provided by the Infrastructure Department	-	3 %	Delays in procurement and implementation schedule of construction projects
Number of new streets with asphalt road	5	5	Number	Acts of delivery and acceptance provided by the Infrastructure Department	-	20%	Delays in procurement and implementation schedule of construction projects

## 4.6 Performance monitoring and reporting

### 4.6.1 Monitoring program implementation

Performance monitoring is a process, within the remit of an organization (or department of Gangeoba/City Hall) that consists of the collection and analysis of relevant information regarding the implementation of *programs* and *sub-programs* in relation to their expected results.

Monitoring includes the collection of data at regular intervals, recording the actual values of performance indicators, and the comparison between these actual values and target indicator values for any given period. This allows any deviations from the target values and/or progress made in attaining them to be clarified.

At the same time, actual expenditures of *programs* and *sub-programs* are compared with expenditures planned in the budget, and analysed in the context of performance. This assessment is the basis of the justification statement/recommendation for *program* (*sub-program*). This statement also looks at any impact that the implementation of *program* or *sub-program* in the reporting period may have had on the performance and funds planned for the upcoming period.

Performance information is first collected at a level of *sub-programs* (and *activities*) and then aggregated at the level of *program*.

Monitoring provides key feedback for managers of programs as to which activities are being pursued in accordance with the initial objectives and financial plan, and which are not. If and when any deviations are identified, managers may consider how to adjust activities or re-allocate budget funding in the future to achieve better results.

### 4.6.2 Performance reporting

Based on their program monitoring efforts, organizations develop annual program performance reports (for the most recent completed fiscal year).

The deadline for submission of the annual financial and performance reports of organizations should allow enough time for review of the reports by the Planning Working Group, compilation of the individual reports into annual report on the budget execution of LSG, and its submission to the Sakrebulo no later than end of February (as stipulated in the Budgetary Code).

<p><b>TIP:</b> The recommended deadline for submission of individual performance reports to the Working Group is February 15.</p>
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The Finance Department and executive and legislative bodies take program performance information into account in the course of annual budgeting procedure. This allows decisions on priorities and allocation of monies from the budget for the coming fiscal year to be based, amongst other factors, on the results achieved and funds expended in the preceding fiscal year.

## 4.7 Content of program performance reports

Annual Performance Report contains:

- Amounts of funds allocated in the budget to program/sub-program; amounts of funds expended; and percentage of execution
- Baseline, target and actual value of each PI, deviations and explanations of major deviations between target and actual values
- Justification/recommendation statement for the program/sub-program with reference to its objectives and results achieved, as well as funds allocated and expended.

The justification statement highlights:

- Key achievements;
- Major deviations from implementation plan, or note to the effect that implementation is proceeding according to plan;
- Likely issues with continued execution of the plan and proposals for addressing them;
- Likely impact of the activity or project in the reporting period on the outcomes and funds planned for the upcoming (semi-annual or annual) reporting period;
- Additional relevant information not captured by means of performance indicators.

Templates for financial and performance reporting on execution of programs are provided in Tables 6 and 7 below.

**Table 6.** Template for Financial Reporting

Program code	Priority/ Program/Subprogram	Annual Plan	Annual fact	Performance in%
	Program N1			
	Subprogram N11			
	Subprogram N12			
	Program N2			
	Subprogram N21			
	Subprogram N22			
	Subprogram N23			
	Program N3			
	Program N...			
	Total Funding for Priority			

**Table 7. Information on Program Implementation**

Program Name (Program Code)					
Implementing Agency					
Program Description and Goals					
Anticipated Outcome				Achieved Outcome	
Performance indicator			Outcome Measurement Indicator		Explanation
No	Baseline Indicator	Projected Indicator	Achieved Indicator	Deviation (%/Description)	
1.					
2.					
3.					
4.					
5. (Gender, if applicable)					
Name of the Sub-Program (Program Code)					
Implementing Agency					
Description and Goal of the Sub-Program					
Anticipated Outcome				Achieved Outcome	



Performance indicator of the Anticipated Outcome			Performance indicator of the Achieved Result		Explanation
No	Baseline Indicator	Projected Indicator	Achieved Indicator	Deviation (%/Description)	
1.					
2.					
3.					
4.					
5. (Gender, if applicable)					

## Appendices

### **4.8 Appendix A: Updated Program Budget Methodology for LSGs (2018)**

Document is available in Georgian only.

### **4.9 Appendix B: Practical guide for drafting a municipal medium development document**

Document is available in Georgian only.

## 4.10 Appendix C: Example of Document of Priority Instruction

Order # \_\_\_\_\_  
Dated March 1, 2019  
Of the Mayor of Municipality

**On preparation of document of priority for Y2020-2023 of X municipality**

Basing on the Georgian Organic Law, local Self-government Code, Article 54, clause E.E.  
and the Budget Code of Georgia, Article 76, Clause 3

**I order**

1. To be approved:
  - ა) Working group as per the annex 1 with the aim to work out Y2010-2023 document of priorities for Zugdidi municipality;
  - ბ) Municipality internal budget calendar for Y2019-2020 as per annex 2;
  - გ) List of information to be provided by budget organizations as per annexes 3 and 8.
  
2. Head of financial service (Mr. Pe---) shall be obliged to develop the following within the period of one month:
  - a) Schedule of meetings with budget organizations in correspondence with the budget calendar (Annex 2);
  - b) List of priorities of the local self-government;
  - c) Questionnaire for population survey (an expert might be invited to accomplish this task);
  - d) Guidelines for initiation of new programs by the population;
  - e) Recommendations on priority and availability of the newly proposed programs;
  - f) Budget and programs annual performance reporting form.
  
3. Financial service in cooperation with administrative service shall coordinate working group created with the aim to develop the document of priority for Y2020-2023 of the municipality and arrange relevant trainings for the budget organizations.

