

*The Consulting Firm “Dikke International” Ltd.*

# **LAW OF GEORGIA ON BUDGET SYSTEM AND BUDGETARY POWERS**

*19, Lermontova Str., Tbilisi, 380007  
Phone: + 995 8832 93 20 76, 93 59 65*

*Fax: +995 (32) 001127 or +995 (32) 001077*

*E-mail: [dikke@dikke.com.ge](mailto:dikke@dikke.com.ge)*

# LAW OF GEORGIA ON BUDGET SYSTEM AND BUDGETARY POWERS

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# **LAW OF GEORGIA ON BUDGET SYSTEM AND BUDGETARY POWERS**

The Georgia Law "On Budget System and Budgetary Powers" determines the basic principles of making debit and credit, consideration, approval, implementation, differentiation of revenues and expenditures of the State Budget of Georgia, budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia (regional, municipal, local) as well as financial and budgetary powers of Georgia higher state bodies, higher bodies of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia.

## ***SECTION I. GENERAL PROVISIONS***

### **Article 1. Budget**

The budget is the basic financial plan of mobilization and use of funds required for implementation of state power functions.

### **Article 2. Budget System**

The budget system of Georgia is the integrity of state budgets based on the administrative and territorial system, economic relations and legal rules of the country.

### **Article 3. Budget Structure**

The budget structure is arrangement of budgetary system and principles of its formation. The budget structure in Georgia is based on integrity, completeness, reality, publicity and independence of all budgets (funds) constituting the budget system of Georgia.

### **Article 4. Budget Process**

1. The budget process is operations of budget making, consideration, approval and implementation by the state power. The budget regulations which are the constituent part of the budget process represents the distribution of sources of revenue (income) among the budgets of any level determined by the Law.
2. The budget process in Georgia is regulated by the present Law, other laws of Georgia, acts of higher representative bodies of Abkhazia and Adjara autonomous republics and acts of authorized bodies of territorial units of Georgia.

3. The budget shall be made with regard to the indices of indicatory plan of social and economical development of Georgia, estimate of Ministry of Finances experts and international liabilities of Georgia and financial programs to be realized.
4. The draft of state budget of Georgia shall be worked out by the Ministry of Finance of Georgia, the drafts of budget of Abkhazia and Adjara autonomous republics - by the Councils of Ministers of those republics, the drafts of budget of other territorial units of Georgia - by the appropriate local administrations.

Within implementation of long-term programs of economic and social development, , there may be elaborated under the instructions of the President of Georgia the target of state budget of Georgia containing more than 1-year period.

5. The Parliament of Georgia shall pass the law "On the State Budget of Georgia", approving the state budget of Georgia, determining target-oriented transfers to the Abkhazia and Adjara autonomous republics, other territorial units of Georgia and approving key figures of debit and credit of special state finds. The budgets of Abkhazia and Adjara autonomous republics shall be approved by the higher representative bodies of Adjara and Abkhazia autonomous republics, providing the amount of target-oriented transfers specified by the Georgia Law "On the State Budget of Georgia", and the decision on approval of budgets of territorial units shall be made by the local administrations of appropriate territorial units, providing the amount of target-oriented transfers specified by the Georgia Law "On the State Budget of Georgia".
6. The budgetary (fiscal) year on the territory of Georgia coincides with the calendar year (from January 1 to December 31).

#### **Article 5. Fiscal and Budgetary Policy**

The fiscal and budgetary policy is the constituent part of the economic policy of the country and represents the integrity of measures for arrangement and use of country' finances for performing state functions and assignments.

The fiscal and budgetary policy is integral all over the territory of Georgia and shall be agreed with taxation, monetary, credit and pricing policies.

Under the applicable laws and within the international agreements and treaties Georgia on its free will undertakes to agree the fiscal and budgetary policy with foreign governments and international organizations.

## ***SECTION II. PRINCIPLES OF BUDGET SYSTEM***

### **Article 6. Structure of Budget System**

The budget system of Georgia includes the State Budget of Georgia, the budgets of Abkhazia and Adjara autonomous republics and the budgets of other territorial units of Georgia. The state budget of Georgia consolidates the central budget of Georgia and special state funds.

