

VET Policy Documents

Financing – Budgeting Report

Private Sector Development Program Georgia

PN: 2008.2083.7

giz



Federal Ministry
for Economic Cooperation
and Development

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List of Abbreviations

AAP	Annual Action Plan
BDD	Basic Data and Directions
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
DED	Deutscher Entwicklungsdienst
EC	European Commission
ENPI	European Neighborhood and Partnership Instrument
EU	European Union
GEL	Georgian Lari
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit GmbH
HEI	Higher Education Institution
IDA	Infrastructure Development Agency
IDP	Internally Displaced Person
Inwent	Internationale Weiterbildung und Entwicklung gGmbH
LEPL	Legal entity of public law
LRED	Local and regional Economic Development
MoES	Ministry of Education and Science of Georgia
MoF	Ministry of Finance of Georgia
MP	Member of Parliament
OBI	Open Budget Index
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PPP	Public-Private-Partnership
PSDP	Private Sector Development Program
SME	Small and Medium size Enterprise
UGWP	United Georgia without Poverty
USAID	United States Agency for International Development
VET	Vocational Education and Training
VTC	Vocational Training Centre

1. Executive Summary

A political supported and well financed Vocational Education and Training (VET) system is needed for the promising future of Georgia. The country faces the challenge of not having adequately educated and trained people for (foreign) investments and growth. A key element for a successful VET system is a sound financial basis. The GTZ (GIZ since 01.01.2011) costing and policy studies¹ illustrate basic structures for a VET financing concept. These studies indicate that it is crucial for VET to have a stronger position in the public budgeting cycle.²

Objective and structure of the study

The main objective of the present budgeting study is to indicate possibilities for VET stakeholders to strengthen their position in the budget cycle and therefore give ideas on how to lobby for adequate financial resources in the VET sector.

Based on 33 interviews with Georgian VET and budget stakeholders this study is structured in four steps as follows:

1. Current framework for VET in the budget cycle and overview of existing VET financing.
2. Focus on recent developments in the Georgian budget law with special emphasis on the introduction of program budgeting and its potential to strengthen the position of VET in the budget cycle.
3. Steps in the budget cycle with relevance to the VET sector, focusing on the possible entry points for VET stakeholders to lobby for adequate public financing.
4. Recommendations on how to put value to the potentials of program budgeting and how to strengthen the budgeting structures inside the Ministry of Education and Science (MoES) in order to use the entry points for VET in the budget cycle.

Main findings

Interviews with stakeholders especially in the MoES and Ministry of Finance (MoF) consistently gave evidence that the flexibility in the budgeting system in general is very high and that it mostly complies with international standards.

The budget process for VET consists mainly of the following steps:

The draft budget of the MoES is put up in cooperation with different divisions, legal entities and the VET Centers. The preparation process of the draft state budget is coordinated by the

¹ GTZ-PSDP Geo (2010): Financing - Policy Report and Financing-Costing Report, Tbilisi, Georgia, GTZ

² The terms budget cycle and budget process are used synonymously in this study. They describe the course of action, from preparation to spending and monitoring of the budget. The term budget system takes a broader approach and describes this process plus the role of budget institutions.

MoF, which is responsible for the whole budgeting process. The draft for all Ministries is discussed and decided on by the government (Cabinet of Ministers). To become law it has to pass the Parliament, especially discussions in the Budget and the Education Committee. VET Centers spend the financial resources via Treasury and State Procurement Agency. After spending the money, VET Centers have to report to the Accounting and Internal Audit Division in the MoES. Externally the process is monitored by the MoF, the Chamber of Control and the Parliament.

This yearly public budget process bears many possibilities for VET stakeholders to support VET financing in Georgia and argue for adequate money.

This study shows that these possibilities are not fully used and focuses on three major challenges for VET to be able to use these possibilities and strengthen its position in the budget cycle:

- involvement of VET stakeholders in the budget cycle could be intensified,
- transparency concerning output and outcome of the budget could be strengthened and
- communication (e.g. on application forms and preparation talks) between budget and VET stakeholders could be improved.

To address these challenges and actively get involved in the budgeting process it is recommended that the MoES focuses on two issues:

- a) Program budgeting and
- b) Communication

for the following reasons:

a) Program budgeting

Program budgeting introduces a shift from input to output orientation in the budgeting process. Its idea is to link the public financial resources from the yearly budget not only to inputs (e.g. personal and material in the VET sector), but to political programs, equipped with output and outcome indicators. To adequately calculate the financial resources needed to implement the planned programs, the budget staff needs the implementation knowledge of the sector staff. Therefore a successful program budget depends on a close cooperation between budget and sector staff. This entails high motivation for *both*, the VET and the budget staff, to get staff from the VET sector involved in the budget process. To be able to get involved in program budgeting, VET staff has to elaborate their programs with output and outcome indicators and base them on reliable statistical data, so that the results of programs can be followed and monitored.

Furthermore program budgeting has the potential to increase transparency of the budget by stating explicitly what the state wants to achieve with the financial means provided with output and outcome indicators relating to the political programs.

b) Communication

For a close cooperation between VET and budget staff and an improved mutual understanding, as required for successful program budgeting, good communication between the stakeholders is crucial. Mutual understanding is the core of better communication: decision makers in the public budget process should be aware of the importance of VET for economic prosperity and social development and understand the special financial needs of the VET sector. The VET stakeholders should have knowledge of the public financial management process and should be able to communicate their claims for public money to decision makers in the budget process on a reasonable basis.

This study therefore proposes concrete steps for a successful implementation of program budgeting in the VET sector and an enhanced communication between budget and VET stakeholders:

Recommendations regarding the introduction of program budgeting

1. The Government of Georgia adopts a national VET Strategy with concrete targets for output/outcome-indicators.
2. MoES makes sure, that educational quality development (accreditation and authorization) criteria and the VET Strategy are coordinated with program budgeting.
3. MoES and MoF examine the indicators concerning output/outcome-orientation in the program budget.
4. MoES makes sure, that program budgeting is coordinated with statistical planning and analyzing and supports the development of an Education management information system (according to European standards).
5. MoES (budget and VET divisions) organizes together with MoF a conference about program budgeting (output and outcome orientation, strategic thinking) for VET multipliers as a first step for regular coordination.
6. MoES makes sure, that a VET goal is included in the governmental program “United Georgia without poverty”, which can be seen as a national strategy.
7. MoES and MoF check whether they need technical support for the introduction of program budgeting in MoES.

Recommendations regarding communication

8. MoES Budget and VET Division organize a regular jour fixe and discuss possibilities to make sure that there are enough resources to implement the VET Strategy.
9. MoES invites directors and heads of administration of the VET Centers together with contact persons from the budget divisions in MoES and MoF for a quarterly meeting.
10. VET stakeholders, especially VET Center directors, create common occasions for and with budgeting stakeholders.
11. VET stakeholders need a profound performance measurement system.
12. MoES and MoF check whether they need technical support regarding communication related to VET budgeting.

2. Introduction

To be competitive in a global economy the Georgian economical system faces many challenges: youth unemployment, young people attainment level and adults' low level of qualification. One important reason for (foreign) investments are well educated and trained people. Demographic change and technical progress require VET to build the basis for growth and jobs in Georgia. Consequently, the implementation of a learner and labor market-oriented VET system is urgent for both economic and socio-demographic reasons.

A decline in institutionalized VET since the early 1990ties led to a decrease in reputation of the Georgian VET system among employers and potential students. To improve and restart the system towards market orientation an institutionalized cooperation between public and private sector as well as the political will to support the VET system are absolutely necessary.

In this regard, GIZ³'s Private Sector Development Program Georgia (PSDP) envisages a systemic approach in order to facilitate development processes among stakeholders relevant to Georgia's VET system. The main objective of PSDP is to support capacity development of Georgian partners in order to improve framework conditions and services for private investment with a special regard on SME. The program works in three components, Economic Policy, VET and Local and regional economic development (LRED). The second component is concerned with the improvement of general conditions for the development of a labor market-oriented VET system in Georgia. It contains recommendations at the macro layer of the current VET policy implementation level in the following intervention areas, recognizing VET's high potential for growth and jobs in the private sector.

	Financing	Matching	Stakeholder Dialogue
Macro	<ul style="list-style-type: none"> • Policy-Study • Costing-Study • Budgeting-Study • Cost-Benefit-Study 	<ul style="list-style-type: none"> • Mismatch-Study 	<ul style="list-style-type: none"> • Sector Committees, National VET Council • Social Partnership • Social Marketing
Meso	<ul style="list-style-type: none"> • Round tables „VET-Financing Dialogue“ 	<ul style="list-style-type: none"> • „Sector Dialogue“ Meetings 	<ul style="list-style-type: none"> • Round tables „VET-Policy Dialogue“ • VET-competition „skills@work“ • PPPs
Micro		<ul style="list-style-type: none"> • IDP-training on the job Gori • Tourism-Training Zugdidi 	

Figure 1: Main intervention areas fields of Component 2 of the GIZ Private Sector Development Program Georgia: Labor market-oriented VET Policy⁴

³ GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH is a merger of the GTZ, Inwent and DED since 01.01.2011

⁴ Source: GIZ Private Sector Development Program Georgia, 2010

The intervention area “Financing” on the macro level is focused on the development of a financing concept for effective funding of VET based on research and policy dialogues with an emphasis on policy, costing and budgeting:

1. In the policy study⁵ recommendations were developed together with MoES and given for policy adaptations in order to facilitate a learner-based and market-orientated financing system for the Georgian VET system.
2. The costing study⁶ analyzed together with MoES costing structures for VET in 25 professions with a special developed tool and hence developed a basis for decision making.
3. The objective of this present budgeting study is to focus on the position of VET in the budget cycle and on structures to support budgeting in the MoES. On the basis of a state of play, activities shall be identified to optimize the role of the MoES and its VET Centers in the public budget cycle and to develop recommendations for their implementation. The study shows where the MoES and its stakeholders should get involved during the budgeting process in order to get adequate resources for VET, and which communicational processes should be in place in the MoES in order to adequately lobby for their needs.

The study is elaborated on the basis of interviews (see below) and existing studies, that analyze the budget cycle as such, for example a more general review of the Georgian budget system which was done by GTZ together with OECD in 2004⁷.

Fact-finding missions in Tbilisi

The aim of the first fact finding mission from 28.08.-4.09.2010 was to find out opinions, expectations, functions and roles of stakeholders regarding VET in the budget cycle. In semi-structured interviews these stakeholders were asked about the functioning of the budget cycle as a whole and especially about the role of the MoES. These interviews were accompanied by literature research. Already existing international analyses of the public finance management were taken into consideration. On this basis first recommendations were identified and a first draft was developed. In the second fact finding mission these recommendations were discussed with stakeholders and finalized in a workshop on the 13th of December 2010.

In total 33 interviews with stakeholders were conducted in a semi-structured way with a fairly open thematic framework, which allowed for focused, conversational, two-way communication. Unlike a narrow questionnaire framework, where detailed questions are formulated ahead of time, semi structured interviews opened the opportunity to find out what

⁵ GTZ-PSDP Geo, (2010): Financing - Policy Report, Tbilisi, Georgia, GTZ.

⁶ GTZ-PSDP Geo, (2010): Financing - Costing Report, Tbilisi, Georgia, GTZ

⁷ Kraan, D.-J. / Bergvall, D. Budgeting in Georgia, OECD Journal on Budgeting, 4(4); This study was developed as an OECD paper to which GTZ contributed and which was partly financed by GTZ.

will be the opinions, expectations, functions and roles of stakeholders regarding VET in the budget cycle. The interviews started with the following general questions⁸:

1. Which are the main principles/processes of Public Financial Management in Georgia?
2. Which role does your unit/ministry/organization play in the existing planning and implementing processes for the state budget?
3. Which are relevant actors, their role, competencies and relations in the budget process?
4. Which strengths and weaknesses within Public Financial Management in Georgia do you see?
5. What would you recommend to optimize Public Financial Management in Georgia?

Two relevant topics for improvement were initially identified:

- a) Program budgeting and
- b) Communication.

The possible relationship between these topics and the report issue of how to strengthen budget structures in the MoES became the basis for more specific questions. Not all questions have been designed and phrased ahead of time. The majority of questions were created during the interviews, allowing both the interviewer and the person being interviewed the flexibility to probe for details or discuss issues. During the two field visits to Georgia, stakeholders' representatives from the following constituencies have been involved to discuss the Georgian VET budget cycle. The author wants to express his gratitude to all participants for their openness and constructive support of this study. Without them it would not have been possible to realize it.

Interviews in the first fact finding mission: 28.08.-04.09.2010

Organizations	Partner
Ministry of Education and Science	<ol style="list-style-type: none"> 1. Lasha Saghinadze (Head of Budget Division) 2. Ia Dzibisauri (Chief Specialist of Budget Division) 3. Tamar Samkharadze (Chief Specialist in Department for General and Vocational Education Development) 4. Ana Mchedlishvili (Leading Specialist in Department for General and Vocational Education Development) 5. David Gulaziani (Chief Specialist of Internal Audit Division) 6. Nana Khmaladze (Head of Accounting Division)
Ministry of Finance	<ol style="list-style-type: none"> 7. Tsotne Kavlashvili (Deputy Head of Budget Department) 8. Ekaterine Guntsadze (Chief Specialist of Budget Department) 9. Inga Gurgenedze (Head of Budget Policy and Consolidated Budget Formulation Division) 10. Konstantine Kintsurashvili (Head of External Debt Division)

⁸ Respective answers can be found in chapter 5.

