



საქართველოს პარლამენტი

SELF-ASSESSMENT REPORT

MAY 2022

PARLIAMENTARY
BUDGET OFFICE
OF GEORGIA

Foreword

Independent fiscal institutions (IFIs) are publicly funded, independent bodies that provide non-partisan oversight and analysis of fiscal policy. They have grown in number in recent years as a cornerstone of budget scrutiny and oversight frameworks in OECD countries.

Parliamentary Budget Office (PBO) of Georgia is an independent fiscal institution within the system of the Parliament of Georgia, with the main goal to strengthen parliamentary oversight over the public finance management by providing independent and impartial analysis, research and assessment of government's fiscal policies, plans and performance, and consequently, promoting fiscal sustainability for medium/long-term period. PBO supports Georgia's fiscal management by monitoring compliance with fiscal rules, making macroeconomic reviews, developing alternative macroeconomic forecasts, reviewing draft laws on state budget and budget execution, scrutinizing financial impact assessment of the draft laws and other tasks along with preparing research papers.

According to 2018 Financial Agreement of Sector Reform Performance Contract between the European commission and the Government of Georgia¹ under the objective “Strengthened oversight of public finances”, PBO is committed to carry out the self-assessment of its performance in line with the OECD Principles for Independent Fiscal Institutions. OECD Council adopted the Recommendation of the Council on Principles for Independent Fiscal Institutions in 2014². The latter PBO's commitment is addressed by the current paper.

The PBO self-assessment team included the acting head of PBO - Shorena Kakhidze, the head of the Budget Analysis unit - Giorgi Meskhoradze, the head of the Macroeconomic Analysis and Tax Policy unit - Natia Suarishvili, the chief specialist of the Cost Estimates and Legislative Support unit – Mariam Kakhidze. PBO team would like to thank Balázs Romhányi, an international expert for his assistance in conducting self-assessment. PBO is also grateful to the individuals who were interviewed for the self-assessment for their cooperation, as well as all PBO staff for their involvement and huge contribution.

¹ Budget support action: EU4 Economic Governance and Fiscal Accountability (EGFA)

² <https://www.oecd.org/gov/budgeting/OECD-Recommendation-on-Principles-for-Independent-Fiscal-Institutions.pdf>

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Abbreviations and Acronyms

AG	Auditor General
BDD	Basic Data and Directions
BFC	Budget and Finance Committee (Parliament of Georgia)
CBO	Congressional Budget Office (United States)
CBR	Council for Budget Responsibility (Slovak Republic)
CPI	Consumer Price Index
CSO	Civil Society Organization
EU	European Union
GDP	Gross Domestic Product
GEOSTAT	National Statistics Office of Georgia
GIA	Gender Impact Assessment
IBP	International Budget Partnership
IFI	Independent Fiscal Institution
IMF	International Monetary Fund
MoF	Ministry of Finance of Georgia
MoU	Memorandum of Understanding
MPs	Members of Parliament
NBG	National Bank of Georgia
NGO	Non-governmental Organization
OBI	Open Budget Index
OBR	Office of Budget Responsibility (United Kingdom)
OBS	Open Budget Survey
OECD	Organization for Economic Co-operation and Development
OGP	Open Government Partnership
PBO	Parliamentary Budget Office
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
RIA	Regulatory Impact Assessment
RMSE	Root Mean Square Deviation

SAO	State Audit Office
SB	Supervisory Board
TI Georgia	Transparency International Georgia
UK	United Kingdom
US	United States
USAID	United States Agency for International Development

Introduction

The Parliamentary Budget Office of Georgia has been established in 1997. After several changes in the institutional form and degree of independence, from 2014, PBO is independent institution within the Parliament.

The role of the PBO is particularly important for the effective exercise of the budgetary and legislative powers of the Parliament. Giving its unique role in the fiscal architecture, it is crucial that PBO's independence and institutional capacity are reinforced in order to better align with OECD principles for independent fiscal institutions. The main challenge in assuring PBO's comprehensive performance and supporting parliamentary oversight is increased expectations for the analytical products of the PBO due to ongoing PFM reforms, which requires strengthening analytical capacity of the institution, as well as more effective communication mechanisms with stakeholders aiming to raise the level of awareness about the role and products of the PBO.

Georgia has taken important steps to enhance its fiscal institutions and fiscal transparency over the past decades. The PFM reform in Georgia has undergone several phases during last decades. Currently the country is implementing its 2018-2022 PFM reform strategy³, within which PBO's goals for 2022 are the following: 1. Strengthening PBO's capacity in macro-fiscal forecasting and 2. Improving research activities.

While the PFM reform agenda has been Government-driven and led, it has benefited from technical assistance from the EU as well as the World Bank and IMF for the whole of the reform period. The EU also provided strong support to the PBO on macroeconomic analysis and techniques in previous years.

According to the 2017 EU-publication "Public Finance Management Reform in Georgia"⁴, PBO has enabled improved Parliamentary independence and capabilities for fiscal oversight of the Executive Branch, by producing regular, expert and substantive analytical reports (available at its web-site for all Parliamentarians) addressing macroeconomic, tax policy, budget and special issues relevant to the Parliament.

In 2017, the PEFA Performance assessment⁵, which scored Georgia at A in both dimensions of Macroeconomic forecasts and Accuracy of in-year budget reports, also highlighted PBO's contribution.

The 2017 IMF Fiscal Transparency Assessment report⁶ noted that Georgia's fiscal forecasting and budgeting practices followed good or advanced practices in many areas. Establishing an independent Parliamentary Budget Office in 2014 is mentioned among the most important developments, but the report also recommends to expand the mandate of the PBO by evaluation of the government's performance against its stated fiscal rules and by publishing an independent assessment in its fiscal reports.

³ <https://www.mof.ge/5171>

⁴ https://mof.ge/images/File/bijeti/European_Union_Finish_14_09_2017.pdf

⁵ <https://www.pefa.org/sites/pefa/files/assessments/reports/GE-Jun18-PFMPR-Public-with-PEFA-Check.pdf>

⁶ <https://www.imf.org/en/Publications/CR/Issues/2017/09/27/Georgia-Fiscal-Transparency-Evaluation-45274>

The 2018 edition of the IMF "Fiscal Transparency Handbook"⁷ specifically mentions the activities of the PBO as examples of "GOOD PRACTICE: An independent entity evaluates the credibility of the government's economic and fiscal forecasts" (Box 3.32, p. 87).

As a result of the reforms, according to Open Budget Survey (OBS) 2015 conducted by the International Budget Partnership (IBP), Georgia's score of Open Budget Index (OBI) which was 66⁸ jumped to 82⁹ in 2017 and then stayed at 81¹⁰ points in 2019. This allowed Georgia to be ranked number 5 (like in 2017) among 117 countries. According to the 2021 OBS survey Georgia got 87¹¹ out of 100 in state budget transparency and took first place in the world ranking of 120 countries.