### **Article 7. Integrity of Budget System**

1. The integrity of budget system is ensured by the single legal base, use of the single budget classification, single budgetary documentation for making the state budget of Georgia, providing for transfer of statistic report and data from one budgetary level to another, fixed principles of budgetary process and integrity of monetary system.
2. The integrity of budget system is based on the interdependency of different level budgets and realized through the application of the regulating sources of revenue and distribution of them in accordance with the established order.
3. The integrity of budget system is realized pursuing the single social and economic policy, including taxation.

### **Article 8. Independence of Budgets**

The State Budget of Georgia, budgets of Abkhazia and Adjaria autonomous republics and other territorial units of Georgia are independent from each other.

The independence of budgets is stipulated by providing all level budgets with appropriate own and long-term regulating sources of revenue, determined by the law, the course of use of which shall be independently determined by the higher representative bodies of Abkhazia and Adjaria autonomous republics and representative bodies of local administrations of other territorial units. of Georgia.

The superior governmental bodies are not entitled to interfere into the budgetary powers of the lower governmental bodies. Governmental bodies of Abkhazia and Adjaria autonomous republics and local administrations of other territorial units of Georgia shall be responsible for implementation of revenue for not budgets of Adjaria and Abkhazia autonomous republics and of other territorial units of Georgia only, but for the state budget of Georgia as well. Every event of use of Georgia state budgetary funds by the governmental bodies of the Abkhazia and Adjaria autonomous republics, other territorial units of Georgia shall be considered as an illegal action. The misappropriated funds shall be confiscated to the state budget of Georgia and the question on personal responsibility of the persons at faults shall be opened.

### **Article 9. Revenue of Budgets**

The revenue of all links of budget system is made up in accordance with order determined by the Tax Law of Georgia and the present Law.

### **Article 10. Expenditures of Budgets**

The expenditures of all level budgets are divided into capital costs and current expenses.

Capital costs are all those budgetary assignments directed at the investment and innovation programs and measures as well as all other costs related to the increase in the capital.

All other costs consist the current expenses.

### **Article 11. Budgetary Classification**

1. There shall be applied in Georgia the single economic and functional classification of representation of revenue and expenditures of the budget which shall meet the standards of international statistics of the state finance and ensure the unimpeded insertion of budgetary data in the statistic information.
2. The structure and main contents of the budgetary classification shall be approved and alterations in it shall be made by the Ministry of Finance under agreement with the Committee for Finance and Budget of the Parliament of Georgia.

### **Article 12. Balancing of Budgets**

1. Balancing of budgets of all levels is the main condition of the financial and budgetary policy.
2. Excess of expenditures over revenue creates the budget deficit. Upon arising of the budget deficit the current expenses of the budget shall be financed in the first turn.
3. For balancing the budget the limit of budget deficit shall be approved. If within the implementation of the budget the limit of budget deficit is exceeded, or the amount of budgetary revenue is significantly reduced, the sequestration of budget expenditures shall be applied. The sequester is proportional monthly reduction of the budget expenditures according to the every item in the budgetary expenditures for a period of the rest fiscal year. The protected items in the budget expenditures are not subject to sequester.

The list of protected items in the budget expenditures according to the each budgetary level shall be specified by the appropriate representative bodies of state power and local administrations when approving the budget.

4. The budget deficit shall be covered by constituting of the public debt and use of credit resources. The amount of public debt and credit resources shall be fixed when approving the budget.
5. The governmental bodies are not allowed to make such decision that decrease the budget revenue or increase its expenditures and finally may arise the increase in limit of the budget deficit.

**Article 13. Interdependency of Budgets and Other Elements of Financial System**

1. The budget system of Georgia represents the part of financial system of Georgia which includes, the finances of independent legal and physical persons, as well. Taxes on physical and legal persons, payments and penalties shall be transferred to the budgets in the first turn for collection. Recovery of sums exceeding the taxes, dues, deposits and other mandatory payments rate from the physical and legal persons is not allowed.
2. The capital costs of budget may include the subsidies to a certain legal person. This action shall not arise the application of the public property right to the property of the appropriate enterprise or other legal person. The capital costs of budget may include the investments to the stock of newly created or existing enterprises. The outcome of those investments represents the application of the public property right to the share of stock equivalent to the investments put into the enterprise, and manifested in the state's ownership of this part of stock or shares (share) of joint-stock venture or limited liability company.
4. The state property management right created by the budgetary investments shall be transferred to the state property management body.
5. The profit carried from the state property or gained by sale and lease of property shall be totally transferred to the budget in accordance with the established order or shall be applied to the development of the appropriate enterprise.