	11. Eva Bochorishvili (Head of European and Euro-Atlantic Integration and Global Relations Division)
Parliament of Georgia	12. David Azmaifarashvili (Head of Office of Budget and Finance Committee) 13. Shorena Kakhidze (Head of Parliament Budget Office) 14. Teona Mdivani (Head Specialist of Finance and Budget Committee) 15. Nino Maisuradze (Head of Office of Education, Science and Culture Committee) 16. Lali Bagrationi (Leading Specialist of Education Committee) 17. Lali Loria (Leading Specialist of Education Committee)
Ministry of Economy and Sustainable Development	18. Jimi Gujabidze (Chief Specialist of Finance, Government Purchase and Logistics Department)
VET Centre	19. Zaza Tsiramua (Director of IT VET Centre)
Embassy of the Federal Republic of Germany	20. Dr. Silke Klöver (Counselor - Development Cooperation)
EU Delegation to Georgia	21. Nika Kochishvili (Project Manager) 22. Irakli Khmaladze (Project Manager, Economics and Public Finance)
USAID	23. Nancy Parks (AIR Chief of Party, USAID VET Project - Georgia)
GIZ Chamber of Control Project	24. Inga Sinjikashvili (Assistant - Support to the Chamber of Control of Georgia)

Interviews during the second fact finding mission from 8.-14.12.2010

Ministry of Education and Science	1. Tamar Samkharadze (Chief Specialist in Department for General and Vocational Education Development) 2. Lasha Saghinadze (Head of Budget Division) 3. Temur Muchaidze (Deputy Head of the Infrastructure Development Agency)
Ministry of Finance	4. Inga Gurgenidze (Head of Budget Policy and Consolidated Budget Formulation Division) 5. Ekaterine Guntsadze (Chief Specialist of Budget Department) 6. Ron Bergman (US Treasury Resident Budget Advisor to Georgia)
Parliament of Georgia	7. David Azmaifarashvili (Head of Office Committee of Budget and Finance) 8. Teona Mdivani (Head Specialist of Finance and Budget Committee)
Trade Union	9. Daniel Davitashvili (Georgian Professional, Educational and Qualification Staff Tradeunion of Workers and Students)

Participants of the Workshop on the 13.12.2010

During the Workshop the findings of the interviews were presented and discussed, along with recommendations drawn from these findings and offers for GTZ-support. The following participants were present:

Ministry of Education and Science	Ana Mchedlishvili (Leading Specialist in Department for General and Vocational Education Development)
Ministry of Finance	Eka Guntsadze (Chief Specialist in the Budget Policy and Consolidated Budget Formulation Division)
Parliament of Georgia	Shorena Kakhidze (Head of Parliament Budget Office) Irina Lomia (Leading Specialist of Budget and Finance Committee) Nana Gabelia (Leading Specialist of Education, Culture and Science Committee)
Ministry of Economy and Sustainable Development	Tsisnami Sabadze (Deputy Head of Economic Analysis and Policy Department) Jimi Gujabidze (Chief Specialist of Finance, Government Purchase and Logistics Department)
VET Centres	Zaza Tsiramua (IT VET Centre, Director) Tamar Tabidze (VET Centre ICAROS, Director)

3. Framework for the VET Budget

The following chapter describes briefly the international perception of the Georgian budget system, then gives an overview of the main stakeholders involved in VET budgeting and explains the legal budget framework on the national level of Georgia. The description focuses on the link between VET/MoES and the budget cycle and includes current educational and strategic developments which will influence the budget process of VET.

3.1 International Assessments: PEFA, OBI

The Public Expenditure and Financial Accountability (PEFA)⁹ assessment of the World Bank and European Commission provided a systematic diagnosis of the Public Financial Management system in Georgia in mid-2007. The PEFA assessment states that reforms like introducing program budgeting have the potential to contribute to the government reform agenda by highlighting the areas in which reform has succeeded and those in which weaknesses remain. It could also serve the donor community in directing its cooperation

⁹ Georgia Public Expenditure and Financial Accountability (PEFA), Joint World Bank-European Commission Public Financial Management Assessment (November 2008), Europe and Central Asia Region Poverty Reduction and Economic Management Unit

programs to those areas of public financial management where the Government's Public Finance Management strategy can be further strengthened.

In 2009, as a follow-up to the 2007 PEFA findings, the Ministry of Finance of Georgia elaborated “PFM reform policy vision 2009-2013” which aims at providing a framework for the coordination of reforms and for integrated approach to improving the public finance system. MoF, in cooperation with other relevant stakeholders, within the Government and the legislature, has made progress in the context of implementation of the public finance management reform vision. PFM Reform Action Plans for 2009 and 2010 were implemented. Progress towards and achievements in attaining the goals and objectives pursued under various pillars of the PFM vision document and of the associated annual action plans were discussed at gatherings and outreach events with participation of variety stakeholders from both within and outside of the government. Reforms were directed to further improve all PFM reform pillars, including the budget preparation and execution, primary focusing on moving towards program budgeting process, tax and customs legislation, introduction international public sector accounting standards, internal audit, etc. The extensive reforms were also implemented in State Procurement Agency and Chamber of Control of Georgia.¹⁰

In the Open Budget Index (OBI) from Transparency International¹¹ Georgia's score is 55 out of 100 (with 100 indicating full and 0 no transparency), which is above the average for countries in Central Asia and the rest of the world, but it is less than Ukraine's score of 62. Georgia's score shows that the government provides the public with only some information on the central government's budget and financial activities during the course of the budget year. This makes it challenging for citizens to hold the government accountable for its management of the public's money.

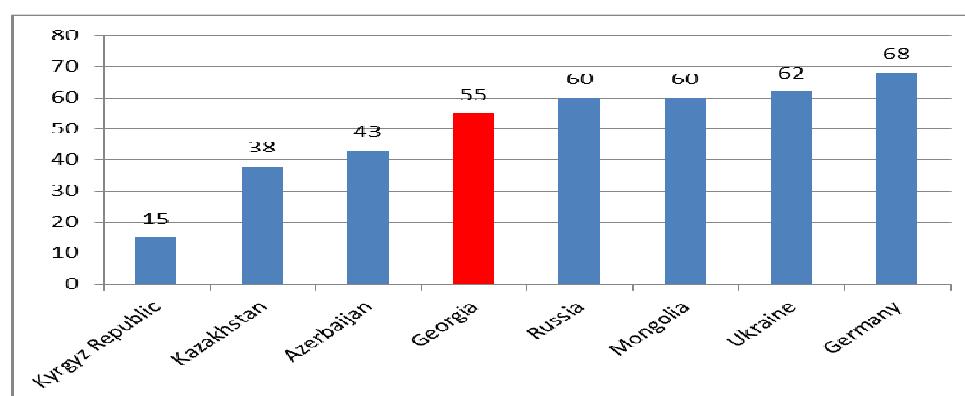
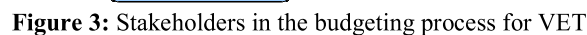


Figure 2: Transparency of Georgian Budget compared with neighbor countries and Germany, Open Budget Index

¹⁰ Based on the information of External Relations Department of the Ministry of Finance of Georgia, April, 2011

¹¹ Open budgets transform lives, Open Budget Index 2010, International Budget Partnership, Washington DC, US; responsible for Georgia was Transparency International in Tbilisi.

The main political stakeholders in the VET budgeting process are the MoES with several divisions, legal entities and the VET Centers, the MoF with several divisions and the Parliament with the budget finance committee as well as the educational committee and the political parties. The presidential and prime minister's office are the most influential players in the budgeting process, but have seldom to do with VET budgeting issues. They define the top priorities of Georgia's policy and decide when MoF and MoES do not agree on budget parts. The 24 VET Centers operate under the regulations of the MoES but they are the main VET stakeholders outside the direct governmental array. The Chamber of Control reports to the government as well as to the Parliament. They enter the process, when budget rules are violated.



13

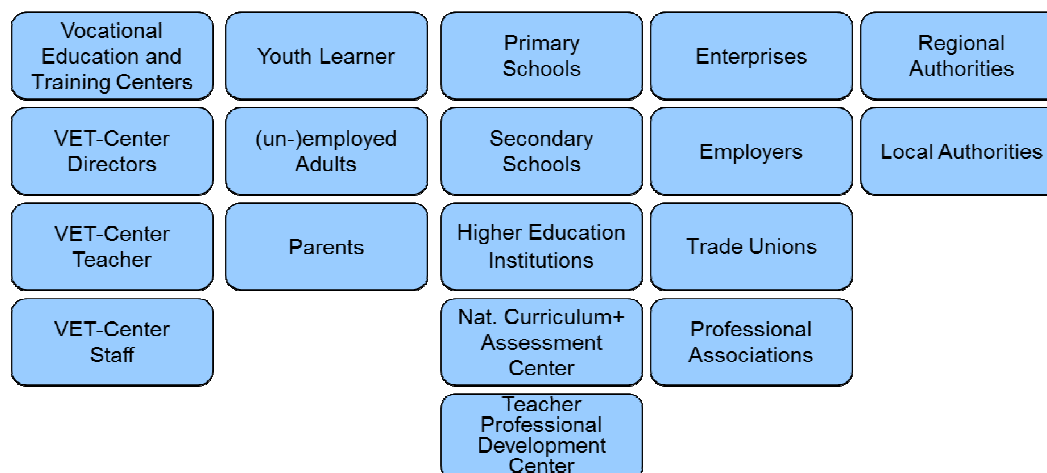


Figure 4: Stakeholders in the educational system of VET

3.3 State Budget and Budgetary Code of Georgia

The State Budget is the main financial document of the country. It lays out activities that the government is committed to fund and the financial resources for those activities. The budget has three main categories:

1. Revenues which include taxes, grants, privatization receipts, loans etc.
2. Expenditures by organizations that the government plans to fund within that year.
3. Changes in the balance, which show a difference that occurred as a result of accumulating revenues collected excessively or expenditures under spent.

The budget process was regulated in 2004 by “The budget system law of Georgia”. This law closed all special extra budgetary funds that had existed before. All of the budget revenues were directed to the Treasury Single Account. This change increased the transparency of the budget process. Information on revenues and expenditures during the year became accessible for interested groups.

In December 2009 the Parliament of Georgia adopted a new “Budgetary Code of Georgia”, which replaced the budget system law and was an improvement of the budget process. With the adoption of the new budget code the budget process got simplified and unified under a common system. This present Budgetary Code of Georgia defines the principles of the budgetary system of Georgia, regulates the rules for preparation, review, adoption, fulfillment, accounting and monitoring of the budgets of national, local self-government bodies and the republican budgets of the Autonomous Republics. It also regulates their budgetary relations and responsibilities.

The Budgetary Code of Georgia formed a new equalization transfer formula that linked the size of the transfer to the level of economic development of the country. Another significant change to the budget process is the introduction of program budgeting that is planned to be

fully implemented by 2012 (see chapter 4 Program budgeting and its relation to the VET system). These legal reforms have helped to improve the budget process of Georgia over the last years, including increased transparency of the budget planning and execution. However it still requires further development and the stakeholders need to get more involved in the process of implementing the new Budgetary Code.

3.4 Basic Data and Direction Document (BDD)

In 2006 medium term expenditure planning with the Basic Data and Direction (BDD) document was introduced. This document outlines the main macroeconomic indicators and basic directions and political priorities of the Government for the four future budget years. The line ministries, spending agencies and local self-governance units got involved in the development of the BDD document.

BDD fixes the ceiling for the state without grants, credits and other external money. At the end of July the MoF is communicating the ceilings for the ministries on the basis of this state midterm budget. In the Budget Division of the MoES this ceiling is divided onto the departments. Then internal priority setting and discussions are taking place in the MoES. Despite improvements, the BDD document still does not have a leading role in the budget process and remains a weak document because it is changed with every change in the budget.

According to the version of BDD 2011-14¹² from December 2010, MoES has four priorities in this period:

1. Increased efficiency of educational management and resource allocation
2. Establishment of high quality and goal oriented teaching environment
3. Equal access to education for all
4. Stimulation of science and academic development

These priorities are then differentiated into action plans. The plans under the 1st priority are:

- Development of information management system
- Rehabilitation of public schools
- Rehabilitation and equipment of VET Centers
- Increase the salaries of public schools teachers
- Establishment of authorizations system of learning institutions

These mid-term priorities are on a high abstraction level. Annex 6 shows a detailed “translation” into 20 short-term priorities for 2011.

¹² Ministry of Finance of Georgia. (2010). Basic Data and Directions (Brief Review). Tbilisi, MoF of Georgia, PSFMR Support Project

Differences between the BDD and the budget law 2011 can be observed. The tentative ceiling set in the BDD in August 2010 for 2011 for the number of staff is 772, the actual number of MoES staff is 1720. The ceilings for the budget negotiations with MoES are set as follows:

2011	545,000.000 GEL (compared to 550,842.100 GEL in the budget law)
2012	580,000.000 GEL
2013	640,000.000 GEL
2014	700,000.000 GEL

In the preparation phase of the state budget law the priorities for the BDD are defined by the minister, deputy ministers and heads of departments. In 2010 one of the priorities was VET. But since there was no significant increase in budget for VET, it seems that priority setting in the BDD has no impact on budgeting of this sector. A motivation to increase the budget for VET will need support from many stakeholders in civil society. It is possible, that after the on-going transformation, rehabilitation and consolidation process of the VET Centers a better image will arise and VET becomes more popular.

3.5 Public finances for MoES and VET in the 2011 budget

On the 17th of December 2010 the state budget law 2011 was approved by the Georgian Parliament. Finance Minister Kakha Baindurashvili declared that priorities of the year 2011 are education, agriculture and infrastructure. In 2011 real GDP growth is expected at 4.5%. In 2011 the state budget should make up 31% of GDP. Budget deficit should make up 4.3% of GDP in 2011.¹³

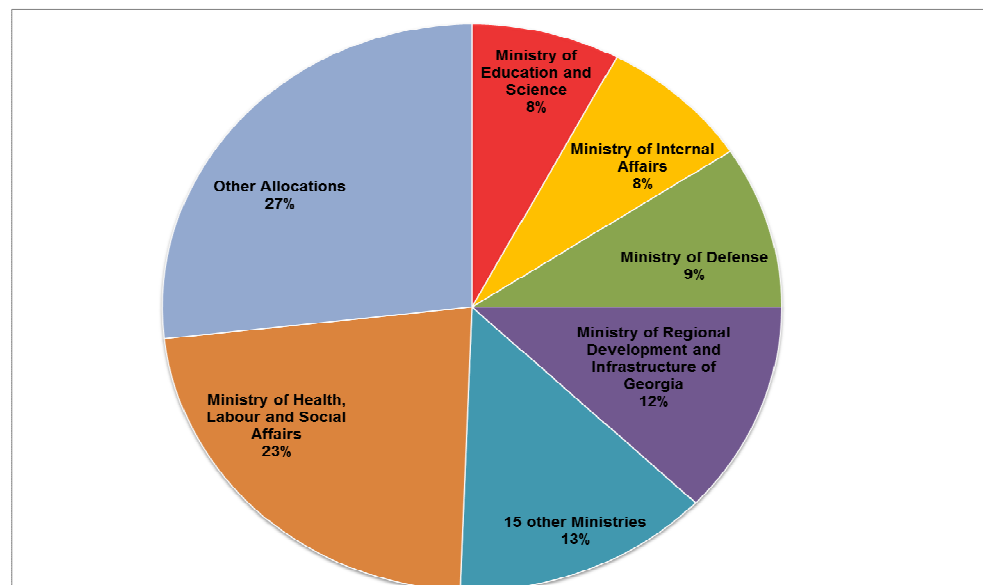


Figure 5: Budget 2011 - Relative breakdown of allocations by Ministries¹⁴

¹³ Daily News Georgia, Sarke Agency News, 17.12.2010

¹⁴ More information and explanations in Annex 5

According to Finance Minister Kakha Baindurashvili, education will be the key priority of 2011. The mentioned sum includes bonuses for teachers, familiar with English and personal computer. 10 million GEL will be allotted for funding activities of native English teachers in Georgia. With nearly 8% of the budget allocations 2011 the MoES belongs to the big 5 Ministries. The financially largest share gets the Ministry of Health, Labour and Social Affairs (23%). The Ministry of Regional Development and Infrastructure follows with 12%. The Ministries for Internal Affairs (8.0%) and Defense (9%) are similar to the MoES.