All OBS reports in 2017, 2019 and 2021 in the direction of Budget Oversight mentions PBO as an example of "the emerging practice of establishing independent fiscal institutions" and states that "Georgia's independent fiscal institution (IFI) is the Parliamentary Budget Office. Its independence is set in law, and it reports to the legislature. It publishes its own macroeconomic and fiscal forecasts, and its own cost estimates of all new policy proposals."

The work of the PBO is positively assessed by Transparency International Georgia (TI Georgia) through its annual reports providing the assessment of the performance of the Parliament of Georgia.

PBO is also a part of Open Government Partnership (OGP) plan 2021-22. Within the joint commitment with TI Georgia PBO updated the guidelines for financial impact assessments of draft laws, which contributes to improving the law-drafting process in Georgia.

Except for the PBO's commitment to conduct self-assessment against OECD principles, the Financing agreement/Sector Reform Performance Contract (2018) between the European commission and the Government of Georgia has also set out another commitment for the PBO in 2020: "the PBO, also based on the 2020 State Budget documentation submitted to the Parliament, assesses the compliance of the Executive in the implementation of Georgia's fiscal rules". This commitment successfully completed by PBO with the support of international expert in 2020. From then on, PBO regularly prepares and publishes the reports on compliance with fiscal rules.

Methodology

The OECD recommendation provides a set of principles to assist the countries in designing IFIs that are effective and viable over the long run. There are 22 Principles across nine dimensions:

1. Local ownership
2. Independence and non-partisanship
3. Mandate
4. Resources
5. Relationship with the legislature
6. Access to information
7. Transparency

⁷ https://www.elibrary.imf.org/doc/IMF069/24788-9781484331859/24788-9781484331859/Other_formats/Source_PDF/24788-9781484348598.pdf

⁸ <https://www.internationalbudget.org/wp-content/uploads/OBS2015-CS-Georgia-English.pdf>

⁹ <https://www.internationalbudget.org/wp-content/uploads/georgia-open-budget-survey-2017-summary.pdf>

¹⁰ <https://www.internationalbudget.org/sites/default/files/country-surveys-pdfs/2019/open-budget-survey-georgia-2019-en.pdf>

¹¹ <https://internationalbudget.org/sites/default/files/country-surveys-pdfs/2021/open-budget-survey-georgia-2021-en.pdf>

8. Communication
9. External evaluation

The methodology used has been to undertake a detailed analysis of the existing legal framework and practice and to conduct in-depth interviews with a wide range of stakeholders. Thus, information presented in the self-assessment stems partly from the official documents, partly from stakeholder interviews.

The expert conducted interviews with more than 50 partners and the meetings (partly in person, partly web-based) were all subject to the so-called Chatham House Rule: “participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed”. About 35 interviews were based on a preset questionnaire¹² developed by the expert. The results of these interviews are shown in the document. The remaining interviews were mainly conducted with high ranking officials and focused on their views and thoughts related to existing challenges and needs for potential changes. As mentioned above, the respondents were interviewed by an independent expert, which ensured that they responded according to their objective viewpoints without hesitation.

The stakeholders who were interviewed for the self-assessment included the representatives of the Parliamentary committees, Ministry of Finance, Ministry of Economy and Sustainable Development, National Bank of Georgia, State Audit Office of Georgia, National Statistics Office, international organizations, NGOs, research centers, media. A complete list of interviewees is provided in Annex 2.

In June 2021, the expert also had face-to-face meetings with a range of parliamentarians from across the political spectrum, including the speaker of the parliament, chairpersons and members of committees as well as the high officials and deputy ministries of the ministries, SAO, NBG.

PBO gratefully acknowledges the contributions from all of these stakeholders. The needs were identified with the help of the expert taking into account the current needs of PBO in order to better align with OECD principles, good international practices of other IFIs, local context as well as stakeholders’ insights.

1. OECD Principle 1. Local ownership

1.1. Citation from the OECD document “Recommendation on Principles for Independent Fiscal Institutions”

OECD 1.1. To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum. While a country seeking to establish an IFI will benefit from the study of existing models and experiences in other countries, models from abroad should not be artificially copied or imposed. Regional or international authorities may provide valuable support and protection.

OECD 1.2. Local needs and the local institutional environment should determine options for the role and structure of the IFI. Design choices may also have to take into account capacity constraints, particularly in smaller countries. The basic characteristics of an IFI, including specific protections,

¹² See the interview questions in Annex 1.

should be informed by the country's legal framework, political system, and culture. Its functions should be determined by the country's fiscal framework and specific issues that need to be addressed.

1.2. Current situation

The PBO as an independent fiscal institution was established in 1997 at the Parliament of Georgia. USAID played an important role in the early years both in terms of financing and capacity building. Over the following years PBO has operated as an independent body and also as a part of the Budget and Finance committee. From 2014 PBO is an independent body accountable to the Supervisory Board (SB), which coordinates PBO's activities. The SB of the PBO comprises, according to their ranks, the chairman of the Parliament and the chairman of the Budget and Finance Committee, and the other members of the SB are appointed by the chairman of the Parliament based on prior consultations with the factions and non-faction MPs, so that at least one member of each faction is represented on the SB. The SB is headed by the chairman of the Parliament. The authority and rules of operation of the SB is determined by the Chairman of the Parliament.

Regulation of PBO is defined within the frame of the Rules of Procedure of the Parliament, which is a legislative act with the force of law adopted by the majority of all members of the Parliament and signed by the chairman of the parliament. As a result of the changes in the rules of procedures of Parliament in 2012, PBO's role in legislative process was defined. In 2018, the provisions about PBO's role in budget process was also introduced in the rules of procedures of Parliament. The structure, functions and rules of operation of PBO is determined by the Statute of the PBO, which is approved by the Chairman of the Parliament.

In 2018, Georgia moved to a parliamentary system of governance as a result of significant constitutional amendments in 2017. The role of the Parliament has consequently increased, particularly vis-à-vis the Government which has become more accountable toward the legislative branch. This has been further secured through the follow-up reform of the Parliament's Rules of Procedure which expanded the parliamentary functions further and introduced new and effective mechanisms for better exercise of its legislative, oversight and representative functions.¹³

¹³ <https://www.ge.undp.org/content/georgia/en/home/projects/PARLIAMENT.html>

Box 1. Strength of the parliament in budgetary issues

The stakeholder interviews showed that many respondents hold the opinion that “Georgia voted for a more powerful parliament, hence we need a PBO to strengthen the Parliament’s capacity”. Existence of independent institutions, such as PBO is prerequisite for a strong parliament, as the Parliament using the products produced by those institutions are able to effectively execute its budgetary oversight.