***SECTION III. PRINCIPLES OF BUDGET PROCESS*****Article 14. Arrangement of Budget Process**

1. The making up draft budget and implementation of the budget is charged to the governmental bodies. The consideration, approval and control over the implementation of the budget are the functions of the Parliament of Georgia, higher representative bodies of Abkhazia and Adjara and local representative bodies of administration of other territorial units of Georgia, accordingly.
2. Cash implementation of the state budget of Georgia shall be made by the central treasurer's office, and of other budgets - by the Georgian National Bank and its local offices. In event of non-existence of such offices the accounts of the appropriate governmental bodies may be kept by other banks as well under instructions of the Georgian National Bank.
3. The councils of ministers of Adjara and Abkhazia autonomous republics and local administrations of other territorial units of Georgia shall submit their reports in implementation of the consolidated budget of appropriate territory to the Ministry of Finance of Georgia, central statistic agency of Georgia and Chamber of Control of Georgia. The periodicity and form of report for budgets of all

levels shall be established by the Ministry of Finance of Georgia and the State Department for social and Economic Information of Georgia.

4. Consideration, approval of the budget and hearing to the report on implementation of that budget by the Parliament of Georgia, higher representative bodies of Abkhazia and Adjara autonomous republics and local representative bodies of administration of other territorial units of Georgia shall be carried out in public except those cases where the item to be considered is the state secret as determined by the law.

### **Article 15. Making, Consideration and Approval of the Draft Budget**

1. The Ministry of Finance of Georgia shall annually make the draft of state budget including drafts of revenue and expenditures of the central budget of Georgia and state special funds as well as the estimates of amount of transfers to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia.

The councils of ministers of Abkhazia and Adjara autonomous republics shall make the draft of Abkhazia and Adjara central budgets and the summary of drafts of consolidated budget or budgets of appropriate territories.

The local administrations of territorial units shall make the budgets of region, town, city, community, settlement, village and the draft of consolidated budget which is the summary of draft budgets of subordinate territories.

2. The forming of draft budget is made on the grounds of indices of draft of indicatory plan of social and economic development of the territory as well as on analysis and expert's appraisal of current and expected indices of financial and economic activity of sectors and fields of the economy. Following such forecast the substantiation for calculation of both budgetary expenses and separate kinds of revenue is to be prepared, consequently the budget expenses are formed providing the forecast of revenues.

Predicted indicators of revenues and expenditures of the state budget of Georgia, Abkhazia and Adjara autonomous republics and other territorial units of Georgia for the new fiscal year and proposals of budget balancing shall be submitted by the Ministry of Finance of Georgia to the President of Georgia, by the ministries of finance of Abkhazia and Adjara autonomous republics - to the councils of ministers of Abkhazia and Adjara autonomous republics, and by the financial agencies of other territorial units - to their local administrations.

After the consideration of financial and material possibilities the President of Georgia, councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia shall resolve on parameters of budget revenue and expenditures for the new fiscal year. On the grounds of those resolutions the budget projects as by income resources and kinds of expenses shall be worked out. Drafts of the state budget of Georgia and budgets of Abkhazia and

Adjara autonomous republics and other territorial units of Georgia shall be submitted to the President of Georgia, councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia, accordingly.

3. The draft of state budget of Georgia, drafts of budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia, approved accordingly by the President of Georgia, councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia, shall be submitted for ratification to, accordingly, the Parliament of Georgia, higher representative bodies of Abkhazia and Adjara autonomous republics and representative bodies of local administration of other territorial units of Georgia.
4. The Parliament of Georgia shall pass the law on state budget of Georgia including revenue and expenditures of the central budget of Georgia and of state special funds as well as amounts of transfers for financing target-oriented programs of formation of budgets of Adjara and Abkhazia autonomous republics and other territorial units of Georgia.

Through this law the Parliament of Georgia shall ratify the rates of assignments from the state payments to the budgets of Abkhazia and Adjara autonomous republics and of other territorial units of Georgia for the term of 3-5 years.