Public expenditure on education 2011 (Plan)	550.842.100 GEL
GDP 2011 (Forecast)	22.900.000.000 GEL
Total public expenditure 2011 (Plan)	5.746.108.000 GEL
Public expenditure on education as a percentage of total public expenditure	9,6%
Public expenditure on education as a percentage of GDP	2,4%

Figure 6: Indicators for public expenditure on education 2011

To get an idea whether education is really a priority in Georgia it is useful to use two ratios: public expenditure on education as a percentage of total public expenditure (9,6%) and as a percentage of GDP (2,4%).

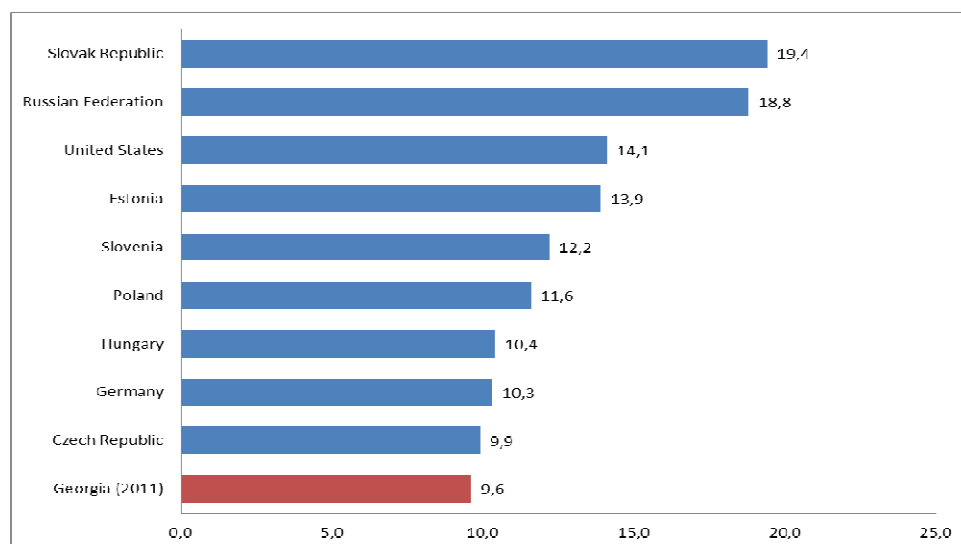


Figure 7: Public expenditure on education as a percentage of total public expenditure¹⁵

¹⁵ Data for the other countries than Georgia relates to 2007

These data in international comparison show, that the amount of public money spent on education is at the low end of the scale. The data for the other countries is taken from the yearly study of the OECD “Education at a Glance”.¹⁶ An international comparison of VET budgets cannot be presented, because it is very difficult to calculate and mostly unreliable, because in each country the expenditure for VET is calculated differently.

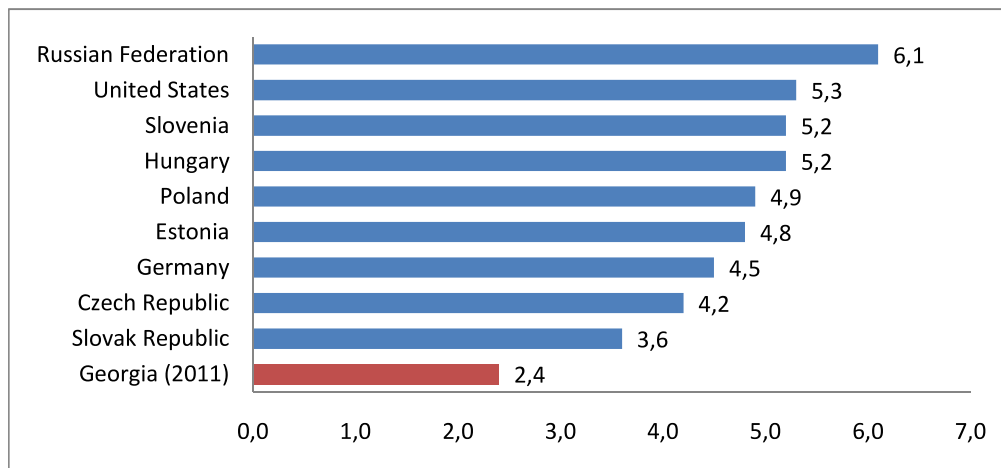


Figure 8: Public expenditure on education as a percentage of GDP

Focusing on VET shows that the share for VET in the MoES budget is decreasing in absolute figures by nearly 4 Mio GEL and in relative means from 1.9% in 2010 to 1,1% in 2011. The relative percentage of public financial support for VET in the MoES makes clear that VET is not a funding priority at the moment.

Organizational Code	Name	2009	2010	2011	Of which:	
		(fact)	(plan)	(plan)	Budget recourses	Donors finance
32 00	Ministry of Education and Science	488.429.500 GEL	552.755.500 GEL	550.842.100 GEL	550.842.100 GEL	0 GEL
32 11	VET Centers	8.473.600 GEL	9.295.900 GEL	6.293.800 GEL	6.293.800 GEL	0 GEL
32 11 01	VET Centers Financing	8.175.900 GEL	7.735.500 GEL	5.593.800 GEL	5.593.800 GEL	0 GEL
32 11 02	VET Support Program	297.700 GEL	1.560.400 GEL	700.000 GEL	700.000 GEL	0 GEL
332 14 01 01 05	National Presidential Program "VET centers rehabilitation"	0 GEL	1.070.000 GEL	0 GEL	0 GEL	0 GEL
	Total VET	8.473.600 GEL	10.365.900 GEL	6.293.800 GEL	6.293.800 GEL	0 GEL
	Part VET of MoES	1,7%	1,9%	1,1%	1,1%	

Figure 9: State budget law 2011 for VET¹⁷

¹⁶ Education at a Glance 2010: OECD Indicators, OECD 2010

¹⁷ Ministry of Finance Georgia, 2010

In the preparation phase these financial means for VET are calculated by the Budget Division and the Department for General and Vocational Education Development:

1. VET Centers Financing is calculated by the Budget Division with the salaries, overheads etc. on the basis of the applications of the VET Centers.
2. VET Support Programs are calculated by the Department for General and Vocational Education Development. It analyzes, whether there is need for special initiatives, like walkways for handicapped, new textbooks etc.

Besides those VET means, there are other financial means in favor of VET estimated under different organizational parts of MoES:

1. Rehabilitation costs: The Department for General and Vocational Education Development decides which VET Centre is going to be rehabilitated. Eventually in future the national accreditation agency will be in charge of this. This information is given to the Infrastructure Development Agency (IDA). This agency checks the need for rehabilitation in the VET Centers, than it calculates the costs and delivers the work. The rehabilitation costs are incorporated in the budget of the Infrastructure Development Agency. According to the deputy head of the IDA, in 2010 2.500.000 GEL were estimated for VET Center rehabilitation. Out of these 2.500.000 GEL IDA used only 449.985 GEL, which were spent on the Kachreti VET Center rehabilitation. The remained amount was given back to the MoES which rehabilitated the Kobuleti VET Center with this money. In 2009 the IDA was not responsible for VET Center rehabilitation. In 2010 there was even a National Presidential Program “VET Centers rehabilitation” with 1.070.000 GEL. This flow of funds shows that it is not only a question of an appropriate budget but also of structures capable to process and implement the financial resources into action and investments.
2. Financial means for VET teacher training, VET curriculum, VET textbook development or VET examinations are calculated in the respective organization of the MoES and are summoned up under the corresponding organizational code.

3.6 Sector budget support

Donors like the EU or the World Bank support the development of Georgia especially by sector budget support. The amount and conditions for sector budget support are negotiated between a steering committee consisting of the line ministries, the MoF and the respective donor. In the case of the EU the Georgian State Minister for European and Euro Atlantic Integration and the EU Delegation are signing and coordinating the contract. The current conditions are laid out in a policy reform matrix from 2009 to 2012. When the conditions are fulfilled EU money will be transferred. It goes directly from the donor, like the EU, to the treasury and is converted there to the state budget. If the money is already counted in but the conditions are not fulfilled, money should not be transferred and MoF has to find another solution to cover the expenditures. For example take on more credit on the financial market, cut down on quarterly spending or ask another donor.

Besides the above mentioned financial means in the state budget for MoES there is EU's sector policy support programme for VET sector with a total amount of EUR 19 million out of which EUR 17 million will be used as untargeted budget support modality and EUR 2 million for technical assistance. The agreement for the financing of the programme was signed in 2009. The first tranche of the budget support component in the amount of EUR 6 million was disbursed in 2010. Interestingly this had no effect on the VET Budget yet.

The line ministries like MoES are responsible to fulfill their part of the contract. There are regular reviews of the fulfillment of the conditions by the EU and sometimes amendments are made. This is also a possibility to support the development of VET. In these reviews it can be made clear to MoES that the European partner stress the vital role of VET for growth and jobs in Georgia. The 2 million technical assistance could for example be used to support VET in the budgeting cycle if requested by the MoES.

Besides the sector budget support for VET there is also a financial agreement for EU sector budget support to the Public Finance Management Reforms in Georgia. This could be another source for technical assistance in this area.

Neither the donor nor the line ministry can decide where the money is used. So the potential for VET financing, that lie in this important financial support are by now not fully used. The recommendations given in this report aim at showing possibilities to lobby adequately for existing funds.

4. Program budgeting and its relation to the VET system

Program budgeting introduces a shift from input to output and outcome orientation in the budgeting process. Ideally budgeting is derived from stated goals and objectives. Financial means are calculated by the costs of programs which are needed to reach these goals and objectives.

The goals are described by performance indicators with a baseline and a target figure. This makes it easier to monitor whether a wanted development or result was achieved. Program budgeting does not guarantee full funding of a program because budgets will further on depend on economic conditions.

4.1 Introduction of program budgeting in Georgia

On 10th of March 2010 the Government of Georgia adopted a plan to establish program budgeting until the fiscal year 2012¹⁸. Program budgeting is described in Article 9 of the Budgetary Code of Georgia.

Budgetary Code of Georgia ¹⁹

Article 9 Program and capital budget

1. Program budget is a unity of indicators of projected results and assessment of programs, projects, measures and their budgets, to be carried out by the office of payment institution for achievement of set priorities.
2. Capital budget is an investment-type program budget.
3. Methodology required for drafting program and capital budgets shall be approved by Minister of Finance of Georgia in coordination with the Budget and Finance Committee of the Parliament of Georgia.

Figure 10: Excerpt of Budgetary Code of Georgia concerning program budgeting

The MoF supervises the activities considered in the plan and implements overall coordination. In 2010 it prepared forms and guidelines that are necessary for the program budget establishment and included them in the overall budget instructions and forms. Six pilot ministries developed draft program budgets following these forms and instructions:

1. The Ministry of Justice of Georgia
2. The Ministry of Health, Labor and Social Protection
- 3. The Ministry of Education and Science**
4. The Ministry of Corrections and Legal Assistance of Georgia

¹⁸ Government of Georgia, Decree No 284, 10.03.2010 Tbilisi on Adoption of the plan of establishing the program budgeting.

¹⁹ Budgetary Code of Georgia, Government of Georgia, Tbilisi, 01.12.2009

5. The Ministry of Agriculture
6. The Ministry of Environmental Protection and Natural Resources²⁰

In 2011 the MoF will elaborate the program budget methodology until the 1st of July 2011 and update the forms. It will introduce the program budget methodology and organize and deliver trainings until the 1st of September 2011.

4.2 The VET program budget 2011

The program budgeting information for the state budget 2011 of the MoES as pilot ministry was attached to the state budget law as an appendix. The information given for VET is shown in the following box.

MoES - Information about VET Programs²¹						
Program Code: 32 03 Program Name: VET Development Program Program Implementers <ul style="list-style-type: none"> • MoES • Zurab Jvania School of Public Administration • VET Centers 						
Program implementation Period: Current Aim of the Program: VET students have the opportunity to obtain vocational education skills which are matching to labor market needs. Information about subprogram: 90% of qualified labor force on the market are locals. Program Budget						
Program Code	Name of Subprogram/Activity	2010	2011	2012	2013	2014
32 03 01	Vocational Education Program	9,295.9	6,293.8	6,700.0	7,070.0	7,440.0
32 03 02	Vocational retraining program for ethnic minorities	353.6	479.3	550.0	600.0	650.0
Entire financing of the program		9,649.5	6,773.1	7,250.0	7,670.0	8,090.0

²⁰ Based on the amendments to the Law “Concerning the Structure, Proxy and Activity Rule of the Government of Georgia“ (made on 11th of March, 2011), the Ministry of Environmental Protection and Natural Resources is restructured and currently is referred as The Ministry of Environmental Protection

²¹ Translated from the State budget 2011 by GIZ PSDP, Source Budget Division MoES

<p>Information about subprograms</p> <p>32 03 01 Vocational Education Program</p> <p>Activities under the Subprogram:</p> <ul style="list-style-type: none"> • Implementation of the vocational courses in VET Centers; • Financing the projects initiated/presented by the VET Centers; • Increasing the accessibility to VET for vulnerable students via quota system of enrolment; <p>Performance measurement indicator</p> <ul style="list-style-type: none"> • Vocational trainings in 57 qualifications; • Qualification of 90% VET Center graduates are matching to labor market needs; • Increase of opportunities for annual enrolment in VET; <p>32 03 02 Vocational retraining program for ethical minorities</p> <p>Relevant programs for enhancing of the professional qualifications will be offered to the ethical minority representatives under this subprogram, in order to support their integration into the society and to obtain skills for improved labor supply.</p> <p>Performance measurement indicator</p> <ul style="list-style-type: none"> • Vocational courses in 8 qualifications; • Creating opportunity for retrain 1200 students annually; • Inclusion of ethnical minorities in civil society activities and increasing possibilities for their employability
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Figure 11: MoES - Information about Programs

Comments and hints for VET program budget 2011

Recognizing that this is a good head start there are some remarks and questions to show how transparency could be improved:

- Program Code: The code for VET in the budget is 32 11, in the program budget 32 03 because programs are counted differently. When the program budget becomes part of the budget it is recommended to have both parts together so the reader gets higher transparency.
- Aim of the Program: Does the aim relate to the top aim defined in the national VET Strategy? This would be recommended to get synergies with the political will and educational developments.
- Information about subprogram: Are the activities related to the subprograms streamlined with the VET Strategy? How much money is estimated at the activities?
- Performance Measurement Indicators: Are the indicators named headline indicators with a target defined in the VET Strategy? Are they SMART (Specific, Measurable with the current statistical program, Attainable and accepted by the VET stakeholders, Relevant and Time-bound)? This is important to be able to show results in the next budget preparation phase. Do the indicators reflect the pressing issues for VET?