**Annex 1. Creating working group to develop a document of priority**

Composition of the working group (further “Working Group”) approved by this order for development of document of priority for Y2020-2023:

	Mayor - Chairman
	Vice-Mayor – Co-Chair
	Head of financial service – working group coordinator
	Head of service 1 and/or permanent representative
	Head of service 2 and/or permanent representative
	Village representative(s)
	Civil advisory council representative(s)
	Chairmen of Sakrebulo (City Council) Committees or their permanent representatives

**Annex 2. Budget calendar of the municipality to be approved as follows:**

Month	Deadline	Activity
<b>March</b>	March 1	According to Clause 3, Article 76 of the Budget Code of Georgia, local self-government executive body shall issue a relevant administrative-legal act from March 1, specifying the list of information to be submitted for identification of priorities and submission deadlines.
		As per the legal act, a working group is formed at the municipality (Mayor, Deputies, Financial Service, Sectoral services, Heads of independent N(N)LE, Sakrebulo (city council) representatives, invited expert, Civil Council representative).
	March 15	Working group shall submit the scope of population survey that aims to collect the following information: 1) Is the municipality population satisfied with the programs

		<p>implemented last year? 2) In their opinion, which are those priority fields that require service improvement from the local government in coming years?</p> <p>NOTE: this step shall only be accomplished in 2018.</p>
<b>April</b>	April 20	Population survey is completed and the results are summarized. NOTE: this step shall only be accomplished in April 2019 (to provide the working group with baseline numbers of KPIs). Otherwise, it shall be accomplished till February 15 (to provide information on annual achievements, that need to be measured by KPIs).
	April 20	Working group shall meet to identify priorities and /or to classify already identified priorities that shall be implemented based on local self-government long term or medium-term plan, situation analyses and /or population survey (on selection).
	April 20	Working group makes announcement on collection of offers from population regarding new programs/sub-programs, specifying process methodology and dates.
<b>May</b>	May 31	Deadline for submission of offers for new programs/sub-programs by the population.
<b>June</b>	June 20	Budget organizations and respective services prepare information on program/sub-program in correspondence with Article 3, using the template give in Appendix 1. They evaluate offers on programs/sub-programs received from population and envision those offers depending on their objective reasonability.
	June 20	Services and budget organizations review the program information documents together with other stakeholders and make amendments into programs based on received comments.
	June 25	Services and budget organizations submit the program information documents to the financial service and working group.

<b>July</b>	10 July	Based on the submitted program information documents, financial service develops the first draft of a document of priority and submits it to the working group together with newly suggested programs (suggested by the services and population).
	15 ივლისი	Working group shall prepare comments on the first draft of the document of priority and shall identify priorities of newly suggested programs/sub-programs, through the evidence based procedure, considering their role in the priorities of the local self-government (as well as considering any additional criteria defined by the methodology under Appendix 1).
	25 ივლისი	Financial service develops medium term cost calculations and revenue forecasts of the current programs (that continue the next year) and submits the financing potential of the new investments to the working group.  Having reviewed the received materials, the working group provides financial service with recommendations, sufficiency of resources for the list of programs worked out based on the newly suggested priorities.
	July 30	Financial service shall update the first draft of the document of priority based on the comments provided by the working group and the decision of the Mayor and sets the limit of charges for budget organizations, considering the decisions made over the new programs/sub-programs.
<b>August</b>	August 1	Financial service shall provide budget circular to the budget organizations together with the application form, indicating ceiling ratios and quantities.
<b>August</b>	August 25	Budget organizations submit their budget requirements to the financial service with the aim to develop the medium-term action plan and the document of priority.
<b>August</b>	August 30	Working group shall review the submitted requirements and develop a draft of a medium term action plan for submission to the Mayor of the municipality.

<b>September</b>	September 1	Mayor of the municipality shall issue a legal act approving the medium term action plan of the municipality for Y2020-2023.
<b>October</b>	October 5	Ministry of Finance of Georgia shall provide local self-government bodies with the forecast data of financial support allocated for the relative budget and expected revenues from taxes, as per the draft state budget, not later than October 5 as stated by the Clause 6, Article 77 of the Budget Code of Georgia.
		According to the Part 1 of the Article 79 of the Budget Code of Georgia, Ministry of Finance of Georgia shall inform local self-government bodies the forecast values of the targeted transfer not later than October 5 every year.
<b>November</b>	1 November	Financial service prepares draft budget for submission.
		Financial service updates the document of priority.
	10 November	Financial service submits updated budget and document of priority to the working group. In case of comments, updates the documents and prepares for submission to the Mayor.
	15 November	Mayor of the municipality submits draft budget of local self-government to Sakrebulo (city council).
		According to the Budget Code of Georgia, Article 77, the draft budget shall be submitted to Sakrebulo (city council) together with the relevant document of priority.
	20 November	According to Article 78 of the Budget Code of Georgia, draft budget submitted to Sakrebulo (city council) shall be published for public discussion.
	25 November	According to Part 3, Article 78 of the Budget Code of Georgia, in case of any comments, Sakrebulo shall revert draft budget with notes to the Mayor not later than November 25.
<b>December</b>	December 10	According to Part 4, Article 78 of the Budget Code of Georgia, Mayor of the municipality shall submit the same or updated versions of draft budget and document of priority to Sakrebulo (city council) not later than December 10.

	December 31	According to Part 2, Article 78 of the Budget Code of Georgia, Sakrebulo (city council) shall hold a public discussion of the draft budget and shall make decision on draft budget approval before the start of a new year.
<b>January-February</b>	February 15	Population survey shall be performed and an analyses developed to demonstrate 1) population satisfaction level by programs implemented last year and 2) those fields of priority, in the opinion of population, where local self-government needs to improve service level in coming years.
<b>February</b>	February 15	Organizations (services responsible for the programs) shall submit program performance reports in a form defined by Appendix 7, to the financial service.
	February 20	Working group shall review and discuss the submitted performance reports and is eligible to issue recommendations on cancellation, reduction or restructuring of the program, considering the results of population survey. Organizations shall take into consideration recommendations issued by the working group in the next year work plan.
	February 28	Financial service shall develop a consolidated annual report on budget performance and program performance by local self-governments. Mayor shall submit the report to Sakrebulo (city council) before March 1.



## 4.11 Appendix D: Example of Document of Priority

### Municipality's Medium-term Document of Priority for 2019-2022

#### Chapter I. General information about Municipality

Borjomi municipality, as an administrative-territorial entity is a part of Samtskhe-Javakheti region. It is located at the territory of historical settlement TORI.