Article 66 of the Constitution of Georgia states: “2. Only the Government of Georgia shall have the right to present a draft State Budget to Parliament after the Basic Data and Directions have been examined with the committees of Parliament...”; “3. Amending a draft law on the State Budget shall be inadmissible without the consent of the Government. The Government may request that Parliament meets additional state expenses if it indicates the sources used to cover those expenses”.

According to the Venice commission's opinion on the draft revised Constitution of Georgia (June, 2017), the fact that any amendment to the Draft State budget needs governmental approval is an excessive restriction of the Parliament’s powers in budget matters. The Commission thus reiterates its previous recommendation in the 2010 Final Opinion that the Parliament should be more significantly involved in budget matter. In its 2010 Final Opinion on draft constitutional amendments the Venice Commission considered that the role of the parliament in budget matters was too limited. “Indeed, only the government has legislative initiative in budget matters (art. 93 § 1), the parliament cannot change the draft budget and increased public spending, reduced revenues or additional financial obligations vis-à-vis the current budget need to be approved by the government. It would seem appropriate that the parliament be more significantly involved in budget matters.” In that case, the role of IFIs would become even more important.

Source: [https://www.venice.coe.int/webforms/documents/?pdf=CDL\(2017\)019-e](https://www.venice.coe.int/webforms/documents/?pdf=CDL(2017)019-e)

International experience shows that there are waves as long as several decades in the relative strength of the legislative and the executive in budget policy. In the recent decades in countries with a developed budgeting system the trend is clearly shifting towards the legislative. The exploding number of independent fiscal institutions is probably the most spectacular proof of this phenomenon.

1.3 Summary of the stakeholder interviews

Table 1. Interview questions related to national ownership

	YES	YES with some qualification	No answer available	NO with some qualification	NO	Total
Do you agree with the existence of the PBO? Do you think Georgia needs a PBO?	32	0	3	0	0	35
Do you think your view coincides with the view of most people/experts in Georgia?	24	4	5	1	1	35
Can you identify any person, group of people or institution, who might be against the PBO, or at least would be happy, if there was no PBO?	0	0	14	6	15	35

The PBO has a clear support among those who know it. No interview partners disagreed with the existence of PBO and nobody could identify any person, or group of people who would be against PBO. Moreover, most respondents strongly suggested that PBO as an independent fiscal institutions need to be strengthened institutionally as well as its position in the PFM system.

Table 2. Could you name any foreign independent fiscal institution?

Institution	Frequency
United States Congressional Budget Office (CBO)	4
United Kingdom Office of Budget Responsibility (OBR)	4
Australia Parliamentary Budget Office	2
Austria Parliamentary Budget Office	1
Canada Prliamentary Budget Office	1
Ireland Parliamentary Budget Office	1
Netherlands Cental Planning Bureau (CPB)	1

Note: In most cases the respondents only could name the country not the official name of the institution and in some cases did not consider them as a desirable role model for the PBO

Those respondents, who could name any foreign institution as a potential role model for the Georgian PBO, named the IFIs with the similar role, which means active participation in budgetary and legislative processes, rather than solely producing annual comprehensive studies.

Table 3. What do you think is the most important reason (public finance or economic challenge) for the existence of the PBO?

Answer	Frequency
Break the government's monopoly	20
Providing alternative forecast / opinion	12
Facilitate parliamentary oversight	4
Challenge the government	4
Capacity for the Parliament	18
Source of information / Think-tank for the MPs	6
Analysis and Quality insurance in legislation	4
Impartial analysis for the parliament	4
Advice to the parliament	3
Enhance the capacity of the parliament	1
Represent a broader perspective	8
Assess fiscal policy	3
Sustainability	2
Transparency	2
Represent taxpayers	1

During interviews only few respondents mentioned services that are currently not provided by PBO such as a long term sustainability report, debt sustainability report, scrutinizing the government's output gap calculation, in depth analysis of specific sectors, others.

According to the respondents, PBO's role in improving the legislative and budget processes gained practically equal weight.

Table 4. Do you think the PBO in its current form and practice is by-and-large an adequate solution for the challenge you consider its raison d'être?

Answer	Frequency
YES	5
Challenges that could be solved without legislative changes	4
Performance could be improved	1
More cooperation would be needed with Parliament	1
More cooperation would be needed with CSOs	1
Different focus	1
Challenges that could be solved only with legislative changes	17
More output/mandate should be produced	5
Not independent enough	4
Not known/visible/communicating enough	4
More capacity would be needed	2
More power should be given to PBO	2

The majority of the respondents think that there is a need for some changes, but these are mainly not under the authority and competence of the PBO.

1.4 Discussion of selected issues

Independent fiscal institutions (IFIs) are defined as non-partisan public bodies aimed at promoting sustainable public finances through various functions, including monitoring compliance with fiscal rules, production or endorsement of macroeconomic forecasts for the budget, and/or advising the government on fiscal policy matters. These institutions are primarily financed by public funds and are functionally independent vis-à-vis fiscal authorities.¹⁴

Core IFI functions, such as assessing or preparing macroeconomic and fiscal forecasts and monitoring and valuating fiscal plans and outcomes, can help to address biases towards spending and deficits. And by making their analysis public, IFIs foster greater transparency and accountability and enrich the public debate.

Number of IFIs in the OECD have more than tripled in the past decade and continue to grow¹⁵. The OECD has identified good practices for designing and operating effective IFIs through the OECD Recommendation on Principles for Independent Fiscal Institutions.

The main driver of the trend of establishing IFIs was the EU's acknowledgment that governments have a strong temptation to use overly optimistic assumptions when planning their annual budget. Several analyses show that IFIs may improve fiscal governance, in particular when combined with fiscal rules. When properly designed, staffed and empowered, IFIs seem to limit the deficit bias inherent to policymaking and to improve the budget process¹⁶. Empirical evidence also demonstrates

¹⁴ European commission. https://ec.europa.eu/info/business-economy-euro/indicators-statistics/economic-databases/fiscal-governance-eu-member-states/independent-fiscal-institutions_en

¹⁵ <https://www.oecd.org/governance/budgeting/designing-effective-independent-fiscal-institutions-report.htm>

¹⁶ See for example Jankovics and Sherwood (2017), Nerlich and Reuter (2013), Debrun et al. (2009), Debrun and Kinda (2014), Coletta et al. (2015), Beetsma and Debrun (2016).

that macroeconomic forecasts show no statistically significant bias when prepared by independent agencies, in contrast to forecasts in countries that rely on government agencies (Jonung and Larch, 2006; and Hallerberg et al., 2001).