The higher representative bodies of Abkhazia and Adjara autonomous republics and representative bodies of local administration of other territorial units of Georgia shall ratify the drafts of budgets of appropriate territories by the relevant acts.

5. The Parliament of Georgia, higher representative bodies of Abkhazia and Adjara autonomous republics, representative bodies of local administrations of other territorial units of Georgia shall approve the amount of transitional working assets within the limits of the state budget of Georgia, central budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia with excess of provided expenses by the beginning of a new fiscal year.

The order of estimation of amount of transitional working assets of the budgets of all levels shall be fixed by the Ministry of Finance of Georgia.

In case of emergency the transitional working assets will be used for compensation of interim financial arrears during the year and shall be restored by that very amount determined within the approval of the budget in that year.

6. The Parliament of Georgia, higher representative bodies of Abkhazia and Adjara autonomous republics and representative bodies of local administrations of other territorial units of Georgia shall approve the appropriate budget before the beginning of a new fiscal year.

7. If the budgets are not approved by the beginning of a new fiscal year governmental bodies of all levels are entitled to use expenditures necessary for fulfillment of the undertaken liabilities in the sum of 1/12 of actual amount of the prior year in limits of the gained revenue per month.

### **Article 16. Budgetary Regulating**

1. The budgetary regulating is carried out by distribution of sources of the national revenue among the budgets of different levels. For implementation of concrete measures and state target-oriented programs of social protection of population, solution of ecological problems and liquidation of results of national calamities transfers to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia and short-term budgetary loans (in case of existence of free budgetary means) may be used.
2. The amount of transfer with regard to a certain budget shall be approved within the approval of budget of a new fiscal year and shall be transferred to a lower level budget without any compensation. Transfers allocated for the target-oriented programs not used or used not for this target shall be returned back.
3. The budgetary loan under the resolution of the governmental bodies may be assigned to budget of any level on the terms of repayment, for financing of current expenses connected with interim difficulties arisen within the implementation of budget.

### **Article 17. Emergency Budget**

1. In case of bringing in the state of emergency by the Parliament of Georgia in the country or in any of its region there may be approved by presentation of the President of Georgia, the emergency budget for target financing of measures connected with the state of emergency.
2. Taxes, duties and other compulsory charges for financing of extra expenses connected with the state of emergency shall be fixed by the Parliament of Georgia by presentation of the President of Georgia.

### **Article 18. Implementation of Budget**

1. The implementation of budget is regulated by the laws and other legislative acts of Georgia in force.
2. Within the implementation of budget of Georgia the own revenue gained in addition, amount of revenues exceeding over expenditures are not subject to confiscation and shall stay in the disposal of the President of Georgia, councils of ministers of Abkhazia and Adjara autonomous republics and other local administrations of other territorial units of Georgia.

3. Events of any deviations of the fixed level between revenue and expenditures that may arise within a year (other than those stipulated by Clause 2 of this Article) and require the searching out of additional sources of financing shall be considered by the Parliament of Georgia.

If the higher governmental bodies of Georgia pass such normative legislative acts which increase the budget expenditures or decrease budget revenue of Abkhazia and Adjara autonomous republics and other territorial units of Georgia, the appropriate funds of those budgets shall be compensated from the state budget of Georgia, in case of increase in the revenue and decrease in the expenditures the appropriate funds shall be transferred to the state budget of Georgia.

4. Within the implementation of budget the state treasury office, the National Bank of Georgia with its affiliates and other serving banks shall account the cash implementation of revenues and expenditures of the budget and make report in the functional and economic context of the budgetary classification.
5. Councils of ministers of Abkhazia and Adjara autonomous republics, local administrations of other territorial units of Georgia shall submit the report on implementation of budgets of appropriate territory to the Ministry of Finance of Georgia and Georgian Chamber of Control. The order, term and form of submission of the report shall be determined by the Ministry of Finance of Georgia.

#### **Article 19. Control over Implementation of Budget**

The control over implementation of budgets of Georgia shall be executed in accordance with the applicable legislation of Georgia.