It is located at the West side of Trialeti ridge and East side of Meskheta ridge, spread over Tori cave and Borjomi gorge. Municipality covers 1189 km<sup>2</sup> area, inter alia: 440 km<sup>2</sup> of the municipality area covered by rivers Mtkvari, Borjomula, Gujareti Tskali; lakes Tabatskuri, Kakhisi, Tsero Lake, etc. Main natural resource of the municipality is mineral water, particularly, well known Borjomi mineral water used for treatment. Mineral waters and beautiful nature made its name worldwide popular and gained a status of resort to Borjomi. In the early 19<sup>th</sup> century the town became a balneological resort and served as a summer residence to Romanov dynasty. Borough Bakuriani which is one of the best skiing resorts, is a part of Borjomi municipality.

Population of Borjomi municipality as of Y2017 is 25,2 K. Population density is 21 per km<sup>2</sup>. There are 43 settlements within the municipality, inter alia 1 town, 4 boroughs and 38 villages.

Out of 25,2 K citizens as of Y 2017, 13,2 K are female and 12,0 K are male. Among them 15,2 K are registered in towns inter alia 7,0 males and 8,2 females. While in villages there are 10,0 K people registered with 5,0 males and 5,0 female population.

There are 5,6 K children under 6 years registered at the municipality, 6,8 K adults from 6 to 18 years old and 8,9 K retired. Among them all, there are 12 K individuals with socially vulnerable status. Number of population with the status of "high mountain settler" makes up 9,8 K as of January 1, 2018.

Revenue sources of municipality are industry (mineral water export 71%), tourism, construction, trade, small entrepreneurship and state services.

There are 2 Borjomi bottling factories operating in Borjomi that provide 40 countries with water.

Unfortunately, we don't have statistics according to municipality GDP in Georgia. Therefore, we can only describe economics of the municipality in a few words and move directly to discussing budget performance indicators.

Data of the recent years demonstrate that the largest part of Borjomi municipality budget revenues come from the taxes for use of natural resources. This revenue is received, at a large, from Borjomi bottling factory, being a payer of fee for Borjomi mineral water extraction. Out of 76 municipalities of Georgia, only 5 of them don't need equalizing transfer (funds allocated from the State Budget to a Local Budget for the execution of its authority) from the state budget and Borjomi municipality is one of them. Nevertheless, Borjomi municipality has ability to independently execute its authority to some

extent with its own revenues, it still needs state budget support for implementation of capital projects. As an example, allocation from the state budget for this purpose made up 38,1% of the total budget in 2018. It shows that the municipality, to execute its institutional, social and economic authority, depends not only on economic growth of Borjomi municipality, but also on social-economic development of the country and on GDP distribution. It makes the municipality budget dependent on attracted investments and priorities implemented by the central government and represents the key risk factor when developing a long-term financial strategy for municipality development.

## **Chapter II. Key financial indicators**

### **2.1 Aggregated indicators of revenues and expenses**

When calculating budget forecast revenues for the mid-term period, 2019-2020 forecast revenues of Borjomi municipality were envisioned, including Y2019 state draft budget and supporting materials (draft amendments to the Local Self-government Code, stating that “municipalities have authority within the frames of their own revenues to increase allocations under economic classification item of the annual budget expenses under planning, compared to the value envisaged by the revised budget of current year but with no more than forecasted minimal increase rate(%) of total GDP for the year under planning.” Also considering a new system of VAT distribution for municipalities since Y2019.)

Forecast values of revenues from VAT are calculated in accordance with the amendments envisioned in the Budget Code (Article 71 of the bill).

Forecasted aggregated indicators of revenues and expenses of the municipality for 2019-2022 were evaluated as follows:

<b>Budget Key Indicators</b>
------------------------------

Description	Actual of Y2017	Forecast of Y2018	Forecast of Y2019	Forecast of Y2020	Forecast of Y2021	Forecast of Y2022
Revenues	<b>853,747.50</b>	<b>739,626.00</b>	<b>734,902.00</b>	<b>775,996.30</b>	<b>776,236.40</b>	<b>777,658.10</b>
Taxes	158,174.20	350,000.00	260,000.00	302,000.00	302,000.00	303,000.00
Grants	522,367.70	247,298.00	332,638.10	332,018.70	332,158.80	332,430.50
among them: Grants from the state budget	400,000.00	400,000.00	400,000.00	400,000.00	400,000.00	400,000.00
Other revenues	173,205.60	142,328.00	142,263.90	141,977.60	142,077.60	142,227.60
Expenses	<b>632,766.00</b>	<b>635,981.50</b>	<b>563,591.30</b>	<b>609,756.30</b>	<b>615,238.30</b>	<b>617,618.30</b>
Salary	42,343.50	96,900.30	87,670.20	92,515.20	92,515.20	92,515.20
Goods and services	114,269.60	135,616.80	126,964.40	137,253.70	137,569.90	140,870.70
Fixed capital service						
%	286.90	1,893.10	1,823.40	854.30	510.80	120.60
Subsidies	159,302.20	85,637.90	83,956.70	87,171.60	86,201.60	86,231.60
Grants	23,983.20	931.50	29.50	10.50	10.50	10.50
Social security	180,764.00	177,013.30	146,574.30	153,189.70	153,666.00	154,037.50
Other expenditure	111,816.60	137,988.60	116,572.80	138,761.30	144,764.30	143,832.20
Operational balance	<b>220,981.50</b>	<b>103,644.50</b>	<b>171,310.70</b>	<b>166,240.00</b>	<b>160,998.10</b>	<b>160,039.80</b>
Variation of non- financial assets	<b>181,375.70</b>	<b>57,248.00</b>	<b>63,014.80</b>	<b>86,016.20</b>	<b>80,255.50</b>	<b>77,335.70</b>
Increase	216,380.40	124,248.00	128,014.80	111,016.20	106,255.50	104,335.70
Decrease	35,004.70	67,000.00	65,000.00	25,000.00	26,000.00	27,000.00