4.3 From Input budget to program budget

An input oriented budget simply shows the line items (e.g. personal, material resources, etc.) and the financial resources provided for them, it does not provide any information on what should be achieved with these inputs (output/outcome information). Program budgeting includes output and outcome information and therefore focuses on concrete results that should be achieved with the money indicated.

To give an example: Educational processes need financial input for personal, material etc. This input comes mainly per state budget law.²² To implement program budgeting the state budget law needs to be supplemented with relevant information about output and outcome data. These data are produced at first on VET Centre level and then aggregated on national level. By relating the foreseen inputs to expected results program budgeting can help to show whether the money is well invested. Output and outcome give good ground for budget discussion next year. Therefore the educational quality process as well as the budgeting process should use the same goal orientation and combination of input and output/outcome data. The connection of financial resources (inputs), educational processes and program budgeting is shown in Figure 12: Input budget and program budget.

Input	Processes	Output/Outcome
Personal resources	Teaching	Learning outcome
Material resources	Teachers professionalism	Success in the labor market
Framework conditions	Class and school environment	Success at school
...	School management	Companies satisfaction
	External relations	...
	...	

Figure 12: Input budget and program budget²³

A main difference between the input and program budget preparation is that the input budget can be developed by the budget staff alone. For a good program budget a close cooperation between budget- and sector-staff is needed.

²² Processes like teaching happen in the VET Centers throughout the year and cannot be shown in a budget.

²³ Developed after Ministry of Education Baden-Württemberg, 2009

The most important part of a program budget are the indicators. Figure 13 shows examples for indicators in the VET sector: output, outcome and financial indicators. Financial indicators give the decision maker a feeling whether the planned financial resources are sufficient to reach the targets defined. Output and outcome indicators should increase the transparency of the budget and provide additional information to the decision makers about the way the money was spent and what the state wants to achieve with the financial means. Therefore it is necessary to have baselines and future targets which of course have to be in line with the national VET Strategy. To define the indicators it is indispensable to have good educational and financial statistics to work with.

		2010	2011	2012	2013
1. Output and Outcome Indicators	➤ Demand for VET programs (ratio of applications to the number of enrolled students in VET and higher professional programs).	5%	10%	20%	30%
	➤ Employment /self-employment ratio of VET graduates after six months of program completion	30%	40%	50%	60%
	➤ Completion ratio in VET / Drop-out/withdrawal ratio	50%	40%	30%	20%
2. Financial Indicators	➤ State expenditure on VET in % of MoES budget	1,6%	1,7%		
	➤ State expenditure per student in VET compared to primary, secondary and higher education				
	➤ State expenditure on VET in % of total expenditure (private, households, local, regional organizations)				
	➤ share of expenditure on salaries as % of the total expenditure in the VET system				

Figure 13: Examples for VET Indicators²⁴

For the evaluation of the targets in future years a possibly easy system has to be developed to show the results comparing the set target and the real outcome. One possibility is the traffic light color code:

Target reached (green),

Target nearly reached (+/- 5% deviation from target) - yellow) and

Target not reached (+/- 10% deviation from target - red).

Since Georgia has experience with targets as country with former central planned economy it is likely that such a target oriented system will be rejected. That is another reason why it is important that VET stakeholders have a chance to participate in the process to define realistic targets which can be achieved. Target-oriented systems need to be accompanied with regular communication otherwise the risk of failure because of fraud or demotivation is very high.

²⁴ Own table

4.4 VET Development Strategy 2009-2012²⁵

For preparation of political programs and indicators to be used for program budgeting, it is crucial to look at the VET Development Strategy. The political programs and indicators in the VET Development Strategy should be consistent with the ones stated in the program budget (see chapter 4.5 Connection of VET Budgeting, VET Strategy and educational processes).

The VET Strategy was adopted on the 24th of November 2009. MoES is preparing a revised strategy to be endorsed in the beginning of 2011. Amendments are undergoing due to the changes in VET law, according to which certain responsibilities concerning VET sphere development are delegated to different agencies. In the strategy are some connections to budgeting:

Main Principles of VET System Development

Efficiency and effectiveness

The system utilizes the existing financial, infrastructural and human resources rationally, it easily adapts to social and economic needs of the country.

Accessibility

The system ensures factual, financial and geographic (regional) accessibility of VET, offering each person lifelong opportunities for professional development.

Challenges to VET

Ineffective and non-equitable system for distributing public finances – there is no model of financing VET system ensuring its effective and sustainable operation. The readiness of different stakeholders to participate in financing VET is not studied. Multiple sources of financing are not adequately employed (potential that stakeholders and households possess). There is no mechanism for offering public funding to private providers, thus hindering creating competitive environment. A socially sensitive funding formula is not functioning.

Priority area 3.2 – Effective and Equitable Funding of the VET System

According to the Law of Georgia on Professional Education of 2007 the MoES develops a rule for financing VET. Prior to the enforcement of the rule the government finances VET by program financing. The VET financing should be better linked with a concrete outcome, such as enrolment rate, completion rate and employment rate for a VET Center. The state determines the amount and model of financing. The government will finance VET by per capita funding. No later than 2011 the new funding formula will be piloted in a number of centers. In case of its effectiveness, the funding formula will be used for both public and private accredited centers. The state abides to the following principles while developing funding model:

- Freedom of choice for a student;
- Difference in the costs of programs;
- The needs of socially vulnerable people.

²⁵ (Ministry of Education and Science Georgia, 2009) Draft

These parts show, that the strategy is at the moment only describing, there are goals set which can be used for program budgeting but no “SMART” targets for performance indicators are included.

4.5 Connection of VET Budgeting, VET Strategy and educational processes

Parallel to the program budget with its new information the law on quality of education entered into force on the 1st September 2010. The aim of this Law is to define legal foundation for mechanisms of assistance to develop quality of education. This assistance to develop quality of education is performed via internal and external mechanisms. External mechanisms of assistance to develop quality of education are authorization and accreditation done by the National Center of Education Quality Enhancement in the MoES. Internal mechanisms of assistance to develop quality of education are performed by the educational facilities, i.e. VET Centers, themselves. 24 VET Centers are automatically authorized as professional colleges until the academic year 2013/14. Until this period they are independent to define the number of students to be enrolled. After this period the VET Centers should undergo all relevant procedures defined by the legislation for getting authorization from the national center.

Figure 14: Cycle of quality management in a VET Center shows the educational quality cycle and its connection to budgeting. Drawing the link to “Figure 12: Input budget and program budget” the yellow core is the input (VET budgeting), the blue boxes show the internal processes in a VET Center, the green boxes show external output and outcome processes.

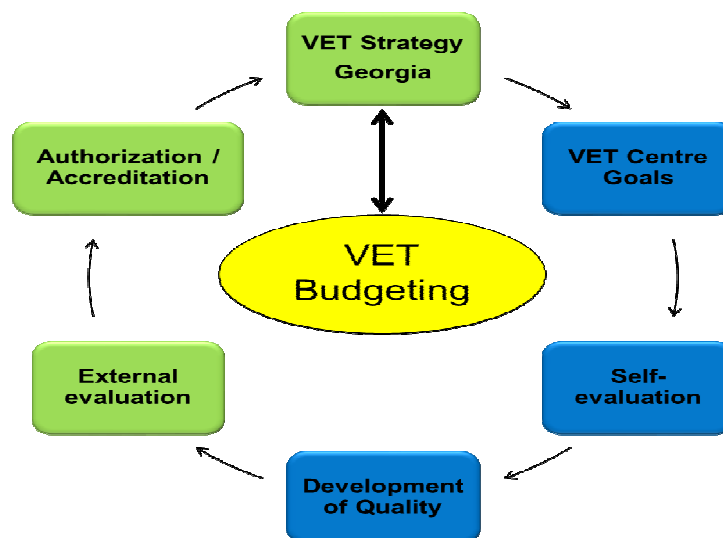


Figure 14: Cycle of quality management in a VET Center

There is an important link between the educational quality cycle and program budgeting: The basis for both is or should be the VET Strategy of Georgia. In this document all relevant goals, indicators with their targets and relevant measures should be defined. It is important to

link the strategy to program budgeting and to the educational quality cycle. The information needed for the external evaluation should be similar to the information needed for the program budget. The criteria for getting financial means should be similar to those for getting accredited. Therefore a communication should be established between the persons responsible for the budget²⁶ and the persons responsible for the educational quality and the statisticians. A close cooperation between budget and sector-staff is absolutely necessary.

5. Budgeting process for Vocational Education and Training

Formally the budgeting process in Georgia is designed according to international standards. It consists of five parts:

1. Preparation especially on the ministerial level with the MoF as coordinator
2. Review and Adoption in the Parliament
3. Fulfillment and spending in the ministries and their agencies like the VET Centers
4. Accounting and Internal Audit (checking whether the money is spent correctly)
5. Monitoring (checking whether the money was spent efficient and effective and whether the wanted output and outcome was achieved)

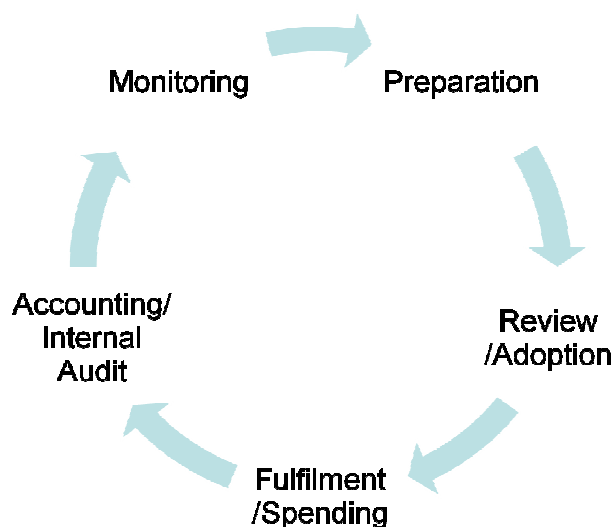


Figure 15: Budgeting Cycle

Preparations in the ministries and review with adoption in the Parliament happen consecutively. The other parts like spending and monitoring are parallel processes throughout the year. In the following, the chapter focuses on the preparation and the review/adoption phase in the budget cycle, as these entail the most important entry points for VET stakeholders to lobby for an appropriate budget for planned VET activities. The aim of this chapter is to describe the budget cycle as processed in Georgia and to point out stages where

²⁶ Or in other words for the „input“, as shown in figure 11.

VET stakeholders should get involved in order to argue for their budget. The following Figure gives a simplified overview of the main stakeholders involved in the preparation and the review/adoption of the BDD and in the budget cycle.

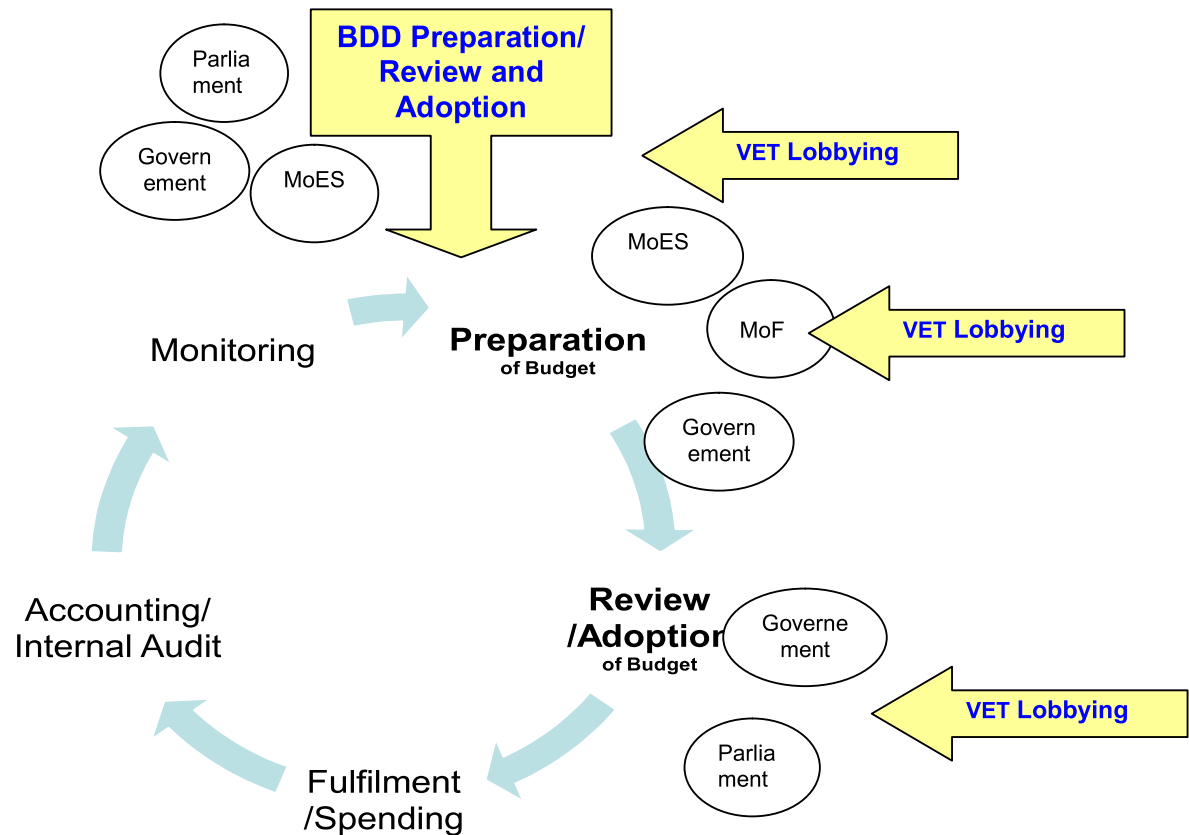


Figure 16: Budget cycle with BDD Process and entry points for VET Lobbying

The preparation of the BDD is not a conventional part of the yearly budget cycle. The BDD, as described in 3.4 is the Georgian instrument for medium term expenditure planning and is prepared, reviewed and adopted *before* the traditional budget process is initiated. It feeds into the preparation stage of the budget and gets revised during the process. Planning and budgeting should be a coordinated process. Plans need to be covered by financial resources. The preparation, review and adoption of the BDD is an important stage for VET stakeholders, as it gives the chance to include strategic VET activities in the medium term financial planning and therefore cover planned activities with financial resources.