Box 2. Independent fiscal institution models

Fiscal Council Model

According to the OECD publication “Designing effective independent fiscal institutions” (2017), which studied 18 OECD IFIs*, over half of the IFIs (56%) can be described as under the statutory authority of the executive or standalone, although even within this model there are subsets; for example, some countries have chosen small, largely academic councils (e.g. Ireland, Sweden). Others have followed more of a corporatist tradition in which a larger set of council members may be proposed by different stakeholders or interest groups (e.g. Belgium, Denmark and France).

One area where fiscal councils differ is their institutional independence. Belgium provides an example of a fiscal council with more limited independence. An example of a fiscal council with stronger independence is the United Kingdom’s Office for Budget Responsibility, which is a legally separate arm’s-length entity with its own oversight board. The Netherlands’ Bureau for Economic Policy Analysis is technically an agency under the Ministry of Economic Affairs, Agriculture and Innovation. Although the bureau is part of the executive branch of government, it enjoys considerable independence, with autonomy over its annual work programme and offices physically separate from those of the Ministry of Economic Affairs.

The Parliamentary Budget Office Model

Another third (33%) of the institutions in the case studies follow the independent parliamentary budget office model (Australia, Austria, Canada, Greece, Ireland, Italy, Korea, Mexico, Portugal, the United States) with a stronger focus on assisting parliamentary oversight of the budget and supporting the work of the main budget committee. Parliamentary budget offices are also more likely to have a costing role.

Other models

France and Finland have established autonomous units connected to the national audit institution, although in 2014 Finland also established an Economic Policy Council, comprised of academics.

* Australia, Austria, Belgium, Canada, Denmark, Finland, France, Ireland, Italy, Korea, Mexico, Netherlands, Portugal, Slovak Republic, Spain, Sweden, United Kingdom and the United States.

Source: <https://www.oecd.org/gov/budgeting/designing-effective-independent-fiscal-institutions.pdf>

While IFIs vary greatly in terms of their remit, tasks, and institutional forms, there are four core functions that such an office should perform to best assist the legislature in the budget process¹⁷:

- Independent, Objective Economic Forecasts
- Baseline Estimates
- Analysis of the Executive’s Budget Proposals
- Medium-term Analysis

**Table 5. Important dimensions along which IFIs may vary around the world
(Stylized versions, real world IFIs deviate from the extremes)**

	Stylized Type 1 (closer to Parliamentary Budget Offices)	Stylized Type 2 (closer to Fiscal Councils)
Main principal	parliament	public
Communication with the parliament	“Online” throughout the year	“Off-line” in the budget debate
Role in policy costing	involved	not involved
Normative statements	not allowed	allowed
Leadership type	individual	collegial
Work basis of the leader(s)	full time	part-time
Remuneration	Remunerated	Unremunerated
Staff size	At least 25	Less than 15

PBO Georgia is among the IFIs, which are mandated to prepare independent macroeconomic forecasts. PBO gained this function in 2014. It is worth to note, that there is no other government institution, which is producing alternative macroeconomic forecasts in the country.

Effective fiscal policy is an instrument of macroeconomic stability, which itself requires adoption of policy based on fiscal responsibility. Fiscal discipline - fulfillment of fiscal indicators, planned by the government, which is one of the prerequisites for budget sustainability and economic development in the short and long term period. A primary role of fiscal rules is to put into practice the fiscal discipline. Efficiency of fiscal rules and whether they are strictly protected, largely depends on its institutional setup.

Georgia has legislated numerical fiscal rules for the main fiscal aggregates. The organic law on "Economic Freedom", which was adopted in 2011 and came into force in 31 Dec. 2013, defines numerical upper limits for the government debt (60 percent of GDP) and the state’s unified budget deficit (3 percent of GDP). Though until now, no institution in Georgia is officially mandated to verify compliance with those fiscal rules.

IMF assessment of Georgia “Enhancing the Fiscal Rules Framework”¹⁸ states that a well-designed fiscal rules framework should be supported by independent oversight arrangements to enhance accountability and credibility and also recommends that the PBO may be best placed to serve the role of assessing the compliance with each of the fiscal rules.

¹⁷ Course material, “Parliamentary Budget Office”| World Bank Group

¹⁸ <https://mof.ge/images/File/public%20finances%20in%20Geo/georgia-fiscal%20rules%20report%202018.pdf>

PBO's has been tasked to monitor and report on the government's compliance with the fiscal rules through the Financial Agreement Sector Reform Performance Contract between the EU and the Government of Georgia (EU4 EGFA, 2018). In 2020 PBO first assessed the rules compliance and from then on PBO continues to conduct the assessments¹⁹ though it is not officially mandated by law.

The COVID-19 crisis has been testing the resilience of the rules-based fiscal framework. Due to the pandemic, the ratios of the state's unified budget deficit as well as government debt to GDP exceeded the legislative limits. PBO's assessments help the credibility of the fiscal framework and policies in response to the crisis by promoting transparency and accountability.

Stakeholder-interviews made it clear that there is a need for both serving the parliament and serving the public. Some partners held the view that the PBO should only serve the parliament, not the public, while other partners urged the PBO to reach out to think-tanks, civil organizations and the general public. In reality, PBO becoming more visible and vocal is also favourable for the parliament, because the endorsement of more credible PBO (on the budget, or any other piece of legislation) will be much more valuable. If budgets are more credible in the public eye, they influence expectations of the economic actors much more and this will increase the efficiency of fiscal policy.

1.5 Identified needs

- The Rules of Procedure of the Parliament should include explicit and detailed provisions about the PBO's mandate, its functions in legislative and budget process, guarantees of independence, etc.
- PBO should be officially mandated to monitor the compliance with the fiscal rules.

2. OECD Principle 2. Independence and non-partisanship

2.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

OECD 2.1. Non-partisanship and independence are pre-requisites for a successful IFI. A truly non-partisan body does not present its analysis from a political perspective; it always strives to demonstrate objectivity and professional excellence, and serves all parties. This favours that IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship.

OECD 2.2. The leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation. The qualifications should be made explicit – including professional standing and relevant government or academic experience. Qualifications should include proven competence in economics and public finances and familiarity with the budget process.

OECD 2.3. Term lengths and the number of terms that the leadership of the IFI may serve should be clearly specified in legislation as should be the criteria and process for dismissal for cause. The

¹⁹ <http://pbo.parliament.ge/publications/fiscal-assessment-report.htm>

leadership's term should optimally be independent of the electoral cycle. Independence may be enhanced by defining the term span beyond the electoral cycle.

OECD 2.4. The position of head of the IFI should be a remunerated and preferably full-time position. Strict conflict- of-interest standards, particularly for institutions with council members employed on a part-time basis, should be applied equally vis-à-vis other employment in the public or private sector.