Total balance	<b>39,605.80</b>	<b>46,396.50</b>	<b>108,295.90</b>	<b>80,223.80</b>	<b>80,742.60</b>	<b>82,704.10</b>
Variation in financial assets	<b>38,869.80</b>	<b>37,338.80</b>	<b>101,883.40</b>	<b>75,512.70</b>	<b>75,672.50</b>	<b>78,451.70</b>
Increase	67,898.30	78,638.80	103,283.40	76,512.70	76,672.50	79,451.70
Decrease	29,028.50	41,300.00	1,400.00	1,000.00	1,000.00	1,000.00
Variation of liabilities	<b>736.00</b>	<b>9,057.70</b>	<b>6,412.50</b>	<b>4,711.10</b>	<b>5,070.10</b>	<b>4,252.40</b>
Increase	18,000.00	-	-	-	-	-
External						
Internal	18,000.00					
Decrease	18,736.00	9,057.70	6,412.50	4,711.10	5,070.10	4,252.40
External						
Internal	18,736.00	9,057.70	6,412.50	4,711.10	5,070.10	4,252.40
Balance	(0.00)	-	0.00	(0.00)	(0.00)	(0.00)
Rate of increase of municipality expenses %	<b>1.5</b>	<b>0.51</b>	<b>(11.38)</b>	<b>8.19</b>	<b>0.90</b>	<b>0.39</b>
with GDP forecasted nominal increase % rate (source: key economic and financial indicators of the country)	<b>11.80</b>	<b>9.70</b>	<b>8.20</b>	<b>8.20</b>	<b>8.70</b>	<b>9.20</b>

a) Total positive balance of the municipality budget in 2019 is 108259,2 K GEL.

b) Total ceiling value of credits obtained by the municipality by the end of 2019 is 9% of an average annual volume of the municipality own revenues for the last 3 budget years (ceiling defined by the regulation is 10%).

## 2.2 Last and current year budget performance

### Y2017 – Budget performance analyses

Budget revenues (revenues, decrease in non-financial assets, decrease in financial assets, increase of liabilities) and balance variation plan of the municipality for Y2017 was 66,100.6 K GEL, actual performance was 35,780.7 K GEL, i.e. 97% of the plan.

Budget **revenues** (revenues, non-financial assets, financial assets) plan was evaluated at 98,100.6 K GEL, actual performance made up 98,425.4 K GEL. Revenue received within the accounting period is 324.8 K gel more, making up 101% of the plan. Inter alia:

Budget **revenues** (taxes, grants, other revenues) amounted to 53,747.5 K GEL being 101% of the forecast indicator (47,150.6 K GEL) and 94% of the total revenues. Inter alia:

8,174.2 K GEL has been collected through **taxes** representing 99% of forecasted value of 9,000.0 K GEL. Compared to the last year (actual – 8,878.0 K GEL), revenue received in current period is 296.2 K GEL more. The above is resulted by merging the personal registration cards of tax payers, that enabled tax payers to cover one type of tax liability by tax surplus in another type, or use the surplus for covering the same type of tax. The lion share of accumulated funds comes from property tax. 838.7 K GEL was received from property tax, inter alia: Enterprise property tax – 269.4 K GEL, land tax – 223.0 K GEL, physical entities' property tax – 52,4 K GEL, other property tax – 8.8 K GEL. Apart from this, the budget additionally received 5.5 K GEL within the same period in a form of other taxes.

In a form of **grants** the budget received 22,367.7 K GEL, inter alia: grants received from foreign governments – 5.7 K GEL, equalizing transfer 2,282.2 K GEL, targeted transfer for execution of delegated authority (for epidemic control of infection disease) – 20,0 K GEL; 702.9 K GEL was received from the reserve fund of the government of Georgia; 5.0 K GEL was received from the reserve fund of the President of Georgia; 619.7 K GEL was received as a capital transfer from the fund of regional projects of Georgia, 39.5 K GEL as a special transfer and 41.0 K GEL in a form of grants from the budget of the self-governing body.

205.6 K GEL was collected in a form of **other revenues**, that represents 80% of the forecast figure of 325.7 K GEL. Inter alia: 5,678.8 K GEL were budget funds not used the previous year and returned.

Description	Y 2017			
	Plan	Actual	+/-	%
Revenues	47 150,6	53 747,5	6 596,9	100,8
Taxes	20 000,0	18 174,2	-1 825,8	98,9

K GEL

Grants	3 824,9	2 367,7	-1 457,1	99,7
Other revenues	3 325,7	3 205,6	9 879,8	106

404.7 K GEL revenue was collected from decrease in non-financial assets in Y2017, representing 109% of the plan (400.0 K GEL). Inter alia: 397.5 K GEL was received from sales of fixed assets, 90.5 K GEL – from sales of non-production assets (land), while 6.7 K GEL was collected from sales of material assets. Amounts received from sales of non-financial assets represent 3.8% of revenues.

In a form of **decrease in financial assets** 73.2 K GEL was collected, representing 71% of the plan (1950.0 K GEL). Inter alia: cash and deposits – 5.6 K GEL (return of cash on deposit created last year with the aim to secure loan within the frames of entrepreneurship support program); loans – 7.5 K GEL (payment of loan issued within the frames of partnership program). Amounts received from financial assets represent 0.1% of revenues.

200.0 K GEL is received through **increase in liabilities** (loan obtained from the municipal development fund for road infrastructure works.)

Balance on budget accounts made up 68,3 K GEL total as of the beginning of Y2017, while balance on budget accounts amounted to total 5.0 K GEL as of the end of Y2016.

Y2017 saw quite a high – 97% index of cash execution of **payments** which amounts to 80.7 K GEL. It's noteworthy that this is the highest index in the several recent years, e.g. Y2014 - 96%, Y2015 – 95%, Y2016 – 93%.

Review of revenues and payments of Borjomi municipality and budget of Georgia						
Description	Y2016 actual		Y2017 actual		Y2018 plan	
	K GEL	Per capita	K GEL	Per capita	K GEL	Per capita
Salary	1,027.7	40.8	1,706.0	67.7	1,912.9	75.9
Other current expenses	5,913.7	234.7	6,052.3	240.2	6,971.2	276.6
Capital expenses	8,553.7	339.4	4,852.7	192.6	5,417.2	215.0
<b>Total Payments Borjomi</b>	<b>15,495.1</b>	<b>614.9</b>	<b>12,611.0</b>	<b>500.4</b>	<b>14,301.3</b>	<b>567.5</b>
<b>Total Payments Georgia</b>	<b>10,292,234.1</b>	<b>2,771.3</b>	<b>11,720,475.0</b>	<b>3,155.9</b>	<b>12,459,500.0</b>	<b>3,354.9</b>

Revenues from own sources	13,008.5	516.2	7,912.5	314.0	11,285.3	447.8
Grants (transfers)	2,562.2	101.7	4,870.8	193.3	3,111.2	123.5
<b>Total revenues of Borjomi</b>	<b>15,570.7</b>	<b>617.9</b>	<b>12,783.3</b>	<b>507.3</b>	<b>14,396.5</b>	<b>571.3</b>
<b>Total for Georgia</b>	<b>8,580,032.1</b>	<b>2,310.3</b>	<b>9,696,160.0</b>	<b>2,610.8</b>	<b>10,314,248.0</b>	<b>2,777.3</b>

The analyses demonstrate that revenues, as well as the expenses per capita are increasing since 2016 and forecast 2018 is 567,5 GEL and 571.3 GEL respectively and is 800 GEL and 865 GEL less than the Georgian state budget average figure.