### ***SECTION IV. STATE BUDGET OF GEORGIA***

#### **A) PURPOSE OF CENTRAL BUDGET OF GEORGIA, REVENUE AND EXPENDITURES**

##### **Article 20. Purpose of Central Budget of Georgia**

The central budget of Georgia consolidates the funds applied for financing of measures necessary for implementation of state economic, social, foreign economic, defense measures and performance of national liabilities as well as implementation of state target-oriented programs. For overcoming of disproportion in economic and social development of different regions of the country and realization of the single social policy the funds shall be transferred in kind of target-oriented transfers from the central budget of Georgia to the budgets of Abkhazia and Adjara autonomous republics and of other territorial units of Georgia.

### **Article 21. Georgia Central Budget Revenue**

The following state taxes shall be totally transferred to the Georgia central budget:

- value added tax;
- excise tax;
- customs;
- use tax on natural resources;
- tax on securities operations.

Besides, a part of profit (income) tax on enterprises and physical persons remained after deductions to be transferred to other budgets according to the long-term economic standards approved by the Parliament of Georgia shall be charged to the Georgia central budget as well.

Other taxable revenues stipulated by legislative acts of Georgia shall be transferred to the Georgia central budget in accordance with the established order as well.

The main kinds of non-taxable revenues of the Georgia central budget are as follows:

- income gained after sale of state-owned property and securities;
- income gained after sale of state-owned material reserves;
- income profits from public entities or entities with partnership of the state;
- different dues and charges fixed by the legislative acts and by-laws of Georgia;
- other revenues.

### **Article 22. Georgia Central Budget Expenditures**

The Georgia central budget revenue shall be used for financing of the following:

- investing in objects of state significance;
- environment protection, prospecting and developing programs, forestry care and restoration, agricultural and land-reclamation general state programs;
- state programs for social protection of population;
- other target-oriented state programs;
- expenses for foreign economic activity;
- public institutions, organizations and arrangements of education, science, culture, mass media, health care state programs, physical culture and social protection;
- expenses for formation and filling of state reserves and mobilization reserves;
- maintenance of representative and governmental central bodies, law enforcement central bodies, prosecution, state security bodies and chamber of control;

- armed forces;
- recovery of banking credits and state debts applied as sources of financing of budget expenditures, as well as its servicing;
- formation of the President fund of Georgia, state reserve and other target-oriented budgetary funds and reserves;
- transfers of budgetary loans and credits to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia;
- other arrangements realized from the Georgia central budget in accordance with the legislation of Georgia.

## **B) PURPOSE, ORDER OF FORMATION, REVENUE AND EXPENDITURES OF SPECIAL STATE FUNDS**

### **Article 23. Objective of Special State Funds and Order of Their Formation**

1. The special state fund is the financial unity of financial resources and is applied for its target orientation. Formation, approval and implementation of revenues and expenditures of independent special state funds of Georgia are executed independently from Georgia central budget, budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia, but they are consolidated in the Georgia state budget and budgets of Adjara and Abkhazia autonomous republics and budgets of other territorial units of Georgia.
2. The single state fund for social welfare and medical insurance of Georgia, the single state employment fund and state road fund of Georgia are entirely consolidated in the state budget of Georgia, and the state health care fund of Georgia is consolidated in the central budget of Georgia and budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia.
3. The Parliament of Georgia shall establish the order of formation of a fund of the commissioner of the President of Georgia in the region, or the local fund within the state budget of Georgia.
4. The matter of formation of any new special state independent fund on the territory of Georgia shall be settled by the Parliament of Georgia only.

### **Article 24. Revenue and Expenditures of Special State Fund**

The sources of revenue of the special state fund shall be determined by the legislation of Georgia. Payments and other charges to be transferred to the appropriate budgets cannot be directed to the special state funds.

**Article 25. Making and Consideration of Draft of State Budget of Georgia**

1. The organization of work for making of the state budget of Georgia shall be executed by the Ministry of Finance on the instructions of the President of Georgia. This work shall start 10 days prior the beginning of a new fiscal year.
2. At the first stage the main tasks and directions of the state draft budget shall be worked out. For this purpose the forecast of social and economic development of Georgia, the consolidated balance of finance resources and main directions of budgetary and taxation policy shall be established by mutual co-ordination of the Ministry of Economy of Georgia, Ministry of Finance of Georgia, the State Department of Social and Economic Reformation of Georgia and the National Bank of Georgia.

Councils of ministers of the Abkhazia and Adjara autonomous republics, local administrations of other territorial units of Georgia, ministries, departments, separate organizations, enterprises shall submit the data and accounts to the above-listed departments.