5.1 Budget Calendar of the State Budget of Georgia

For a more detailed description on the actors and processes in the budget cycle, the following table shows the normal process from the preparation of the BDD to the adoption of the state budget law with calendar dates. These two phases are shown in detail, because they bear possibilities for VET to increase financial means.

Until (Date)	Responsible Agency	Process
1 st March	Government	Preparation of BDD starts
1 st June	Government	Presentation of BDD to Parliament
20 th June	Parliament	Presentation of conclusions of committees
30 th June	Ministries	Adoption of medium term action plans
10 th July	Government	Adoption of first version of BDD
1 st September	Ministries	Sending budget application to MoF
15 th September	MoF	Presentation of first draft of main parameters of state budget law to Government
25 th September	MoF	Presentation of first draft of state budget law and renewed version of BDD to Government
1 st October	Government	Presentation of draft state budget law (with attached materials consented with President) and renewed BDD to Parliament
22 nd October	Parliament	Sends remarks and suggestions made in committee sessions, conclusions of Chamber of Control and National Bank of Georgia to Government
5 th November	Government	Presentation of amended version of draft law of state budget and BDD to Parliament for plenary discussion
15 th November	Parliament	Sends remarks and suggestions provided at plenary session to government
30 th November	Government	Presents final versions of state budget law and BDD to Parliament
3 rd Friday in December	Parliament	Adoption of state budget law of Georgia in plenary session

In the following chapters the steps of the budgeting process are explained with focus on VET, naming the participating stakeholders. The figures highlight the units of the Government of Georgia responsible in the different phases of the budget cycle.

5.2 Preparation of the VET budget in the MoES

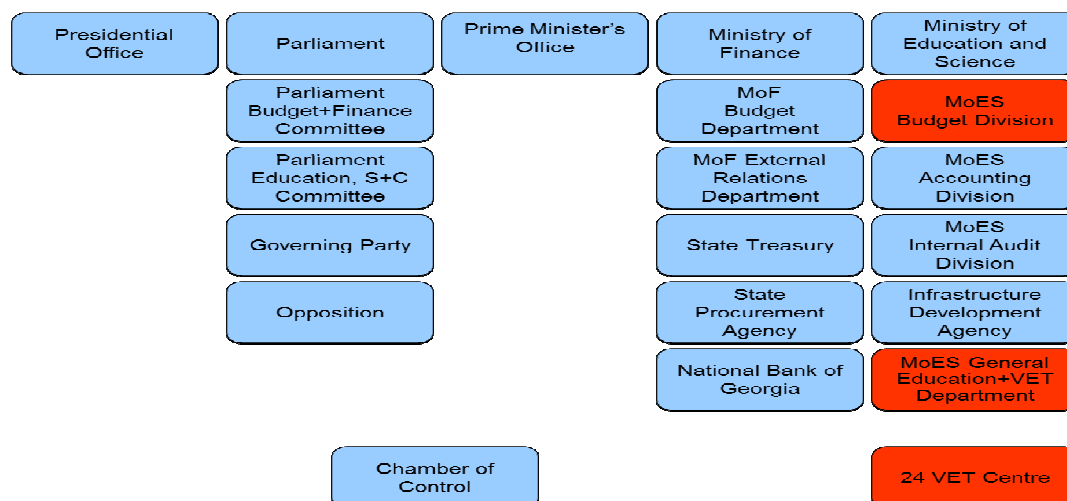


Figure 17: Responsible units in the preparation of the draft budget in the MoES 2010

The Budget Division in the Economic Department plays the vital role. In this division coordination is done with all other divisions of the ministry and for the legal entities which belong to the MoES. The Department for General and Vocational Education Development plays a side role. They do not get financial information from the VET Centers directly. Calculation is done alone in the Budget Division. The Education Department as the unit responsible for content sees and signs the last financing figures before the application is sent to the MoF. At the moment there is no influential focal point in the ministry who lobbies for more financial resources in VET. The ownership for VET should be strengthened both in the educational and economical departments.

The Statistical and Analytical Division in MoES was not mentioned during the interviews for playing a role in the budgeting process. This division is participating neither in the budget planning process, nor in BDD preparation. They are dealing with schools' statistics, like number of graduates each year, insurance for teachers, diplomas granted to school leavers, vouchers etc. Since these statistical data will be needed for program budgeting and the elaboration of output and outcome indicators the Statistical and Analytical Division should play a vital role in the future budgeting process.

The process where the VET Center can define their financial needs starts in the Budget Division. This division sends an application form to each of the VET Centers. According to the director of the IT VET Center in Tbilisi, the director's office is calculating the cost of courses, number of students and internal staff with an internal school specific form for the next year. For revenues they calculate with students finance tuition fees and company money. It seems that every VET Center uses different forms with possibly different information. The information required by the Budget Division consists only of aggregated information, for example of staff and teacher salary.

Interviews showed that the amount of public money distributed to the VET Centers before 2010 rarely changed. The Budget Division stated in the interview that the amount for VET is not newly calculated each year because the number of students stays about the same throughout the years. The amount of money of the last year is taken as ceiling for the next year. Therefore the former VET Division did not write any argumentations for the Budget Process.

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graph TD
    PO[Presidential Office] --- PM[Prime Minister's Office]
    PM --- MoF[Ministry of Finance]
    PM --- MoES[Ministry of Education and Science]
    PM --- Parliament[Parliament]
    Parliament --- Budget[Parliament Budget & Finance Committee]
    Parliament --- EduSoc[Parliament Education, S+C Committee]
    Parliament --- GovParty[Governing Party]
    Parliament --- Opposition[Opposition]
    MoF --- MoFBD[MoF Budget Department]
    MoF --- MoFEDR[MoF External Relations Department]
    MoF --- ST[State Treasury]
    MoF --- SPA[State Procurement Agency]
    MoF --- NBG[National Bank of Georgia]
    MoES --- MoESBD[MoES Budget Division]
    MoES --- MoESAD[MoES Accounting Division]
    MoES --- MoESID[MoES Internal Audit Division]
    MoES --- IDA[Infrastructure Development Agency]
    MoES --- MoESGED[MoES General Education+VET Department]
    NBG --- VET[24 VET Centre]
    NBG --- CC[Chamber of Control]
  
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The diagram illustrates the Government of Georgia structure. At the top level, the Presidential Office and the Prime Minister's Office are shown. The Prime Minister's Office oversees the Ministry of Finance and the Ministry of Education and Science. The Parliament is also shown, with its own committees (Budget & Finance, Education, Science & Culture) and the Governing Party and Opposition. The Ministry of Finance oversees the MoF Budget Department, MoF External Relations Department, State Treasury, State Procurement Agency, and National Bank of Georgia. The Ministry of Education and Science oversees the MoES Budget Division, MoES Accounting Division, MoES Internal Audit Division, Infrastructure Development Agency, and MoES General Education+VET Department. The National Bank of Georgia oversees the 24 VET Centre and the Chamber of Control.

On the 1st September the budget plan of the MoES is send to the MoF. It consists of 12 application forms with very global information. One application is transferred directly into a data bank of the MoF. 2010 was the first time an application form was filled in with program budgeting information about VET because of the pilot introduction for the budget 2011. As shown before it did not develop any convincing arguments to get more money for VET.

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governmental level the draft budget will again be discussed and eventually approved by the Cabinet of Ministers.

5.4 Review and Approval by the Parliament

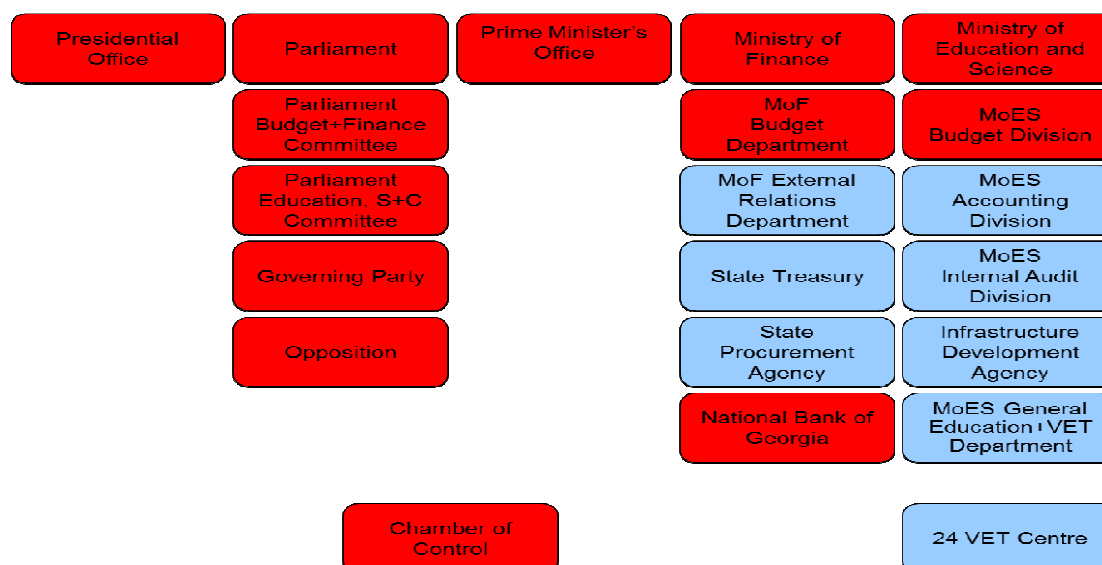


Figure 19: Official participants in the review and approval phase

On the 3rd October a draft budget law and an updated BDD are sent by the MoF to the Parliament, its Committees, the National Bank of Georgia and the Chamber of Control. They are sent via a coordinator in the Prime Minister's Office. This is the time, when the chances for lobbying for Vocational Education and Training are best. Now Members of Parliament have the chance to comment the draft budget law. If they are briefed beforehand by stakeholders of the Vocational Education and Training system, i.e. their voters in their electoral district, companies, associations, and trade unions, they have the chance to lobby in the plenum or in the commissions for the significant role of VET for growth and jobs in Georgia.

There are three phases in the Parliament:

1st Reading: Discussions in the Committees

- Finance and Budget Committee

The Head of Parliament sends the budget draft to the Finance and Budget committee. This committee has two days time for their review and advice for Parliament and other committees. The finance and budget committee is the biggest committee with 15 politicians, 14 of the ruling party and one person from the opposition. It is looking at all sector budgets and the international donor support. The budget draft has about 200 pages and is analyzed by the administrative staff (14 assistants) of the committee. This analysis could be another chance for VET stakeholders to lobby for more money. When the analyst knows about the

political importance of VET she or he can react accordingly in the recommendations for the discussion. At the moment the opinion in the committee is that relatively seen the VET Budget is alright, compared to the lack of resources of the country.

The staff compares the draft with last year's budget, especially where the money was not completely spent. Or they claim that for example the social sector should be financially more supported. During this process the MoF is supporting the budget committee informally. The analysis is mostly looking at the figures. A future improvement would be when the content for financing the political priorities for Georgia is analyzed too.

The paper with the result of the analysis is then discussed and eventually decided by the members of the budget committee. In the budget committee especially the amount exceeding the ceiling is explained by the deputy minister of the concerned line ministry. The arguments for the additional funding are agreed beforehand with the Prime Minister and the Cabinet of Ministers. The amount of remarks of the budget committee is limited (2008 -100; 2009 – 20; 2010 – 50). That can be interpreted in different ways. Either influence or capacity of the participating persons is limited or the time provided for analysis is too short.

Concerning the introduction of program budgeting the employees of the budget committee were trained in nine workshops ranging from 1 to 14 days training. The UNDP project “A strong Parliament in a Consolidated Democracy” is working with the Parliament for capacity building. Many donor countries around the world, like USA, Australia, Poland, Netherlands, United Kingdom, etc. offered them courses. MoF participated in some of the trainings. A pilot program budget was developed together with the Ministry of Justice. Four meetings took place in December 2010 about program budgeting with the MoF Budget Division.

In 2013 constitutional changes will come into effect. They are supposed to change the presidential democracy into a Parliamentary democracy. Impeachment proceedings will be introduced. These changes can strengthen influence and decision power in the budgeting process of the Parliament.

- Educational Committee

The Educational Committee (9 assistants as administrative staff) gets the analysis of the MoES Budget from the Financial and Budget Committee. It checks again mainly the figures and could put more emphasis on content priorities. The Deputy Ministers of both Ministries of Finance and of Education and Science are coming to the Educational Committee to explain the budget, prepared by their budget divisions. Comments of the committee are discussed not only during the session but also afterwards with the MoES. There is a close cooperation and again an opportunity to stand up for the importance of VET. However the influence of the Educational Committee on the budget is limited. It made about 5 – 10 remarks per draft budget in the past years.

Every stakeholder, who is interested in VET, is allowed to participate in the committee sessions and speak up in favor of Vocational Education and Training. The invitation for the sessions is on the website of the committee. TV broadcasts the sessions of the committees and the plenary for the public. That means that transparency is provided and could be used by the stakeholders of VET.

Examples for lobbying are some Members of Parliament, who are still teaching in university. They are interested in the budget of their institutions and can ask for additional funding of respective programs because they are motivated and know the circumstances. Also the director of the IT-VET Centre in Tbilisi mentioned that he held a presentation in the Parliamentarian area. That is another possibility to get the message across, that VET is vital for Georgia's development.

The VET Centers should use every possible occasion to get Members of Parliament (MPs) interested and involved. That can be a speech at the opening of a rehabilitated class room, the graduation ceremony, a jubilee and so on. Politicians need positive public events to show the positive results of their actions. Together with MPs the ministerial and working level should of course be included in such events.

The working staff of the educational committee said, that they have a lot of work with letters of voters to the MPs in which they state their wishes. This is another possibility to express the need for a student- and labor market oriented VET policy.

Comments of the Parliament are sent back via the Prime Minister's office to the MoF. There the comments are checked and eventually discussed with the line ministries. After a decision of the Cabinet of Ministers the coordinator of the Prime Minister's office sends the second draft to Parliament. This is a matrix with the remarks, the corresponding answers of the government and an eventually changed budget. National Bank and Chamber of Control introduce financial or technical comments.