Allotments for specific priorities in 2017 made up 780.7 K GEL, representing 97% of the plan (966.6 K GEL), inter alia:

- ✓ Construction-rehabilitation of transport infrastructure – 118.3 K GEL i.e. 94% of the plan (110.5 K GEL);
- ✓ Construction and operation of infrastructure sites, strengthening of crumbling buildings – 50.7 K GEL, i.e. 92% of the plan (51.5 K GEL);
- ✓ Maintaining and improving ecological environment – 8.8 K GEL, 99% of the plan (9.2 K GEL);
- ✓ Supporting economic development – 9.1 K GEL, 98% of the plan (9.6 K GEL);
- ✓ Development of partnership of apartment owners’ – 5.9 K GEL, 99% of the plan (2.0 K GEL);
- ✓ Healthcare and social security – 69.7 K GEL, 99% of the plan (70.9 K GEL);
- ✓ Education - 59.8 K GEL, 100% of the plan (60.0 k GEL);
- ✓ Culture, sports and youth affairs – 18.8 K GEL, 98% of the plan (19.0 K GEL);
- ✓ Public order and safety – 25,0 K GEL, 100% of the plan (25.0 K GEL);
- ✓ Representative and executive bodies – 76.7 K GEL, 97% of the plan (78.0 GEL).

New healthcare and social security programs were launched in 2017, inter alia:

- ✓ 5.1 K GEL was allocated for rehabilitation of children with autism spectrum disorder (325 beneficiaries are involved in the program);

- ✓ 6.2 K GEL was allocated for funding of necessary examinations/tests for identification of methods of treatment among patients with Hepatitis C (number of funded beneficiaries is as follows: within the frames of component: identification of anti-Hepatitis C virus antibodies using the fast/easy test method - 103 beneficiaries; within the frames of component: necessary examinations/tests before treatment - 497 beneficiaries; number of medical examinations/tests refunded according to service providers - 222);
- ✓ 1.74 K GEL was allocated for bone marrow transplant (11 beneficiaries) for patients diagnosed with leukemia and other oncohematological disease (age between 0-30 years);
- ✓ 40.0 K GEL was allocated for socially vulnerable households who received one-time financial support for each newborn. (80 households registered in a single data base of socially vulnerable households (with rate of 100,000 and less) who delivered newborns in 2017 received financial support);
- ✓ 1.8 K GEL was allocated for support of socially vulnerable disabled people under age of 18, socially vulnerable severely disabled blind people and for support of integration of disabled people in society.

In addition to this various social support was delivered to Borjomi population in 2017, namely:

- ✓ 5.8 K GEL was allocated for regular reduced-tariff and free of charge transportation of different categories of passengers within the city (compared to Y2017, number of beneficiary passengers increased by 623.4 K);
- ✓ 50.4 K GEL was allocated for free dinner for population (3 free dining spots were operating in Borjomi in 2018 serving total 220 beneficiaries. Number of beneficiaries increased by 25 compared to Y2017);
- ✓ 15.0 K GEL was allocated for education of children from socially vulnerable households with rate of 70,000 and less in the single data base of socially vulnerable people, at art schools, youths house and sports centers.
- Within the frames of support to entrepreneurs, 13 projects were funded with total 53.6 K GEL. Apart from this, 40 entrepreneurs were delivered trainings. Trainings were delivered to 150 participants in support of social enterprise and employment of disabled people. Managers of 15 non-brand hotels received qualification trainings in marketing and sales;



- 200.6 K GEL was spent on road and transport infrastructure improvement measures, maintenance of roads, construction of new roads, rehabilitation of internal streets, installation of curbs and tiles;
- Infrastructure development of Sports Complex at Chavchavadze street and landscaping of adjacent area according to the following components: road, vertical planning, outdoor lightning, gas supply, rain water drainage system, water and sewage systems, ramps and other design and expert services;
- 25.0 K GEL is allocated for construction and rehabilitation-reconstruction of civil facilities and infrastructure sites. Various works were performed, inter alia: rehabilitation and construction of 26 infrastructure sites, 13 sites are under construction;
- 5.3 K GEL was allotted for strengthening of crumbling buildings and design-research and expertise works (strengthening works of 8 building were completed, 4 sites are under construction; design documents for 6 sites were prepared);
- 9.3 K GEL was allocated for support of operation of shelters for homeless people;
- 257.0 K GEL was directed to liquidation measures of natural disaster after heavy rain in 2017 (inter alia: renovation-rehabilitation of rain water and drainage systems, renovation of supporting walls and construction of new one; also various measures of liquidation of damages caused by natural disaster, including agreements with 54 households having suffered damages due to natural disaster, with total amount of 29.6 K GEL – the agreement envisaged cash compensation with the aim of cession of real estate and securing housing for them; Financial support was delivered to 8 other households as well, with total amount of 5.5 K GEL);
- 5.5 K GEL was allocated for compensation for rent of apartments for 26 households on the list, settled in 10 villages;
- Funds allocated for facilitation of development of partnership of apartment owners' made up 25.9 K GEL. Various activities have been performed, inter alia: roof repair of blocks of flats (flat and inclined roofing), modernization and maintenance of lifts, internal sewage network, roof gutters, entrance renovation works, installation of sensor lightings, etc.;
- 521.4 K GEL was allocated for support of pre-school institutions (there are 16 kinder gardens with approximately 6,000 kids registered at the municipality);
- 183.3 K GEL was spent on renovation and material-technical improvement or construction of cultural, sports and pre-school educational institutions (arrangement

of play grounds in 9 kinder gardens, central heating system installation and hot water supply secured for 5 kinder gardens, fencing and asphalt-concrete cover of the yards in 3 kinder gardens, construction of one new kinder garden, etc.; number of cultural institutions and sports facilities corresponding to the international standards and equipped with up-to-date technique and inventory has increased; relatively, the number of individuals benefiting from these institutions has risen);

- 9.2 K GEL was allotted for preparatory works of the youth festival “BORJOMI 2017.” The 13<sup>th</sup> summer youth festival completed in 2017. Municipality hosted 334 sportsmen from 10 countries.
- 3.3 K GEL was spent on service and payments of loans.