3. The following information shall be presented to the President of Georgia seven and a half months prior to a new budgetary year:
  - main showing of social and economic development of Georgia;
  - consolidated balance of financial resources according to the territory of Georgia;
  - main orientation of tax and budget policy;
  - main data and course of Georgian state budget in draft.
4. The President of Georgia shall present the main data and course of the Georgia state budget in draft to commissions of the Parliament of Georgia for consideration till June 1 of the current budgetary year.
5. At the second stage of drawing up the draft budget the commissions of the Parliament of Georgia shall consider the main data and course of the Georgian state draft budget and shall prepare resolution.
6. The finance and budget commission of the Parliament of Georgia shall organize and co-ordinate the process of consideration and approval of main data and course of the Georgian state budget in draft.

In case of need this commission shall obtain necessary information from the certain ministries, departments and governmental bodies and prepare findings concerning main data and course of the Georgian state budget in draft.

7. After consideration of main data and course of the Georgia state budget in draft in commissions of the Parliament of Georgia the resolution together with appropriate proposals and observations shall be sent to the President of Georgia till July 1 of the current budgetary year.
8. The Ministry of Finance of Georgia shall prepare the law in draft on the Georgian state budget having regard to the main data and course approved by the commissions of Parliament of Georgia and submit it to the President of Georgia for consideration till September 15 of the current budgetary year.
9. The President of Georgia shall present the law in draft on the Georgian state budget to the Parliament of Georgia 3 months prior the beginning of the next budgetary year.

### **Article 26. Approval of State Budget of Georgia**

1. The law in draft of the state budget of Georgia for the new budgetary year shall be considered at plenary sittings of the Parliament of Georgia after prior consideration in the parliamentary commissions.
2. The President of Georgia shall present reports on the draft of state budget for the new budgetary year and on the course of implementation of the state budget for current year at the plenary sittings of the Parliament of Georgia. A member of the Government of Georgia may state those reports at the sitting of Parliament of Georgia under instructions of the President of Georgia. Together with the report of the President of Georgia the reports of the Chamber of Control of Georgia and the finance and budgetary commissions of the Parliament of Georgia shall be heard by the Parliament of Georgia.
3. The Parliament of Georgia shall pass the law on state budget of Georgia before the beginning of the new budgetary year, providing for:
  - the state budget of Georgia with respect to revenue (every source) and expenditures (functional classification) of the central budget and special state funds of Georgia;
  - amounts of target-oriented transfers to be assigned from the state budget of Georgia for the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia;
  - reserve fund of the President of Georgia;
  - state reserve fund of Georgia;
  - amounts of payments due from the state budget of Georgia under international liabilities;
  - amount of the state indebtedness;
  - amount of bank credit to be assigned for the central budget of Georgia;
  - amount of assignment necessary for discharge of state indebtedness arisen in previous years and payment of interests for the state indebtedness;

- limit of inequation in the state budget of Georgia (excess or deficit by the absolute value and together with amount of revenues to be forecast in percentage).
4. In the event the Parliament of Georgia does not pass the law on the state budget the President of Georgia shall present to the Parliament a new version of this law in draft within two weeks.

In the event the new budget is not passed till the beginning of a new budgetary year the earlier undertaken liabilities of the state shall be discharged in accordance with Paragraph 6 of Article 15 of this Law.

5. The Parliament of Georgia shall pass the Law of Georgia “On the State Budget of Georgia” by the majority of parliamentary roll.
6. The law of Georgia “On the State Budget of Georgia” passed by the Parliament of Georgia shall be then signed by the President of Georgia.
7. The law of Georgia “On the State Budget of Georgia” shall be promulgated.

#### **Article 27. Implementation of State Budget of Georgia and Control**

1. The state budget of Georgia shall be supplemented in accordance with the procedure to be approved by the Ministry of Finance.

The control over implementation of the state budget of Georgia shall be executed by the Parliament of Georgia and the Chamber of Control of Georgia as provided by the appropriate law. The current control over the timely and complete mobilization of revenue as well as over the charge of funds shall be performed by the Ministry of Finance of Georgia and by its territorial structural units.

2. Commissions of the Parliament of Georgia shall consider the course of process of implementation of the state budget of Georgia quarterly within a budgetary year. The process of consideration shall be organized by the finance and budget commission of the Parliament. In case of need the findings of consideration shall be reported to the Parliament of Georgia.