2nd Reading: Plenary session

In the second stage there is no obligatory reading in the committees. The Budget Committee will send the drafts to the Education Committee with their comments. Only when the Educational Committee feels that its interests are harmed, they put the budget again on the agenda. Usually discussions take place in a plenary session. After this second round the MoF prepares the law of the yearly budget.

3rd Reading: Approval and speech of the Prime Minister

To introduce the budget law there is a speech held by the Prime Minister, followed by the Chamber of Control, the National Bank and at the end eventually again the government. In this session the budget law will be approved. This should be at the latest on the 3rd Friday of December in the year before the budget will be implemented, which usually happens.

Presidential Office	Parliament	Prime Minister's Office	Ministry of Finance	Ministry of Education and Science
	Parliament Budget+Finance Committee		MoF Budget Department	MoES Budget Division
	Parliament Education, S+C Committee		MoF External Relations Department	MoES Accounting Division
	Governing Party		State Treasury	MoES Internal Audit Division
	Opposition		State Procurement Agency	Infrastructure Development Agency
			National Bank of Georgia	MoES General Education+VET Department
		Chamber of Control		24 VET Centre

Five working days after the state budget law was published the spending organizations, i.e. MoES, present the quarterly and or monthly spending estimates of the assigned funds to MoF. With this information the MoF decides about the distribution of the monthly and quarterly budget. MoES informs the VET Centers about their financial means for these time frames. On this basis the VET Centers spend money either via treasury or the State Procurement Agency. The VET Centers communicate independently on financial matters with those institutions. Treasury maintains complete information on all stages of expenditure. When a VET Center uses more money than estimated it can only be traced by the treasury during the current spending period.

²⁷ The President's fund consists of financial means which are used on a flexible basis depending on a decision of the president of Georgia.

5.6 Accounting and Internal Audit

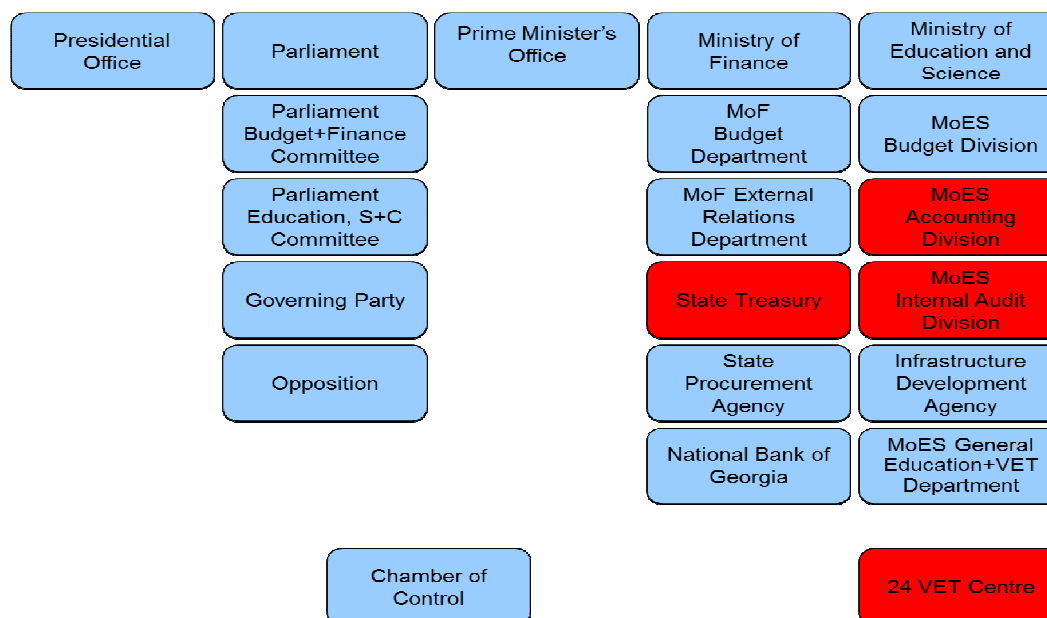


Figure 21: Responsible units during the accounting and internal auditing part of the budgeting process

Accounting for VET is done in the Accounting Division of the MoES. Accounting responsibilities in the division are sub organized by groups for VET, public schools, etc. Budget execution reports are prepared in the Accounting Division four times a year (20.04/20.07./20.10./20.01), each time for the last three months. Accounting prepares the consolidated quarterly report for the whole ministry by bringing together the information of all agencies and legal entities of the MoES.

The VET Centers send their amount spent on paper to the Accounting Division with a stamp and signature on it. Therefore MoES trusts that everything is adhering to the rules. The quarterly report is checked by the State Treasury in the MoF, the MoES Accounting Division and the MoES Audit Division. The reports from VET Centers list detailed information on four pages about revenues, expenditures, students and teachers. Information about other financial income than state money is in an appendix. In these quarterly reports of the VET Centers one can see, that there are many donors like EU, USAID, Companies and local authorities contributing to the VET centre.

The Internal Audit Division in the MoES is auditing the quarterly reports with balance sheets of the MoF. Communication takes place within MoES with the different departments. If irregularities are found, what rarely happens, this will be solved internally.

5.7 Monitoring

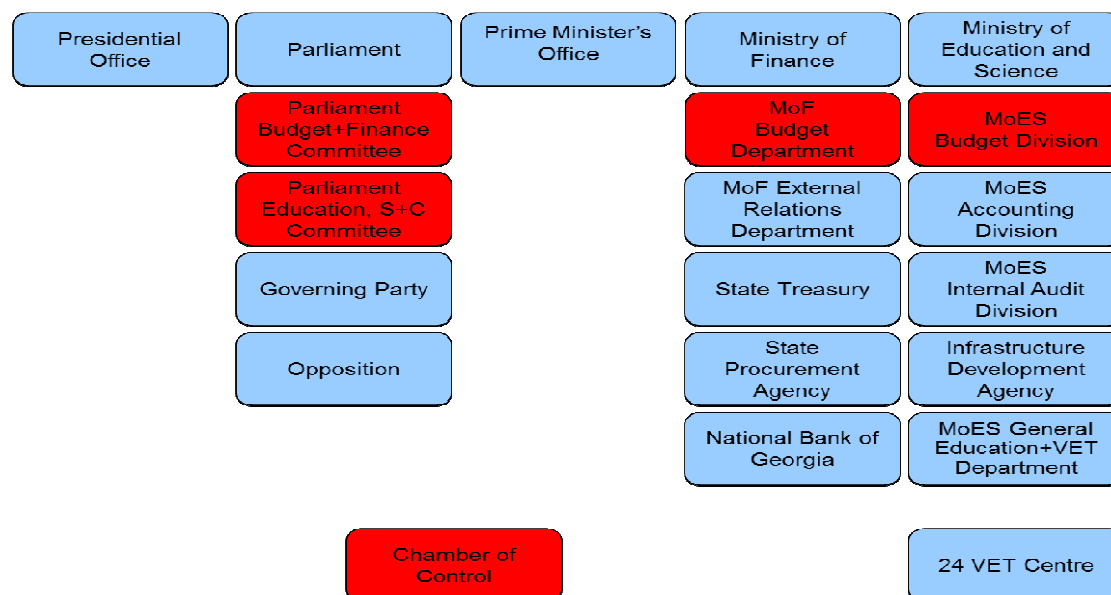


Figure 22: Responsible units during monitoring of the budgeting process

The monitoring mechanisms found during the interviews usually took care only of the amounts spent but not whether programs were successful in improving situations or solving problems. Many participants have high hopes on the program budgeting to get better and more interesting information for the monitoring of political issues. Here lies a big challenge but also a big chance for VET. The three most important players are the Chamber of Control, the Parliament and the donors; in case of VET the EU.

The Chamber of Control comes in once in three years to check the whole system for six months, for example from June until December 2010. Once per year the Chamber of Control is coming to check on a specific thematically spending. The Chamber of Control makes macroeconomic analyses of ministries, compares expenditures and reviews the account. The findings of the Chamber of Control have impact. For example on the beginning of September 2010 a previous head of department and his deputy were taken to prison because of irregular spending in the MoES. Political influence of the Chamber of Control is especially high during a review. When the Chamber of Control finds irregularities in the half year reports these are communicated to the Parliament and eventually actions are taken.

The Chamber of Control reviews the yearly report which the MoF provides every spring about the past budget year together with the committees of the Parliament. This yearly “budget execution report” consists of nearly 150 pages and is reviewed in a spring session. The report covers general figures and parameters of the budget related to revenues, tax revenues, grants, their ratios to total revenues, changes in forecasted and actual figures, increases/decreases in liabilities, different sources of revenues, expenditure by economic classification, functional classification of expenditure and increase of non-financial assets,

reserves and governmental funds, etc. It does not analyze spending of governmental institutions and the Ministries. Accordingly, there is no information about the MoES budget execution and VET.

The introduction of this report 2010 gives the reader an idea of the relationship of the government and the Parliament: “based on the Budget Code of Georgia (which is in force since January 2010 and was amended four times during the year), the Government of Georgia does not have an obligation to present the report on the execution of budget of the current year to the Parliament. A brief overview presented to the Parliament is attached to the next year’s budget. Accordingly, the report “on the execution of the budget of Georgia” represents our opinion without concrete facts or the review of the data of spending organizations”.

6. Recommendations

Having evaluated the information from the interviews and literature two strategic action fields were identified where it is recommended that MoES takes action with the aim of better getting involved in the budget processes for a more adequate financing of its VET sector:

- a) Program budgeting and
- b) Communication.

The recommendations follow a topological course related to program budgeting. Priorisation and selection has to be done by MoES. Ideally capacities should be organized so that all topics are addressed.

Program budgeting is about to be introduced in all ministries as basis for any kind of public financial needs. Therefore it will be crucial to have good instruments to fulfill the new needs of public financial management. The basis of program budgeting are strategic elements like objectives, baselines, future targets, indicators and action plans. This system can only work if a proper communication process is installed between budget and VET stakeholders within the MoES and between the MoES and the MoF. Possible actions in these two areas were discussed in a workshop on the 13th of December 2010 in which participants agreed with the following recommendations.

6.1 Program budgeting

The recommended timelines relate to the budget calendar (see p. 39), in which the draft budget of MoES should be ready for submission at MoF on the 1st of September. The recommended GIZ PSDP support includes mainly kick-off meetings and follow-up meetings. Depending on capacity and time these meetings could be organized together. MoES could start with a “roof-kick-off” where all topics and their interrelations are introduced. Then follow up meetings should be organized.

1. The Government of Georgia adopts a national VET Strategy with concrete targets for output/outcome-indicators.

A national VET Strategy adopted by the government gives common understanding and support for measures to be taken. This strategy should include concrete targets for output and outcome indicators because those will be necessary for program budgeting. The VET Strategy is also a pre-condition for the EU-sector budget support.

The current draft of the VET Strategy does not contain indicators or targets useable for program budgeting. These should be added in the consultation in the beginning of 2011. On the 1st of September the MoES has to send its budget application to MoF. Best would be therefore if the VET Strategy could be completed for the budget preparation at the end of August. Focal point would be the VET staff in the Department for General and Vocational Education Development.

Timeline:	31.08.
Actors:	VET Centers, Department for General and Vocational Education Development, Deputy Minister, Minister for Education and Science, Ministry of Economy and Sustainable Development, National VET Council, Government of Georgia
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support ²⁸ :	Organization of kick-off meeting and moderation of following consultation meetings with actors to discuss concrete targets and indicators for the VET strategy.

2. MoES makes sure, that educational quality development (accreditation and authorization) criteria and the VET Strategy are coordinated with program budgeting.

The VET Strategy should be anchored in the educational quality development. That means that the national strategy is adapted to each VET Center individually and therefore based on participatory measures to have the VET Strategy understood and accepted. Then there is a chance, that goals, measures and targets named in program budgeting are successfully achieved.

Directors of the VET Centers, the VET staff of the Department for General and Vocational Education Development, the Budget Division, the Statistical Division and the National Center for accreditation should keep each other informed about ongoing processes. Together they should develop goals and targets needed for their purposes and align them with the VET Strategy. The results should be available at the end of August 2011 for the program budget

²⁸ There are just recommendations on GIZ support described. Concrete support has to be discussed and agreed with the Georgian Partner

2012 and for the accreditation in 2013. Focal point would be the VET staff in the Department for General and Vocational Education Development.

Timeline:	31.08.
Actors:	VET Centers, Department for General and Vocational Education Development, Budget Division, Deputy Minister, Minister, Ministry of Economy and Sustainable Development, National Center for Accreditation
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Organization of kick-off meeting and moderation of consultation meetings with actors concerning educational quality development, VET strategy and budgeting.

3. *MoES and MoF examine the indicators concerning output/outcome-orientation in the program budget.*

The current indicators in the program budget (see page 23) for VET attached to the state budget law have to be scrutinized. They should be SMART, which means Specific, Measurable, Attainable, Relevant and Time-bound.

Timeline:	31.08.
Actors:	VET Centers, Department for General and Vocational Education Development, Budget Division, Statistical Division
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Organization of kick-off meeting and moderation of consultation meetings with actors concerning indicators for output/outcome-orientation in the program budget.

4. *MoES makes sure, that program budgeting is coordinated with statistical planning and analyzing and supports the development of an Education management information system according to European standards.*

One of the main Principles of the VET Development Strategy is the Education management information system (EMIS). The goal is that decision making will be based on timely statistical and analytical information. It is stated that “collection of data in VET lacks coherence. As a result, decision-making is not informed (based on statistics and analysis). Though in 2009 the Statistics Department at the MoES started collecting data from licensed VET Centers and those Higher Education Institutions that provide VET programs, too, at this

stage do not have a special underlying software and the people in charge of data collection have not undergone sufficient trainings.”²⁹

It is crucial to link this topic not only to educational decisions but also to program budgeting. With statistics it is very easy to increase the bureaucratic burden. Therefore the reference to goals and targets of the VET Strategy should have priority as long as the survey is not too difficult.

The first results of the VET statistical program could be evaluated at the end of the current school term in summer 2011. Focal point would be the Statistical and Analytical Division.

Timeline:	31.08.
Actors:	VET Centers, Department for General and Vocational Education Development, Statistical and Analytical Division
Focal point:	Statistical and Analytical Division
GIZ PSDP Support:	Organization of kick-off meeting and moderation of consultation meetings concerning coordination of program budgeting with statistical planning and analyzing.