### **9 month indicators of the budget of Y2018**

Volume of updated budget of 2018 is 27.926.0 K GEL. Revenues of the budget as of 9 months of Y2018 make up 25,960.3 K GEL, representing 68% of annual plan (739.626.0 K GEL), inter alia:

Actual performance of taxes made up 10,023 K GEL in 9 months, i.e. 54% of annual plan (12,000.0 K GEL);

931.2 K GEL was received by the budget in a form of a grant, representing 85% of annual plan (298.0 K GEL), inter alia: grants received from other state bodies, namely equalizing transfer – 61.1 K GEL, targeted transfer for execution of delegated authority – 9.7 K GEL, from reserve fund of the Government of Georgia – 10.4 K GEL; Special transfer from the fund for projects to be implemented in the regions of Georgia – 160.0 K GEL.

15.5 K GEL was mobilized in a form of other revenues, 74% of annual plan (18.0 K GEL), inter alia: 28.8 K GEL was received in a form of interest, 5 K GEL in a form of dividends, 9,724.4 K GEL in a form of rent, 418.6 K GEL was received from sales of goods and services; voluntary transfers, excluding grants made up 4.2 K GEL, sanctions (fines and penalties) - 23,7 K GEL, mixed and other non-classified revenues - 5.3 K GEL.

5,080.5 K GEL was mobilized from realization of non-financial assets, representing 82% of the plan (7,000 K GEL), inter alia: revenues from sales of fixed assets – 325.0 K GEL, from sales of non-production assets (land) – 15.3 K GEL, from sales of material supplies – 40.2 K GEL.

In a form of financial assets, the budget received 3.8 K GEL, i.e. 69% of the plan (1.0 K GEL), inter alia cash and deposits – 1.2 K GEL, from shares and other capital – 1.3 K GEL (withdrawal of existing amount from the corporate bank account of DAE Capital LLC).

Balance on budget account as of January 2018 amounted to 725.0 K GEL, while spending of cash resources from the budget account in 9 months made up 630,3 K GEL.

Revenues of Borjomi Budget in 2016-2018 (K GEL)			
	9 months of 2016	9 months of 2017	9 months of 2018
<b>Taxes</b>	<b>3,968.9</b>	<b>4,186.8</b>	<b>2,921.8</b>
Property tax	2,612.55	2,655.4	2,921.8
Other taxes	1,356.30	1,531.4	-
<b>Grants</b>	<b>2,562.2</b>	<b>4,870.8</b>	<b>3,111.2</b>
<b>Other revenues</b>	<b>3,329.3</b>	<b>3,603.7</b>	<b>7,861.0</b>
Revenues from property	2,563.9	2,554.2	6,611.9
Sales of goods and services	399.5	549.8	553.9
Sanctions (fines and penalties)	276.9	400.2	577.9
Mixed and other non-classified revenues	89.0	99.5	117.3
<b>Decrease in non-financial assets</b>	<b>145.9</b>	<b>122.0</b>	<b>156.0</b>
Revenues from sales of fixed assets	57.5	-	66.7
Revenues from sales of non-production assets (land)	88.4	122.0	89.3
<b>Decrease in financial assets</b>	<b>5,564.5</b>	<b>-</b>	<b>346.5</b>
<b>Total Revenues</b>	<b>15,570.7</b>	<b>12,783.3</b>	<b>14,396.5</b>

26,774.8 K GEL was assigned on priorities identified by 2018, within the period of 9 months, (70.4% of annual plan of 27,926.0 K GEL). Inter alia:

- ✓ Construction – rehabilitation of transport infrastructure – 155.0 K GEL;
- ✓ Construction and operation of infrastructure facilities and strengthening of crumbling buildings – 219.0 K GEL;
- ✓ Maintaining and improvement of ecological environment – 56.6 K GEL;
- ✓ Supporting economic development – 9.5 K GEL;
- ✓ Development of partnership of apartment owners – 7.6 K GEL;
- ✓ Healthcare and social security – 808.3 K GEL;
- ✓ Education – 9,063.9 K GEL;
- ✓ Culture, sports and youth – 996.4 K GEL;
- ✓ Public order and safety – 88.5 K GEL;
- ✓ Representative and executive bodies – 753.1 K GEL.

### **Chapter III. Medium-term priorities and programs of the municipality**

#### **Vision of development of self-governing body Borjomi Municipality**

Measures taken in 2019-2022 by the representative and executive bodies of Borjomi Municipality shall provide a firm basis for social and economic development of the municipality within a medium-term period.

To achieve this goal, municipality development vision is based on the following principles:

Preserving and developing historically attractive environment of Borjomi Municipality. Demonstrating its tourism potential to the fullest, i.e. creating attractive environment and improvement of economic condition of Borjomi population through tourism development.

Representative and executive bodies shall mutually implement exhaustive and innovative reforms covering all fields. As a result of this reforms, flexible and efficient government team shall be formed, that will facilitate increase of own revenues in Municipality and effective management of mobilized resources.

We will continue construction and rehabilitation of all necessary communications like roads, outdoor lightning, water supply systems, etc. to attract investments and facilitate economic development.

Education, youth and innovation. Educated, motivated and self-confident youth with entrepreneurial spirit shall bring results that will secure a place for our municipality next to those successful municipalities with developed and innovative economy, not only in Georgia,

but also abroad. Therefore, we will support those innovative projects that will facilitate development of youth.

Human being and taking care of humans was, is and will always be main value for our municipality as well as for our Government. Thus, we will continue and implement new programs that will increase availability of various state or other services for socially vulnerable population.