OECD 2.5. The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws.

OECD 2.6. Staff should be selected through open competition based on merit and technical competence and without reference to political affiliation. Conditions of employment should be along the lines of that of the civil (or parliamentary) service.

2.2 Current situation

According to the rules of procedure of the Parliament, PBO was created within the structure of the staff of the Parliament²⁰ with the purpose of providing financial, budgetary and economic analytical information to the Parliament, parliamentary committees, factions, independent MPs and the staff of the Parliament. PBO does not provide recommendations on defining the budgetary, tax, monetary and public finance supervision policy.

According to the rules of procedure, the head of the PBO is appointed and dismissed by the chairman of the parliament of Georgia upon the nomination of the chairman of the Budget and Finance Committee for 5-year term (independent from 4 year electoral cycle) and a person may be appointed to the position of the head of PBO for a maximum of 2 consecutive terms. However, before 2014 the PBO head could hold the office without the specified term as professional public servants do. According to the Law of Georgia on Civil Service, a professional public servant is appointed in a public institution for an indefinite term.

The statute of the PBO states that a candidate for the position of the head of the PBO shall be selected solely on the basis of his/her professional and/or academic experience. Though the qualification criteria (e.g professional experience in economics or public finance, etc) are not prescribed in any law. The qualification requirements, functions and job descriptions of the staff (including the head of PBO) of the Parliament, which PBO is a structural unit of, are determined by the decree of the Secretary General of the Parliament and the legal act of the Chairman of the Parliament. There is no provision in any legal document about the acceptable reasons and the procedure for dismissal of PBO head apart from the general provisions about dismissal of the public servants defined by the Law of Georgia on Civil Service.

The position of the PBO head is a remunerated and full-time position. In case of absence of the head of the PBO, one of the heads of the structural units of the PBO is temporarily appointed to the position of the head of the PBO on the basis of the decree of the chairman of the Parliament of Georgia.

As the PBO is a structural unit of the staff of the Parliament, it is not fully independent administratively. According to the statute of the staff of the Parliament the secretary general of the Parliament determines the structure of the staff of the Parliament, the staff list and remuneration of employees

²⁰ "Staff of the Parliament" indicates the whole office of the Parliament, which includes all Parliamentary departments, PBO, staff offices of the committees, etc. The staff of the Parliament is chaired by the Secretary General of the Parliament.

and submits to the Chairman of the parliament for approval. PBO staff remuneration is regulated by the law of Georgia on remuneration in Public instructions, which determines the salary coefficient categories for the employees according to their official ranks.

The staff of the PBO (except of the head of the PBO) is appointed and dismissed by Secretary General of the Parliament (the head of the staff of the Parliament). The selection of the staff of PBO is carried out in line with the employee recruitment and selection procedure approved by the staff of the Parliament and in line with the Law of Georgia on public service. Staff of PBO are selected through competition based on merit and technical competence. The staff of the Parliament publishes vacancy announcements through the official website²¹ administered by the Civil Service Bureau, where the state agencies are supposed to publish their vacancies. The selection process is led by the staff of the Parliament, though with active participation of the head of PBO. The rules and conditions of the competition, the stages of the competition, the detailed rules of activity of the competition commissions and their authorities are defined by the decree of the Government of Georgia on Conducting a Contest at Civil Service.

PBO does not have its own budget, it is rather the part of the overall budget of the staff of the Parliament. There is no separate budget program code in the Parliamentary budget entitled to PBO.

Conflict of interest standards for the employment in the public sector are also applied for PBO. Law of Georgia on Conflict of Interest and Corruption in Public Service establishes basic principles of prevention, discovery and elimination of conflict of interest and corruption in public institutions and basic principles of responsibility of perpetrators of corruption, and the basis and mechanisms of legal regulation. This Law also regulates the conditions and mechanism for the submission of asset declarations by officials and for the monitoring of submitted declarations, as well as the fundamentals of whistle-blower protection and the general rules of ethics and conduct. The head of PBO as an official is obliged to complete and submit the official's asset declarations to Civil Service Bureau, which are publicly available on the website²². It is worth mentioning, that according to the same law (Chapter III - Incompatibility of Duties), other than his/her official duties, PBO staff as public servants may also perform academic, pedagogical, creative activities and activities in the reserve of defence forces).

2.3 Summary of the stakeholder interviews

Table 6. Interview questions related to non-partisanship

	YES	YES with some qualification	No answer available	NO with some qualification	NO
Can you recall any occasion when the PBO behaved in a partisan manner? (either for or against the government, or any party or lobby group)	0	0	6	3	26
Can you recall any occasion when the PBO might have been perceived to behave in a partisan (either for or against the government, or any party or lobby group) manner?	0	0	14	0	21
Do you know the leaders of the PBO?	25	0	5	1	4

²¹ <https://www.hr.gov.ge/>

²² <https://declaration.gov.ge/>

Do you think the leaders of the PBO are good experts?	28	1	6	0	0
Could you guess their political party preferences of the leaders of the PBO (you don't have to name it explicitly!)	0	0	18	0	17
Do you know the procedure how the leadership of the PBO is selected and nominated?	10	0	10	0	15
Do you think having worked in the PBO is considered as an asset on the labor market?	19	1	14	1	0
Do you think that currently the salary of the PBO employees is commensurate to their work load?	0	0	30	0	5

The interview results showed that PBO is not perceived to be partisan by any of the respondents and its leaders have very high professional reputation. Having worked for the PBO is considered to be an asset in the labor market. Most of the respondents could not assess, but those who did, all think that the staff is probably underpaid considering their workload and the importance of PBO's activities.

Table 7. Ideally a nonpartisan IFI should neither seek, nor avoid professional debates/conflicts (open disputes) with the government. In your view, what is nowadays a more realistic danger for the PBO: to create or to avoid too many conflicts/engage in debates? If avoidance is the answer, what do you think is the more likely reason for this: capacity shortage, or some sort of self-censorship/avoiding danger?

	Capacity shortage	No answer available	Self-censorship/avoiding danger	Total
Engage in debates/creating conflicts	0	0	0	0
No answer available	0	12	2	14
Avoiding engaging in debates/conflicts	1	4	5	10
Total	1	16	7	24

For the question above, a dominant answer was “no answer available” (almost 60%). Though, more than 40 percent of respondents perceived that PBO probably avoid professional debates/conflict with the government rather than engage in debates/make professional conflicts with them.

Besides the fact, that PBO is given a possibility by the chairman of the Budget and Finance Committee to speak during the committee meetings, PBO is not provided with the official mandate of talking at the plenary sessions and at budget related meetings of the Budget and Finance committee unlike the SAO and the NBG. PBO has no legal obligation to appear before the committees or parliamentary sessions and speak about the result of its analysis (although all relevant analysis are sent to them). There is a no system of regular hearings for the PBO products throughout the year.