5. *MoES organizes together with MoF a conference about program budgeting (output and outcome orientation, strategic thinking) for VET multipliers as a first step for regular coordination.*

As kick off for a program budgeting information and acceptance campaign a conference could raise awareness for the need of new data, processes and communication. This conference could also explain the VET Strategy and what it means for each VET Centre because they have to fulfill these goals.

A two half day conference is recommended so that a networking evening event can be included. The conference should be as early in spring as possible to ensure that the information given can be further discussed, processed and the new processes find better acceptance. Focal points could be the Budget Division or the VET staff in the Department for General and Vocational Education Development.

Timeline:	31.04.2011
Actors:	VET Centers, Department for General and Vocational Education Development, Budget Division, Statistical Division, Deputy Minister, Ministry of Finance
Focal point:	VET staff in the Department for General and Vocational Education Development

²⁹ VET Development Strategy 2009-2012, MoES 23.08.2009 (Page 9)

GIZ PSDP Support: Organization of conference about program budgeting (output and outcome orientation, strategic thinking) for VET multipliers as a first step for regular coordination

6. *MoES makes sure, that a VET goal is included in the governmental program “United Georgia without poverty”, which can be seen as a national strategy.*

The overarching strategy of Georgia where the BDD and the budget are derived from is “United Georgia without poverty”. A VET goal in this national program would underline the political will, that VET is a positive element for the future development of Georgia. It would help the argumentation in the budgeting process. A possible paragraph from the draft VET Strategy could be:

“The strategy considers VET to be a pathway to employment and the foundation for building a civil society, bringing social protection and security and welfare to people, since active participation in these processes is impossible without adequate professional career of a person.”³⁰

It would be desirable to have such a goal in the UGWP for the next BDD process in June 2011. Therefore MoES could start their activities at the beginning of 2011 together with the governmental adoption of the national VET Strategy.

Timeline:	31.05.2011
Actors:	Department for General and Vocational Education Development, Deputy Minister, Minister, Government of Georgia, Prime Minister, President
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Facilitation of meetings with Prime Minister’s Office

7. *MoES and MoF check whether they need technical support for the introduction of program budgeting in MoES.*

GIZ input could be technical support for indicator development or organization of a conference about program budgeting together with MoF and MoES. Ongoing by GIZ is the technical support for the VET financing concept.

Interviewees and the participants of the workshop were asked to take this question to their ministries. Having the timelines for the next budget draft at the end of August and the needed

³⁰ VET Development Strategy 2009-2012, MoES 23.08.2009 (Page 5)

participation of stakeholders in mind, it would be appropriate to have the feedback until the end of June. Since it is important to have political backing, talks with the Deputy Ministers of the educational and economical department in MoES would be desirable.

Timeline:	30.06.
Actors:	Department for General and Vocational Education Development, Budget Division, Deputy Minister
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Appointments with Deputy Ministers in MoES to discuss the importance of program budgeting and measures to be taken in the financial concept for VET

6.2 Communication

8. *MoES Budget and VET Division organize a monthly jour fixe and discuss possibilities to make sure that there are enough resources to implement the VET Strategy.*

Regular communication between the budget and VET Division should be installed. Along the budget calendar there should be monthly or at least bi-monthly meetings where both divisions explain changes in their policy field in regard to the next step in the budgeting process. This way the tailor made need of information would become clearer and the argumentations better. Focal point would be the VET staff in the Department for General and Vocational Education Development.

Timeline:	(Bi-)monthly
Actors:	Department for General and Vocational Education Development, Budget Division
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Facilitation of a kick-off jour fixe

9. *MoES invites directors and heads of administration of the VET Centers together with contact persons from the budget divisions in MoES and MoF for a quarterly meeting.*

In so called directors-meeting knowledge about budgeting should be further developed. Better knowledge of the budgeting system helps VET stakeholders to write more target oriented applications. It's not only about communication, but about participation, because this way the directors of the VET Centers get earlier involved and can articulate their interests and give a feed back to expectations of the ministries. This way the budget Division and MoF get informed about the financial needs of VET Centers. Focal point would be the VET staff in the Department for General and Vocational Education Development.

Timeline:	Four times a year
Actors:	VET Centers, Department for General and Vocational Education Development, Budget Division, MoF
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Organization of kick-off quarterly meeting, moderation of consultation meetings

10. VET stakeholders, especially VET Center directors, create common occasions for and with budgeting stakeholders.

Positive regular occasions for communication about VET inside and outside of the VET system, in the budgeting system and with stakeholders should be used. Stakeholders like companies, primary and secondary schools, employers, directors, students, parents or teachers should be motivated to stand up for VET in communicating with decision maker in the budgeting process.

Decision makers in the budgeting process and their supporting staff from Parliament and government should be invited to visit VET Centers on a regular basis. This way they get to know the possibilities and problems of VET in Georgia. These people will have a different relation to the figures of the budget afterwards, because they can better classify the financial needs.

Focal points are all VET Centers and the VET staff in the Department for General and Vocational Education Development.

Timeline:	Regular
Actors:	VET Centers, Department for General and Vocational Education Development
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Support of high level events at VET centers

11. VET stakeholders need a profound performance measurement system.

As already mentioned in the draft VET Strategy, VET needs better means to show its contribution to growth and employment in Georgia. Especially in context of the program budget reliable aims, output and outcome data should be available. VET Centers should be able to deliver data to show their performance and derived from that argumentations that they need more money to get better. The statistical office needs to know the specific situation of VET to plan the statistics accordingly.

Focal points are the VET Centers. Timeline would be anytime as soon as possible.

Timeline:	asap
Actors:	VET Centers, Statistical Division, VET staff in the Department for General and Vocational Education Development
Focal point:	VET Centers
GIZ PSDP Support:	Organization of kick-off meeting to show how a profound performance measurement system could work on VET Center level, moderation of consultation meetings

12. MoES and MoF check whether they need technical support for the improvement of communication related to VET budgeting.

GIZ input could be support of a social marketing campaign for VET, technical support for the development of a performance measurement system. Ongoing support by GIZ is the VET Policy Dialog and VET Financing Dialog.

Timeline:	31.03.2011
Actors:	Department for General and Vocational Education Development, Budget Division, Deputy Minister
Focal point:	VET staff in the Department for General and Vocational Education Development
GIZ PSDP Support:	Appointments with Deputy Ministers in MoES to discuss the importance of communication and measures to be taken in the financial concept for VET (together with recommendation 7)

6.3 Vision VET Budgeting Georgia 2020

The basic idea behind these recommendations is as one possible option the implementation of the following vision for VET budgeting:

Georgia has a political supported and well financed VET system. Decision maker in the public budget process in government and Parliament are aware of the added value of VET and understand the special financial needs of VET. Knowledge about the public budget management process, communication and lobbying for VET is integrated in the executive and steering-cycle of MoES. VET centres possess methodological, content and communication skills and competencies concerning budgeting. VET and budget stakeholders communicate on a regular basis in a constructive manner. The VET stakeholders possess a sound information system and network to lobby in the phases of budget cycle. Public personal, organisation and financial resources for VET are increasing.

ANNEX

A1 Acknowledgements

This study was supported by a large number of individuals and ministries. The author wants especially express his gratitude to the Private Sector Development Program Georgia (GIZ), which has funded this study and to Jana Leutner, Elene Tskhakaia and Peter Wunsch in particular who inspired this study with their ideas and suggestions.

This study reflects an authors approach and is not necessarily opinion of GIZ!

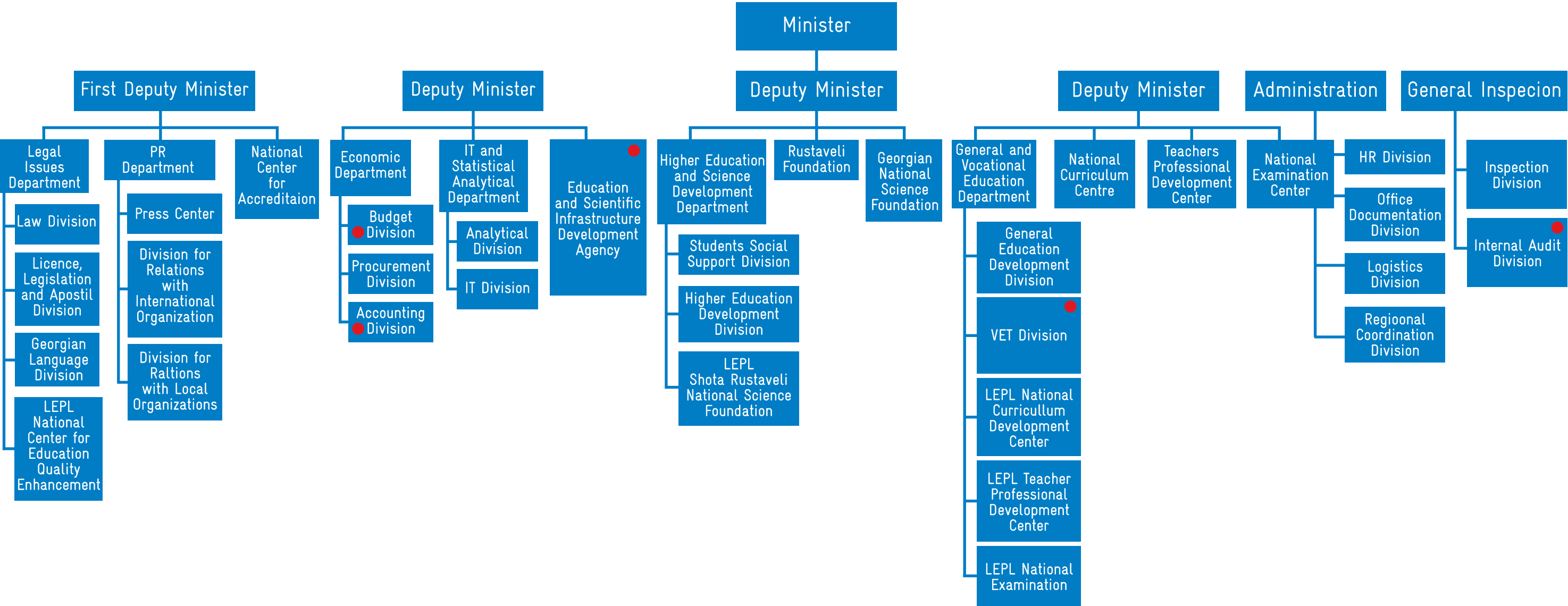
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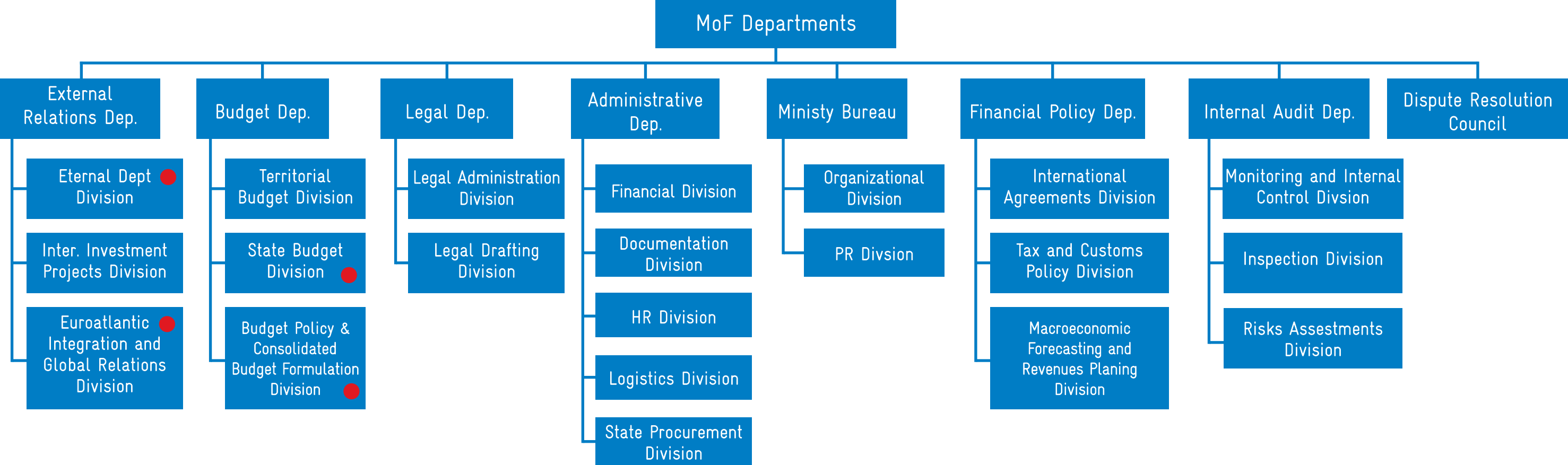
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A3 Organizational structure of MoES, MoF and Parliamentary committees

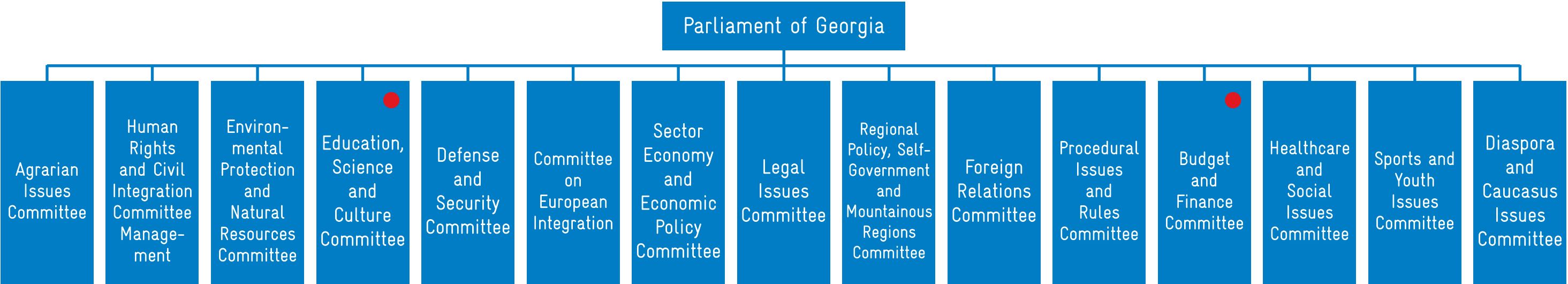
The current available organizational charts of MoES, MoF and the Parliamentary committees follow³¹. The divisions of the interviewed stakeholders are marked.

³¹ It is possible, that the actual organizational structure does not fully comply with these charts anymore,
Translation by GIZ PSDP Geo.