### **Priorities of the municipality**

Various activities have been implemented at municipality in 2018, including opinion polls, researches, meetings with civil council and other non-governmental organizations. Medium-term action plan for 2019 – 2022 was developed, main fields of municipality development were identified and the priorities and programs to be envisioned in budget were highlighted.

Priority fields of the municipality are as follows:

- ❖ **Representative and executive government;**
- ❖ **Infrastructure;**
- ❖ **Cleaning and environment protection;**
- ❖ **Education;**
- ❖ **Culture, youth and sports;**
- ❖ **Healthcare and social security;**
- ❖ **Tourism;**
- ❖ **Economy.**

Ceiling values of assignments and quantities according to priorities for 2018 – 2022					
Code of the priority	Description of priorities	Y 2018	Y 2019	Y 2020	Y 2021
01 00	Representative and executive government	1,500.0	1,550.0	1,600.0	1,650.0
	Inter alia: quantity	350.0	150.0	150.0	150.0
	Inter alia: new initiatives	200.0	200.0	150.0	100.0

02 00	Infrastructure	2,500.0	3,600.0	4,000.0	5,000.0
	Inter alia: quantity	550.0	550.0	600.0	600.0
	Inter alia: new initiatives	600.0	250.0	200.0	150.0
03 00	Cleaning and environment protection	2,150.0	2,200.0	2,300.0	2,400.0
	Inter alia: quantity	350.0	360.0	370.0	400.0
	Inter alia: new initiatives				
04 00	Education	6,500.0	7,000.0	8,000.0	8,000.0
	Inter alia: quantity	1,200.0	1,200.0	1,250.0	1,300.0
	Inter alia: new initiatives	100.0	100.0	100.0	100.0
05 00	Culture, youth and sports	3,500.0	4,000.0	4,100.0	4,150.0
	Inter alia: quantity	800.0	800.0	810.0	820.0
	Inter alia: new initiatives	260.0			
06 00	Healthcare and social security	150.0	150.0	150.0	150.0
	Inter alia: quantity	15.0	15.0	15.0	15.0
	Inter alia: new initiatives				
07 00	Tourism	-	1,200.0	1,300.0	1,400.0
	Inter alia: quantity		5.0	5.0	5.0
	Inter alia: new initiatives		500.0	600.0	
08 00	Economy	-	1,000.0	1,200.0	1,200.0
	Inter alia: quantity				
	Inter alia: new initiatives		1,000.0	1,200.0	1,200.0

<i>Total SUM</i>	<i>16,300.0</i>	<i>20,700.0</i>	<i>22,650.0</i>	<i>23,950.0</i>
<i>Inter alia: quantity</i>	<i>3,265.0</i>	<i>3,080.0</i>	<i>3,200.0</i>	<i>3,290.0</i>
<i>Inter alia: new initiatives</i>	<i>1,160.0</i>	<i>2,050.0</i>	<i>2,250.0</i>	<i>1,550.0</i>

**NOTE:** The quantities envisage the number of employees of NNLEs of the respective fields.

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## 4.12 Appendix E: Example of Mid-Term Action Plan

### Mid-Term Action Plan 2019-22

#### Program application form

Priority name under which program is implemented:

Education

Program Classification Code:

04 01

Program Title:

Preschool Development Program

Program Implementer:

NPLE Kindergarten Union

Program implementation period:

2019-2022

The purpose of the program:

Preparing pre-school children for school

Description of the program:

A total of 5000 preschool children are registered in the municipality. With the 10 kindergartens located on the territory today, it is possible to teach 3000 children. 2000 children are less likely to benefit from appropriate services. The quality of teaching in the existing kindergartens has been studied and it is estimated that only 20 percent of the 600 children that graduate from kindergarten each year meet the standards developed by the Ministry of Education. This is caused by low qualification of pre-school teachers. In addition, standards are not met for food quality, infrastructure, and equipment. Our goal is to solve this problem in the medium-term and ensure that [re-schools meet established standards. Pre-school children's parents have been interviewed and 80% of them are not satisfied with the current situation.

#### Program Budget

Subprogram Title	Total	2019	2020	2021	2022
Increase teaching quality	24,000	10,000	10,000	2,000	2,000
Raising food quality	32,000	8,500	8,500	7,500	7,500
Equip the kindergartens	210,000	150,000	20,000	20,000	20,000
Children's entertainment programs	700	100	150	200	250
Administration of Kindergartens	23,500,000	5,000,000	5,500,000	6,000,000	7,000,000
<b>Total program</b>	<b>23,766,700</b>	<b>5,168,600</b>	<b>5,538,650</b>	<b>6,029,700</b>	<b>7,029,750</b>

Outcome

Pre-school age children with appropriate skills living in the Municipality



**Indicators of the final result of the program**

OUTCOME	Results indicators						Measure Unit	Planned deviation	Data source	Responsible Parties (Budgetary Organization, Department)	Methodology	Risk
	Title	2018 (Basic)	2019	2020	2021	2022						
Pre-school age children with appropriate skills living in the Municipality	The number of children ready for school	10%	30%	50%	60%	90%	Percent	10%	Education Department	NPLE Kindergarten Union	Standart #1	Children's perception
	The satisfaction of the population	20%	40%	65%	75%	95%	Percent	10%	Social service agency	Satefa	Face to face interview	Subjective opinion

**Sub-Program Application Form**

Name of the program, within which the sub-program is implemented:

**Preschool Development Program**

Sub-Program classification code: **04 01 01**

Sub-program Title

**Increase teaching quality**

Is the subprogram new? **Yes / No**

If the subprogram is new, who presented it? **Education Department**

Sub-Program Implementer:

**Education Department**

Source of funding

Title	2019	2020	2021	2022
Municipal budget	10,000.00	10,000	2,000	2,000
State budget	-			
<b>Total subprogram</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>2,000</b>	<b>2,000</b>

The subprogram goal is to increase the quality of teaching and train pre-school teachers per the standards developed by the Ministry of Educating. Studies showed that from 600 pre-school children only 20 percent of them meet the standards, which is mainly caused of low qualification of pre-school teachers. Increasing the quality of teaching and raising the skills of the pre-school teachers will be done through the program of preschool development. The service provided by the program includes high quality training courses for pre-school teachers with certification of the kindergarten teachers after the training course. These activities will be reflected in the future of children's education. It is expected that after a significant percentage of teachers is trained and certified in 2019 and 2020, there will be reduced need for teacher training in 2021 and 2022 (which is reflected in the projections).