PBO's analytical products, especially independent macroeconomic forecasts, fiscal rules monitoring as well as reviews on state budget draft law and state budget execution include the content with alternative opinions. Though, due to the lack of visibility of PBO's products, those issues were not noted by the respondents.

Table 8. Do you think that the current legislation is a sufficient basis for the PBO to act as a truly independent organization?

Answer	Frequency
No need for regulatory changes	7
More independence is needed	6
Guarantee of independence should be in law	1
Nomination and appointment procedures need some changes	3
Financial independence is not enough	2
Operational independence is not enough	2
International experts should be in the SB	1

More than 2/3 of the respondents think that there is a need for some changes in the legislation to support the independence of the PBO. Issues were raised regarding changes in nominating and appointing PBO head, strengthening PBO's financial and operational independence, also changes regarding the supervisory board.

Answering the question "Would you recommend any changes in the selection procedure?" respondents proposed the following ideas:

- The head of the PBO should be selected by open competition
- The head of the PBO should be elected by the parliament
- The head of the PBO should be nominated by the opposition
- The opposition should be involved in the selection procedure of the head of the PBO

2.4 Discussion of selected issues

According to good international practice, an independent fiscal institution is supposed to be independent from the government, from political parties and from lobby groups. The independence is also secured in large part through provisions around the nomination and appointment process of PBO's head and the discretion of the PBO's head in managing all aspects of PBO's operations.

There are the examples of some institutions in the Georgian system that are operationally independent. The Table 9 below shows the main features of their regulation from an independence point of view.²³

²³ The information is based on the laws of Georgia on these institutions, their statutes and other laws.

Table 9. Main features of the regulation for some independent Georgian institutions

Institutions	Level of regulation	Type of leadership (individual or collegial)	Selection criteria	Nomination	Appointment	Term length	Renewability of the term	Dismissal rules	Is there a deputy?	Budget proposal	Managerial freedom in HR
Parliamentary Budget Office	Rules of procedure of the Parliament	Collegial (Supervisory board)	No requirement defined by law	Head of the Budget and Finance committee	Chairman of the Parliament	5 years	YES	No	No	N/A	Limited managerial freedom
NBG board members / Governor	Constitution; Organic law on NBG	Collegial	(1) Professionals in economics, finance or other appropriate fields, (2) distinguished by their integrity.	President of Georgia / Board of NBG	Majority of the total number of MPs / President of Georgia	7 years	YES	Impeachment / If not any longer member of the board	2 deputies	Board approves the budget	Full managerial freedom
State Audit Office	Constitution; Organic law on SAO	Individual	N/A	Chairman of the Parliament	Majority of the total number of MPs	5 years	N/A	Impeachment / incompatible occupation / loss of Georgian citizenship	3 deputies	Parliament	Full managerial freedom; salaries according to private sector.
Public Defender (Ombudsman)	Constitution; Organic law on Public Defender	Individual	Citizen of Georgia	Faction, group of at least 7 Independent MPs	3/5 of total number of MPs	6 years	Not the same person consecutively	Loss of Georgian citizenship / court conviction / incompatible activities	3 deputies	Public Defender	Full managerial freedom
LEPL National Parliamentary Library	Law on National Parliamentary Library	Individual	N/A	N/A	Chairman of the Parliament	N/A	N/A	Chairman of the Parliament	1 deputy	Chairman of the Parliament	High managerial freedom / approval by Chairman of the Parliament
LEPL Parliamentary Research Service	Rules of procedure of the Parliament	Collegial	1) citizen of Georgia; 2) a master's degree, 3) 3 years of experience in research, work with donor and international organization	Supervisory Board / open competition	Chairman of the Parliament	N/A	N/A	Loss of Georgian citizenship / court conviction / incompatible activities / recommendation of SB	No	Chairman of the Parliament	High managerial freedom / in agreement with SB / approval by Chairman

			ns and in a leadership position; 4) English								an of Parliament
LEPL Financial Monitoring Service	Law on Facilitating Prevention of Money Laundering and Financing of Terrorism	Individual	N/A	Board of NBG	President of Georgia	4 years	N/A	Loss of Georgian citizenship / court conviction / misconduct	Yes	Budget approved by NBG board	High managerial freedom / in agreement with the Board of NBG / approved by the President of Georgia
Business Ombudsman	Law on Business Ombudsman	Individual	1) citizen of Georgia; 2) higher legal or economic education	consent of Chairman of the Parliament	Prime Minister of Georgia	N/A	N/A	Loss of Georgian citizenship / court conviction / incompatible activities / decision of Prime Minister	YES	Business Ombudsman	Full managerial freedom
LEPL Georgian National Competition Agency	Law on competition	Collegial	Board member/Executive: 1) citizen of Georgia; 2) degree in economics, law or business administration; 3) 10 years of work experience/ 5 years in a managerial position	Board members - Prime Minister of Georgia / public competition	Board member - absolute Parliamentary majority Executive Director - Prime Minister / open competition	Board member - 5 years Executive Director - 5 years	Chairman of the Board only twice in a row	Conflict of interest / court conviction / loss of Georgian citizenship	2 deputies	LEPL Georgian National Competition Agency	High managerial freedom / approval by board
LEPL Civil Service Bureau	Law on Public Service	Individual	N/A	N/A	Prime Minister of Georgia	5 years	N/A	Loss of Georgian citizenship / court conviction / incompatible activities	3 deputies	LEPL Civil Service Bureau	High managerial freedom / approval by Government of Georgia

According to the rules of procedure of the Parliament, the Supervisory Board of PBO consists of the Speaker of the Parliament, the chair of the budget and finance committee and the representatives of each party faction. The Supervisory Board of the PBO, within one month after the submission, should review and agree on PBO's annual report, annual activity plan and 3 year medium-term development strategy, renewed annually, if necessary. The Supervisory Board has the right to issue recommendations on the activities of the PBO. The board evaluates the activities of the PBO annually and has the right to hear expert opinions on the specific issues of the PBO's reports and on the analysis carried out by the PBO.

Supervisory board has been established in 2014 and it held the meeting only twice. Since 2016 supervisory board has not formed. Thus, the abovementioned documents of PBO have not been agreed on with the board, as it is nonexistent. As the Supervisory board does not seem to be an effective mechanism, there is a need to discuss alternative options. Considering the international practice, one option is an advisory board consisting of high profile (domestic and international) experts, who would not be responsible for any of the decisions of the institution.