#### **Article 28. Georgian State Budget Report**

1. The report on the State Budget of Georgia shall be made and presented to the President of Georgia by the Minister of Finance of Georgia.
2. The President of Georgia shall present the report on implementation of the state budget to the Parliament for approval not later 3 months following the end of budgetary year.

3. The Chamber of Control of Georgia shall, not later 2 weeks following the presentation of report on implementation of the state budget by the President to the Parliament, submit the report on implementation of the state budget with regard to the report of government.
4. The Parliament shall consider the report on implementation of the state budget not later 45 days following its presentation.
5. The report of government on implementation of the state budget shall be approved if it correctly and completely reflects the amounts of revenue and expenditures within the budget in the past fiscal year as well as legality of charges. Otherwise the Parliament may not approve the account.
6. In event of non-approval of report of implementation of the state budget as well as in view of violation of the law of Georgia “On the State Budget of Georgia” the Parliament shall be entitled to recognize the governmental activity as unsatisfactory in the section of implementation of the budget law and to raise before the President the question on responsibility of officials of executive power and to enter with recommendations for eradication of the exposed shortcomings.
7. The report on implementation of the state budget of Georgia and the appropriate resolution of the Parliament of Georgia concerning the approval of account shall be promulgated.

***SECTION V. BUDGETS OF ABKHAZIA AND ADJARIA  
AUTONOMOUS REPUBLICS AND BUDGETS OF OTHER  
TERRITORIAL UNITS OF GEORGIA***

**Article 29. Purpose of Budgets of Abkhazia and Adjaria Autonomous Republics and Other  
Territorial Units of Georgia**

1. Budgets of Abkhazia and Adjaria autonomous republics and budgets of other territorial units of Georgia are the financial basement for the state power and local administration of those territories. Those budgets are the instrumentality for financing of economic, social, culture and other programs of Abkhazia and Adjaria autonomous republics and other territorial units of Georgia and arrangements of local and regional significance.
2. Bodies of state power and local administration of Abkhazia and Adjaria autonomous republics and other territorial units of Georgia shall independently draw up, approve and implement their appropriate budgets.

**Article 30. Revenue of Budgets of Abkhazia and Adjaria Autonomous Republics and Other  
Territorial Units of Georgia**

The following revenue shall be charged to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia:

- land tax;
- tax on influence upon environment;
- property tax;
- state tax;
- incorporation tax;

Besides, the revenues determined by the Parliament in accordance with the long-term economic standards of assignment from income (profit) tax and income tax on natural persons shall be transferred to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia.

All local taxes, dues and non-taxable revenues introduced by the bodies of state power and local administrations of Abkhazia and Adjara autonomous republics and other territorial units of Georgia which are specified by the legislation of Georgia with protection of the law.

There shall be charged to the budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia other taxes, dues and certain non-taxable revenues subject to the legislation of Georgia as well.

Target-oriented transfers received from the state budget of Georgia.

Obtained loan as well as earnings gained after repayment of the issued loans.

### **Article 31. Distribution of Revenues of Budgets of Abkhazia and Adjara Autonomous Republics and Other Territorial Units of Georgia among Budgets of Different Level**

The distribution of revenues of budgets of Abkhazia and Adjara autonomous republics and other territorial units of Georgia among the budgets of different level existing on the territory of Abkhazia and Adjara autonomous republics and other territorial units of Georgia shall be executed in accordance with the order established by the higher representative bodies of Abkhazia and Adjara autonomous republics and local representative bodies of administration of other territorial units of Georgia.

### **Article 32. Expenditures of Budgets of Abkhazia and Adjara Autonomous Republics and Other Territorial Units of Georgia**

1. Local representative bodies of state power and administration of the Abkhazia and Adjara autonomous republics and other territorial units of Georgia shall independently consider on the directions of use of budget revenues excluding those target-oriented transfers and loans which will be transferred to the certain budget from the budget of other level.

2. There shall be formed reserve, target-oriented and other funds in the budgets of Abkhazia and Adjara autonomous republics amount of which shall be determined by the local representative bodies of appropriate state power and administration.
3. Councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia may use available resources in the entrepreneurship, give loans to enterprises and other legal persons.