Activity title	2019	2020	2021	2022
	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)
Training Pre-school teachers	100X20= 2,000	100X20= 2,000	20x20=400	20x20=400
Certifying Pre-school teachers	100x80=8,000	100x80=8,000	20x80=1,600	20x80=1,600
total	10,000	10,000	2,000	<b>2,000</b>

The timeframe for implementing sub-program

Title	1 Quarter	2 Quarter	3 Quarter	4 Quarter
Training Pre-school teachers	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>
Certifying Pre-school teachers		<b>X</b>	<b>X</b>	<b>X</b>

Interim Expected Results (2019)

**Qualified (certified) pre-school teachers in compliance with the standards of the Ministry of Education in kindergartens**

**Indicators of the final result of the program**

<b>(OUTCOME)</b>	Result Indicators						Measure Unit	Planned deviation	Data source	Responsible Parties (Budgetary Organization, Department)	Methodology	Risk
	Title	2018 (Basic)	2019	2020	2021	2022						
Qualified (certified) pre-school teachers in compliance with the standards of the Ministry of Education in kindergartens	Percentage of certified Pre-school teachers	0%	25%	50%	75%	100%	Number	10%	NPLE Kindergarten Union	Education Department	Standard #2	

**Sub-Program Application Form**

Name of the program, within which the sub-program is implemented:

**Preschool Development Program**

Sub-program classification code: **04 01 02**

Sub-program name:  
**Raising food quality**

Is the subprogram new? **Yes / No**

If the subprogram is new, who presented it? **Education Department**

Sub-Program Implementer:  
**NPLE Kindergarten Union**

**Source of funding**

Title	2019	2020	2021	2022
Municipal budget	8,500	8,500	7,500	7,500
State budget	-			
<b>Total subprogram</b>	<b>8,500.00</b>	<b>8,500.00</b>	<b>7,500</b>	<b>7,500</b>

The aim of the subprogram is to improve nutrition in kindergartens to maximize the health of children and to ensure proper development of children. This will be achieved through implementation of high standard menus in kindergartens. The service provided in the program includes sourcing services from a high quality food supplier for kindergartens that comply with the resolution # 487 of 30 October 2017 of Georgia. Creation of new food menu by specialists (or invited experts) of NAP in the kindergartens has been envisaged for years 2019 and 2020 (thus, the related additional costs).

Activity Title	2019	2020	2021	2022
	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)	Number x Average Price of the Unit = Total (GEL)
Purchase of new menu development service	1,000	1,000		
Providing meals to the children	2500x3=7,500	2500x3=7,500	2500x3=7,500	2500x3=7,500
<b>The timeframe for implementing sub-program</b>				
Title	1 Quarter	2 Quarter	3 Quarter	4 Quarter
Purchase of new menu development service	<b>X</b>	<b>X</b>		
Providing meals to the children	<b>x</b>	<b>X</b>	<b>X</b>	<b>X</b>

**Interim Expected Results (2019)**

**Increased food quality and new high standard menus in preschool age**

**Indicators of the final result of the program**

<b>(OUTCOME)</b>	Result Indicators						Measure Unit	Planned deviation	Data source	Responsible Parties (Budgetary Organization, Department)	Methodology	Risk
	Title	2018(Basic)	2019	2020	2021	2022						
Increased food quality and new high standard menus in preschool age	The number of kindergartens provided with high quality food and menu	0	3	4	3	3	Number	10%	NPLE Kindergarten Union	Education Department	Standard #2	
	Number of notes of food safety inspection	3	1	0	0	0	Number	2	NPLE Kindergarten Union	NPLE Kindergarten Union	Standard #1	

**Sub-Program Application Form**

Name of the program, within which the sub-program is implemented:

**Pre school Development Program**

Sub-program classification code: **04 01 03**

Sub-program name:

**Equip the gardens**

Is the subprogram new? **Yes / No**

If the subprogram is new, who presented it? **Education Department**

Sub-Program Implementer:

**NPLE Kindergarten Union**

Source of funding

Title	2019	2020	2021	2022
Municipal budget	150,000	20,000	20,000	20,000
State budget	-			
<b>Total subprogram</b>	<b>150,000.00</b>	<b>20,000.00</b>	<b>2,000</b>	<b>2,000</b>

The program aims to update the equipment in kindergartens, as the equipment is outdated and does not meet established standards. The kindergarten equipment program will be implemented with the preschool development program. The service provided by the program includes purchase of new toys and soft materials on an annual basis, as well as purchase/installation of new audio-visual equipment (TV monitors, electronic boards and audio) in 2019.

Activity Title	2019	2020	2021	2022
	Number x Average Price of the Unit =	Number x Average Price of the Unit =	Number x Average Price of the Unit =	Number x Average Price of the Unit =
Toy purchase	500x4=2,000	500x4=2,000	500x4=2,000	500x4=2,000
Purchase and installation of new audio-visual equipment (TV monitors, electronic boards and audio)	130,000			
Soft inventory	18,000	18,000	18,000	18,000

The timeframe for implementing sub-program

Title	1 Quarter	2 Quarter	3 Quarter	4 Quarter
Toy purchase	<b>X</b>	<b>x</b>		
Purchase and installation of new audio-visual equipment (TV monitors, electronic boards and audio)	<b>x</b>			
Soft inventory	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>

Interim Expected Results (2019)

**Increased quality of children's services in kindergartens**

**Indicators of the final result of the program**

<b>(OUTCOME)</b>	Result Indicators						Measure Unit	Planned deviation	Data source	Responsible Parties (Budgetary Organization, Department)	Methodology	Risk
	Title	2018(Basic)	2019	2020	2021	2022						
Increased quality of children's services in kindergartens	The number of kindergarten provided with new equipment	0	3	3	3	4	Number	10%	NPLE Kindergarten Union	Education Department	Standard #2	
	Parents' satisfaction	20.00%	30.00%	50.00%	70.00%	80.00%	Percent	5	NPLE Kindergarten Union	Education Department	Survey	