With the exception of Italy, IFIs with a parliamentary budget office model tend to have an individual leadership structure (Australia, Austria, Canada, Ireland, Korea, Mexico, Portugal, United States, the Netherlands, Spain)²⁴. Having supervisory board is not a good international practice. A third (33%) of the IFIs across OECD member countries have an external advisory panel in place, in order to enhance the credibility of their work (Korea, Netherlands, Slovak Republic, Spain, United Kingdom and United States) and others are considering establishing them.

The OECD Principles recommend that the leadership of an IFI should be selected on the basis of merit and technical competence, without reference to political affiliation (OECD principle 2.2). The leadership of IFIs across the OECD is drawn from a variety of backgrounds including academia, government (particularly the Ministry of Finance), audit institutions, the central bank and the private sector. Almost half of leaders have spent time in academia prior to joining the IFI.

In most OECD countries, leaders are appointed by the executive or parliament although they may be proposed by other stakeholders or interest groups. Where leadership appointments are made by parliament, additional safeguard procedures can also be put in place. For example, the appointments may also be subject to the approval of relevant committees (as is the case in Australia and Italy) or the full parliamentary chamber (as is the case in Mexico). In the US, the CBO Director and deputy are appointed by the Speaker of the House of Representatives and the President pro tempore of the Senate after considering recommendations received from the Committees on the Budget of the House and the Senate.²⁵

Many stakeholders expressed their view that different stakeholders including the opposition should have meaningful role in the selection procedure. To secure a broad political support for the head of the PBO the candidate could be elected by a qualified majority of the parliament (e.g. such a system is implemented in Italy and Slovakia).

²⁴ OECD-Independent-Fiscal-Institutions-Database (2021). <https://www.oecd.org/gov/budgeting/ifi-database.htm>

²⁵ Designing effective independent fiscal institutions (IFIs), OECD [https://www.oecd.org/governance/budgeting/designing-effective-independent-fiscal-institutions-report.htm#:~:text=Independent%20fiscal%20institutions%20\(IFIs\)%20serve,decade%20and%20continue%20to%20grow.](https://www.oecd.org/governance/budgeting/designing-effective-independent-fiscal-institutions-report.htm#:~:text=Independent%20fiscal%20institutions%20(IFIs)%20serve,decade%20and%20continue%20to%20grow.)

The procedure, how the head of the Italian PBO is selected can be an interesting reference²⁶: the two budget committees of the bicameral parliament with 2/3 majority of the votes on each name put together a short-list of 10 names out of which the presidents of the two houses select the appointee (who will then serve a full-time, well remunerated and non-renewable six-years term).

In case of the Slovak Council for Budget Responsibility (CBR)²⁷, the council is governed by a three-person Board, one chair and two other members. The chair is elected and can be dismissed by the National Council²⁸ with the support of at least a three-fifths majority vote of members (i.e. by at least 90 out of 150 members), based on a proposal by the Government.

The leadership of the IFI should have full freedom to hire and dismiss staff in accordance with applicable labour laws (OECD Principle 2.5). The vast majority of the IFIs (78%) have full control over the hiring process for staff. As the PBO Georgia is a structural unit of the staff of the Parliament, it is not fully independent administratively.

The OECD Principles also recommend that term lengths and the number of terms that the leadership may serve, and the criteria and process for dismissal of leaders should be clearly stated in legislation (OECD Principle 2.3). This too is standard practice for most OECD IFIs. Almost all IFIs has clearly defined terms and term limits. There are clearly defined criteria for the dismissal of leaders in almost three-quarters (72%) of OECD IFIs.

The OECD publishes a comparative IFI database²⁹ providing information on the key features and practices of independent fiscal institutions in OECD member countries and partners. According to the data, the term length of the IFI head is clearly defined for almost all PBOs as well as Fiscal councils, which is also true for Georgia PBO. Though, the fact that the head of Georgian PBO is appointed for 5-year term does not comply with the Law of Georgia on Civil Service, which states that a professional public servant should be appointed in a public institution for an indefinite term. Thus, there is a need of relevant changes in this law which makes PBO head exempt from the law like it is in case of the Auditor General of the State Audit office and his/her deputy as well as the Public Defender and his/her deputy and others.

2.5 Identified needs

There is a need that legal mechanism is established to ensure the independence of PBO as an independent fiscal institution:

- The rules of procedures of the Parliament should emphasis on the PBO's full autonomy and independence in its professional assessments.
- According to OECD 5.1. Regardless whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. This may include parliamentary scrutiny of the IFI budget among others. According to OECD 7.1. IFIs have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with

²⁶ Based on the article OECD Journal on Budgeting 2015/2 (<https://www.oecd.org/gov/budgeting/Italy.pdf>)

²⁷ <https://www.oecd.org/fr/gov/budgetisation/slovak-republic-independent-fiscal-institution-review-2020.htm>

²⁸ National Council of the Slovak Republic is the sole constitutional and legislative body of the Slovak Republic

²⁹ <https://www.oecd.org/gov/budgeting/ifi-database.htm>

the public. In line with these OECD principles PBO should have the separate budget program code in the Parliamentary budget. Though, PBO should stay under the current parliamentary structure.

- Supervisory board should become an effective mechanism or be replaced by another mechanism for instance such as advisory board.
- According to OECD 5.1. The mechanisms to encourage appropriate accountability of IFIs to the legislature may also include (4) a role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals. Besides, According to OECD 1.1. To be effective and enduring, an IFI requires broad national ownership, commitment, and consensus across the political spectrum. To achieve that, different options for nomination and appointment of PBO's head could be discussed. Preferably the whole budget and finance committee, which unites different political spectrum, could be engaged in the process of nomination and appointment. The proposed candidates could be required to present their visions, strategy and action plan to the committee. Different mechanism of appointment process could also be considered involving the broader political spectrum of the whole parliament during the Parliamentary sitting. This will encourage appropriate accountability of PBO to the legislature and broad national ownership, commitment and consensus across the political spectrum regarding PBO.
- The requirement of professional competence and relevant experience of the head of the PBO should be determined by the rules of procedure of the Parliament and shall be a cornerstone of the selection procedure.
- Reasons and rules for dismissal of PBO head should be clearly stated in legislation.
- PBO head is a professional public servant, who is appointed in a public institution for an indefinite term according to the "Law of Georgia on Civil Service", though in reality PBO head is appointed for 5-year term. Thus, there should be changes made in this law, providing the provision that PBO head is not subject to this Law, like it is in case of the Auditor General of the State Audit office and his/her deputy as well as the Public Defender and his/her deputy and others.

3. OECD Principle 3. Mandate

3.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

3.1. The mandate of IFIs should be clearly defined in higher-level legislation, including the general types of reports and analysis they are to produce, who may request reports and analysis, and, if appropriate, associated timelines for their release.