**Article 33. Differentiation in Directions of Expenditures of Budgets among Subjects of Different Level of Abkhazia and Adjara Autonomous Republics and Other Territorial Units of Georgia**

The differentiation in directions of expenditures among budgets of different level of Abkhazia and Adjara autonomous republics and other territorial units of Georgia with regard to the significance of arrangement to be financed, subordination of a certain enterprise, organization, institution and location shall be made in accordance with order established by the higher representative bodies of Abkhazia and Adjara autonomous republics and local representative bodies of administration of other territorial units of Georgia.

**Article 34. Adjara and Abkhazia Autonomous Republics and Other Territorial Units of Georgia Budgets Making**

Budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be made by appropriate finance bodies in accordance with the order determined by the higher representative bodies of Abkhazia and Adjara autonomous republics and local representative bodies of administration of other territorial units of Georgia.

The budget making is based on:

- internal sources of revenues;
- additional sources of revenues to be traced by governmental bodies of Abkhazia Adjara autonomous republics and local administrations of other territorial units of Georgia;
- requirements in funds necessary for financing of arrangement of appropriate territories.

**Article 35. Consideration and Approval of Budgets of Abkhazia and Adjara Autonomous Republics and Budgets of Other Territorial Units of Georgia**

1. The order of consideration and approval of budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be determined by the higher representative bodies of Abkhazia and Adjara autonomous republics and local representative bodies of other territorial units of Georgia and this does not contradict the term and procedure of consideration and passing of the law on state budget of Georgia established in the present Law.

2. The budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be approved by the relevant higher representative bodies and local representative bodies before the beginning of a new fiscal year.
3. The approved budget shall be binding upon the councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia.
4. The approved budget shall reflect:
  - total amount of revenues and expenditures with regard to the main sources and directions;
  - limit amount of excess of expenditures over revenues (deficit);
  - amount of reserve, target-oriented and other funds differing kinds of their revenues and expenditures and amount of the carry-over of circulating funds;
  - standards of assignment from the state taxes to the budgets of other level.

**Article 36. Implementation of Budgets of Abkhazia and Adjara Autonomous Republics and Budgets of Other Territorial Units**

1. The implementation of budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units shall be organized by the councils of ministers of Abkhazia and Adjara autonomous republics and local administrations of other territorial units of Georgia as well as by finance and tax agencies existing on the appropriate territory.
2. The budget shall be implemented in accordance with quarterly and annually breakdown of revenues and expenditures to be made by the relevant finance agency or (in the event of non-existence of such agency) a local administration in accordance with the approved budget.
3. Within the process of implementation of the budget the representative bodies and local administrations of the Abkhazia and Adjara autonomous republics and other territorial units of Georgia may make amendments in the revenue and expenditures of budget according to the established order and avoiding the increase in limit amount of budgetary deficit.
4. Additional revenues obtained within the process of implementation of the budget or excess of revenue over expenditures arisen from exceeding of revenue plans and saving of expenditures shall remain at disposal of the relevant governmental body and local administration, shall not be subject to exaction and shall be used at its discretion.
5. Control over implementation of budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be executed by the higher representative bodies of Abkhazia and Adjara autonomous republics and representative bodies of local administrations of other territorial units of Georgia, Ministry of Finance and Chamber of Control of Georgia. Current

control over timely and complete entering of receipts in budgets and efficient and target-oriented expense of funds shall be executed by the finance agencies and state tax inspection of appropriate territory.

**Article 37. Report on Implementation of Budgets of Abkhazia and Adjara Autonomous Republics and Budgets of Other Territorial Units of Georgia**

1. The report on implementation of budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be made by the relevant finance agencies and submitted for consideration to the higher representative bodies and local representative bodies of administrations of the Abkhazia and Adjara autonomous republics and other territorial units of Georgia. Consideration and approval of report shall be performed analogous to the order provided by Article 29 of the present Law.

The report on implementation of budget shall be in the fixed term submitted to the Ministry of Finance and the Chamber of Control of Georgia.

2. Report of implementation of the budgets of Abkhazia and Adjara autonomous republics and budgets of other territorial units of Georgia shall be promulgated.

PRESIDENT OF GEORGIA  
*Eduard Shevardnadze*  
(signed)

Tbilisi  
25.05.1996  
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