Committees in Parliament of Georgia



A4 State Budget of Georgia, 2011 – Excerpt of Basic Figures, MoES and VET³²

Chapter I Basic Figures of State Budget

Article 1, Balance (in Thousands GEL)

Name	2009 (fact)	2010 (plan)	2011 (plan)	<i>Of which</i>	
				Budget Allocations	Donor Financing
Revenues	4,916,960.0	5,363,552.7	5,955,814.9	5,740,400.0	215,414.9
Taxes	4,161,738.6	4,552,000.0	5,300,000.0	5,300,000.0	0.0
Grants	387,677.6	464,552.7	355,814.9	140,400.0	215,414.9
Other revenues	367,543.9	347,000.0	300,300.0	300,300.0	0.0
Expenditures	5,367,210.1	5,607,501.8	5,746,108.0	5,511,324.8	234,783.2
Labor remuneration	941,632.6	1,014,825.7	1,081,212.8	1,081,212.8	0.0
Goods and services	879,897.3	847,866.5	791,396.7	791,396.7	0.0
Percent	167,177.4	204,115.0	314,295.3	314,295.3	0.0
Subsidies	447,327.9	208,012.2	218,583.8	146,937.3	71,646.5
Grants	861,218.7	1,130,643.9	1,014,121.5	1,009,621.5	4,500.0
Collateral	1,419,901.8	1,496,431.9	1,490,487.0	1,490,487.0	0.0
Other expenditures	650,054.4	705,606.6	836,010.9	677,374.2	158,636.7
Operational balance	-450,250.2	-243,949.1	209,706.9	229,075.2	-19,368.3

³² State Budget Law of Georgia, Adopted on the 17.12.2010, Translations by GIZ PSDP, accentuations by author not yet published

Chapter II State Budget Revenues

Article 5. Grants to the State Budget / Abstract for VET (in Thousands GEL)

Name	2009 (fact)	2010 (plan)	2011 (plan)
Grants	387,677.6	464,552.7	354,657.9
Vocational Education and Training Program	0.0	13,895.2	12,000.0

Chapter V State Budget Allocations

Article 14. Allocations of the State Budget of Georgia (in Thousands GEL)

Organizational Code	Name	2009 (fact)	2010 (plan)	2011 (plan)	Of which:	
					Budget recourses	Donor s financ e
32 00	Ministry of Education and Science	488,429.5	552,755.5	550,842.1	550,842.1	0.0
1	Number of Employees	535.0	786.0	1,720.0	1,720.0	0.0
2	Expenditures	460,536.7	505,777.4	497,269.9	497,269.9	0.0
3	Labor remuneration	5,398.3	9,886.6	16,034.6	16,034.6	0.0
10	Goods and services	12,340.8	42,470.1	42,777.9	42,777.9	0.0
23	Subsidies	54,636.7	41,436.7	29,454.6	29,454.6	0.0
24	Grants	87.7	100.0	117.3	117.3	0.0
25	Collateral	4,667.3	2,257.0	2,300.6	2,300.6	0.0
26	Other expenditures	383,405.8	409,627.0	406,584.9	406,584.9	0.0
27	Increase of Non-Financial Assets	27,868.2	46,978.1	53,572.0	53,572.0	0.0
29	Decrease of Liabilities	24.6	0.0	0.0	0.0	0.0
32 11	VET Centers	8,473.6	9,295.9	6,293.8	6,293.8	0.0
2	Expenditures	8,295.4	8,970.4	6,193.8	6,193.8	0.0
10	Goods and services	142.7	721.1	338.9	338.9	0.0
23	Subsidies	8,152.7	8,151.3	5,656.9	5,656.9	0.0
26	Other expenditures	0.0	98.0	198.0	198.0	0.0

27	Increase of Non-Financial Assets	171.6	325.5	100.0	100.0	0.0
29	Decrease of Liabilities	6.6	0.0	0.0	0.0	0.0
32 11 01	VET Centers Financing	8,175.9	7,735.5	5,593.8	5,593.8	0.0
2	Expenditures	8,152.7	7,735.5	5,593.8	5,593.8	0.0
3	Subsidies	8,152.7	7,735.5	5,593.8	5,593.8	0.0
27	Increase of Non-Financial Assets	16.6	0.0	0.0	0.0	0.0
29	Decrease of Liabilities	6.6	0.0	0.0	0.0	0.0
32 11 02	VET Support Program	297,7	1,560.4	700.0	700.0	0.0
2	Expenditures	142.7	1,234.9	600.0	600.0	0.0
10	Goods and services	142.7	721.1	338.9	338.9	0.0
23	Subsidies	0.0	415.8	63.1	63.1	0.0
26	Other expenditures	0.0	98.0	198.0	198.0	0.0
27	Increase of Non-Financial Assets	155.0	325.5	100.0	100.0	0.0
32 14	MoES Programs	31,514.4	54,319.4	74,293.8	74,293.8	0.0
	Number of employees	0.0	33.0	33.0	33.0	0.0
	Expenditures	27,050.1	29,182.9	30,087.6	30,087.6	0.0
	Labor remuneration	0.0	692.4	321.7	321.7	0.0
	Goods and services	5,248.9	11,155.3	10,610.6	10,610.6	0.0
	Subsidies	1,368.7	1,525.2	2,500.0	2,500.0	0.0
	Grants	6.3	0.0	17.3	17.3	0.0
	Collateral	4,598.1	2,200.0	2,200.0	2,200.0	0.0
	Other expenditures	15,828.2	13,610.0	14,438.0	14,438.0	0.0
	Increase of Non-Financial Assets	4,463.7	25,136.5	44,206.2	44,206.2	0.0
	Decrease of Liabilities	0.6	0.0	0.0	0.0	0.0
32 14 01 01	LEPL IDA	12,129.8	30,221.5	50,699.0	50,699.0	0.0
	Number of employees	0.0	33.0	33.0	33.0	0.0
	Expenditures	7,666.1	5,085.0	6,493.4	6,493.4	0.0
	Labor remuneration	0.0	692.4	321.7	321.7	0.0
	Goods and services	486.2	4,382.6	6,165.7	6,165.7	0.0

	Subsidies	1,133.6	0.0	0.0	0.0	0.0
	Other Expenditures	6,046.4	10.0	6.0	6.0	0.0
	Increase of nonfinancial assets	4,463.7	25,136.5	44,206.2	44,206.2	0.0
32 14 01 01 05	National Presidential Program “VET Centers rehabilitation”	0.0	1,070.0	0.0	0.0	0.0
	Increase of non-financial assets	0.0	1,070.0	0.0	0.0	0.0

A5 Percentage of Ministries in the Budget 2011

Ministry	Allocations in GEL	Percentage
State Minister on the Diaspora Issues	623.200	0,0%
State Minister for Reintegration	1.000.000	0,0%
State Minister for Euro-Atlantic Integration	1.301.000	0,0%
Government Chancellery of Georgia	8.500.000	0,1%
Ministry of Environment Protection and Natural Resources	27.207.900	0,4%
Ministry of Internally Displaced Persons from the Occupied Territories, Accommodation and Refugees	30.375.400	0,4%
Minister of Sport & Youth Affairs	35.000.000	0,5%
Ministry of Culture and Monument Protection	53.000.000	0,7%
Ministry of Justice	68.700.000	1,0%
Ministry of Agriculture	69.154.000	1,0%
Ministry of Foreign Affairs	73.236.000	1,0%
Ministry of Economy and Sustainable Development	75.441.700	1,1%
Ministry of Corrections and Legal Assistance	105.526.000	1,5%
Ministry of Finance	202.364.000	2,8%
Ministry of Energy	204.754.100	2,9%
Ministry of Education and Science	550.842.100	7,8%
Ministry of Internal Affairs	566.000.000	8,0%
Ministry of Defense	660.000.000	9,3%
Ministry of Regional Development and Infrastructure of Georgia	864.027.300	12,2%
Ministry of Health, Labour and Social Affairs	1.606.479.400	22,6%
Other Expenditures	1.903.559.300	26,8%
Total Allocations	7.107.091.400	100,0%
Sum Big 5	4.247.348.800	59,8%
15 other Ministries	956.183.300	13,5%

Other allocations are financial means for institutions like the Parliament, Presidential Administration, National Security Council, Supreme Court of Georgia, Chamber of Control, Central Election Commission, Governors' offices and municipalities, Ombudsman Office of Georgia, Public Broadcasting, State Procurement Agency, Patriarchate of Georgia, National Statistics Office, Competition Agency, etc.

A6 MoES of Georgia - List of Needs and Priority Areas for 2011/12³³

	Priorities	Comments
1	Improving school infrastructure around Georgia	One of the main priorities of the Georgian Government is to improve infrastructure and provide adequate learning conditions in every school of Georgia. Though a lot of works has been done up to now and many are ongoing, there is still a need for conducting more rehabilitation and reconstruction works at certain number of schools. At the same time, conditions in some school fall behind the modern standards and there is an urgent need to build completely new schools and replace the existing ones in several parts of Georgia.
2	Providing adequate technical and IT equipment to the public schools; Introducing and intensifying use of innovative technologies in the learning process	In line with the improved infrastructure and ongoing educational reforms, as well as with the aim of ensuring quality education in the general schools of Georgia, the Ministry is particularly concerned with providing proper technical facilities and increasing level of IT knowledge at schools. Through achieving this, the intention of the Ministry is to provide school children access to modern technologies and innovations in the learning process and ensure that all children have equal opportunities from the very first days of their schooling. One of the ways to achieve this goal is to provide schools with scientific labs, smart boards, school one-person desks, school boards and computers in addition to other school equipment.
3	Improving of infrastructure of vocational educational training (VET) centers	Carrying out rehabilitation and renovation of existing centers is among those initiatives that requires special attention of the Ministry. At present, ten out of VET Centers are in need of full or partial rehabilitation. By rehabilitating these ten centers, all existing VET Centers throughout Georgia will be in compliance with modern international and European standards.
4	Equipment of vocational educational centers workshops	Through providing proper equipment to the VET workshops, quality of education will be increased and students will better develop their skills and be more capable to meet job market demands.
5	Providing vocational educational centers with proper IT equipment	Currently, VET Centers are furnished with very basic equipment only. In order to achieve best results and fully utilize the resources, there is an urgent need to upgrade VET Centers with IT and other relevant technical equipment.
6	Equipping career offices and providing	Three career centers will put into operation throughout Georgia from January 2011. Students will be distributed through these

³³ Presented at UNDP donor coordination meeting on 17.12.2010, by the Head of International Relations, NATO and EU Integration Division of the MoES

	training for the staff involved	centers.
7	Promoting PR campaign for VET Centers and the opportunities they provide	Along with all initiatives the Ministry is planning to undertake, it is very important to increase awareness of the civil society about the opportunities that VET Centers provide.
8	Building capacity of school resource officers through providing specialized training for them, with a special focus on children's rights, conflict management, social interaction and communication skills as well other related issues topics	Introduction of school resource officers at public schools is a challenging initiative that was taken in the Georgian education space. In order to deal with the increased number of violence and wrongdoings at schools, the Ministry came up with a decision to strengthen safety at secondary schools. As a result, resource officers already covered schools in Tbilisi, Batumi, Zugdidi, Gori, Kutaisi and Rustavi. As of 2011, resource officers will enter public schools in most large cities of Georgia.
9	Providing distance learning opportunities to the convicted prisoners held in custody in Georgian penitentiary institutions	As a part of the strategy of the Ministry, a special attention will be devoted to ensure access to education for the convicted prisoners who serve their sentences in the prisons. Through creating special intranet, prisoners will have access to a distance-learning educational program that in its turn will contribute to their rehabilitation and reintegration process.
10	Strengthening capacity of the staff and increasing efficiency of the services provided by the Ministry and Education Resource Centers	To increase capacity of the staff and efficiency of the services provided by the Ministry through providing special training on information technologies, budgetary issues, management, conflicts management, human resources, etc.
11	Providing different types of software (including in management of data center, data protection and internet filtering)	Together with this software, relevant training will be needed in order to administer these programs effectively
12	Improving equipment of central datacenter of the Ministry	This will include upgrading hardware as well as school wide area network (WAN)
13	Equipping the Teacher Houses with modern IT	It is envisaged to establish Teacher Houses in Tbilisi, Kutaisi, Zugdidi, Kobuleti and Kachreti. The aim the Teacher Houses would

	equipment and relevant furniture	be to serve as focal points for meeting, conferences and seminars of teachers, school principals, trainers and etc. Equipping of the Teacher Houses with modern IT equipment would allow the National Center for Teacher Professional Development, as well as the MoES of Georgia to use the full capacity of the houses and carry out intensive trainings/seminars aimed at professional development.
14	Certification of school principals	It has been planned to carry out certification of school principals by the National Center for Teacher Professional Development. The certification process will involve two stages: (1) computer based exam, and (2) interviews with the candidates. The interviews will be recorded.
15	Training of teachers	There are more than 70,000 teachers in Georgia and all of them require some kind of trainings. The subjects of trainings are very diverse and are directly linked to the teacher standards requirements, national curriculum, professional skills, new initiatives of the Ministry and etc. Although a lot of effort has been put in this direction and some progress in using modern methods has already been applied by teachers, a lot still needs to be done. Trainings for teachers of primary level is vital - how to teach 5 year-old-students taking into consideration their physical and psychological characteristics and how to introduce differentiate attitudes towards 5,6 and 7 year-old-1 st graders.
16	Training of teachers of the VET Centers	The National Center for Teacher Professional Development is in the process of elaborating the standards for teachers of VET Centers. Upon approval of the document it would be crucial to carry out trainings of teachers in applying modern methods of teaching aimed at transferring the knowledge of skills to the students.
17	Printed and electronic resources for teachers	Teachers need modern manuals and books, translated literature, as well as e-resources which can be used for their professional development and can positively affect the teaching process.
18	Capacity building of the staff of the National Center for Teacher Professional Development	Exchange of information, participation in international forums and conferences, different study tours would give the management and program coordinators a broader view on the recent developments worldwide, obtain information on the international experience, adopt it to local circumstances and apply the knowledge by being innovative.
19	Support State Language studying in Non-Georgian Schools	One of the main objectives is to establish the educational system as a main instrument for national minorities' integration into society; the policy is designed to ensure the access to education for ethnic minorities as well as to popularize the state language. In order to promote state language acquisition among national minorities: research will be conducted (teachers testing, filling the questionnaires), databases of all non-Georgian schools will be

		created and different programs will be developed based on the research: special training modules, teaching materials and teachers' guidelines.
20	Support to development of the pre-school education	Curriculum for pre-school education has been elaborated that aims to support the readiness of children to enter primary school. Standards and demands set by new curriculum for pre-school education are novelties for teachers. In order to introduce and activate them successfully, there is a need for development of teachers training programs as well as of relevant guidelines

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