3.2. IFIs should have the scope to produce reports and analysis at their own initiative, provided that these are consistent with their mandate. Similarly, they should have the autonomy to determine their own work program within the bounds of their mandate.

3.3. Clear links to the budget process should be established within the mandate. Typical tasks carried out by IFIs might include (but are not limited to): economic and fiscal projections (with a short- to medium-term horizon, or long-term scenarios); baseline projections (assuming unchanged policies); analysis of the executive's budget proposals; monitoring compliance with fiscal rules or official targets; costing of major legislative proposals; and analytical studies on selected issues.

3.2 Current situation

The mandate and the role of PBO in budget and legislative processes are defined by the rules of procedure of the Parliament, which is a law adopted by the majority of all members of the Parliament. The functions of the PBO and its structural units, as well as the structure and rules of operation of PBO is determined by the Statute of PBO, which is approved by the Chairman of the Parliament upon submission of the head of the PBO and/or the Supervisory Board of the PBO. The current statute was drafted and submitted by PBO and approved by the Chairman of the Parliament.

PBO supports strengthening the capacity of Parliament in the budget and legislative process via its macroeconomic/fiscal policy analysis and financial impact assessment of the draft laws. PBO also promotes public awareness on PFM issues and contributes to more transparency via its analysis and research papers. According to the statute of PBO, the main functions of the PBO are:

- Providing analytical information on financial, budgetary, macroeconomic and public financial management issues to the Parliament of Georgia, Parliamentary Committees, factions, independent Members of the Parliament and the staff of the Parliament in a form of conclusions, reports, reviews, research publications and other forms;
- Making periodic analysis of main fiscal, macroeconomic and public financial management trends;
- Making assessment of the official macroeconomic forecasts that are used as basis for budget aggregates; Preparation of independent macroeconomic/fiscal forecasts for short/medium-term period;
- Preparing the conclusions and additional information on financial impact assessment of the draft laws submitted to the Parliament of Georgia as a legislative initiative;
- Providing appropriate financial calculations to the MPs, parliamentary fractions and parliamentary committees in the process of the bill drafting.

The PBO submits the results of the analysis and findings in forms of conclusions, reports, reviews, and research publications. Though, it is not restricted to only present the results of the analysis and findings in the forms provided above. The PBO does not provide recommendations on defining the budgetary, tax, monetary and public finance supervision policy. Conclusions, reports, reviews, research publications prepared by the PBO are transparent and public.

Apart from the statutory reports, PBO also produces reports and analysis on their own initiative. PBO aims to address important issues, which are not covered by its regular reporting through the independent, impartial and high-quality research work. Currently, the PBO's research products comprise of three publication series: research publications, thematic papers and methodological notes.

PBO consisted of three units: Budget analysis unit, Macroeconomic analysis and tax policy unit, Cost estimates and legislative support unit. The number of PBO staff is approved by the decree of the chairman of the Parliament³⁰. Total statutory number of PBO staff is 14.

Budget Analysis Unit

The documents prepared by the budget analysis unit include: the reviews of the draft law of Georgia on State Budget, monthly/quarterly/annual analysis of the budget execution, the review of budget execution of the Autonomous Republics of Abkhazia and Adjara and local self-governments.

The Macroeconomic Analysis and Tax Policy Unit

The unit prepares monthly, quarterly and annual reports of macroeconomic review, quarterly and annual macroeconomic forecasts.

The Cost Estimates and Legislative Support Unit

The unit scrutinizes the financial impact assessment of the draft laws produced by the initiator and issues the conclusions. Financial impact assessment is a compulsory part of the explanatory note of the draft law.

PBO may also present additional information concerning financial impact assessment after discussion of a draft law has commenced and before the first hearing. The unit is also mandated to provide financial calculations to the MPs, Parliamentary fractions and Parliamentary Committees within 4 weeks after the submission of the request (this period may be extended as agreed among the PBO and the party requesting the financial calculations).

PBO also prepares the report on monitoring the compliance with fiscal rules. Each unit also prepares the research papers.

3.3 Summary of the stakeholder interviews

Only few interview partners had a clear picture about the exact current mandate of the PBO. Most of them knew about the PBO products they actually used in their work.

The views about how to expand the mandate of the PBO are very diverse. One third of the respondents said that before starting anything new, PBO should first communicate the current products much better. Others can be categorized into two equal size groups depending on whether the focus should be more on macro-, or more on micro-fiscal topics. Most of the respondents also thought that there is a strong need that PBO strengthens its communication with the stakeholders.

³⁰ <https://parliament.ge/public-information/19/data/2816>

Table 10. If the PBO had the necessary time and capacity, what should be its next type of product

Proposals	Frequency
Before launching new products, it is more important to	10
Communicate much more	8
Expand current products with a critical edge	1
In certain cases focus more on story telling instead of presenting raw data of other institutions	1
Macro-fiscal analysis	11
Assessment of the fiscal rules	2
Long-term sustainability report	2
Assessment of the government's fiscal strategy	2
Scrutinizing the government's output gap calculation	1
Fiscal risks (SOE)	4
Micro-fiscal analysis	10
In depth analysis of specific sectors / budgetary programs / expenditures	4
Covid-related analysis	1
RIA	4
Help MPs to produce explanatory notes in terms of financial calculations	1

In the frame of the stakeholder interviews a number of misbeliefs were identified about the actual or desirable role of the PBO. For instance, some respondents assumed that PBO should have a normative role, thus should provide recommendations. Some respondents also mistakenly thought of PBO as having a general advisory role to the parliament.

3.4 Discussion of selected issues

According to the organic law of Georgia on Normative acts, there is a following hierarchy: a) the Constitution of Georgia, the Constitutional Law of Georgia; b) the Constitutional Agreement of Georgia; c) international agreements and treaties of Georgia; d) organic laws of Georgia, a decree of the President of Georgia; e) laws of Georgia, the Rules of Procedure of the Parliament of Georgia. Hence, the rules of procedure of the Parliament is a law, though not the organic law, which differs from other laws in rank and has a superior legal force over other laws and the rules of procedure of Parliament. Organic law is adopted only on issues provided by the Constitution³¹ and could represent “a higher-level legislation” as mentioned in OECD principle 3.1.

³¹ The Organic Law of Georgia shall be adopted only to address issues which, according to the Constitution of Georgia, are to be regulated by the organic law of Georgia. The Organic Law of Georgia is adopted if it is supported by the majority of all members of the Parliament, unless other rule of adoption is defined by the Constitution.

From the table 9 on independent Georgian institutions presented in the chapter of OECD Principle 2. Independence and non-partisanship, we can infer that independent institutions that are likely to get in open controversy with the prevailing government (notably the NBG, the SAO and the ombudsman) are mentioned in the constitution and regulated by the organic law of Georgia. PBO is also very similar to them in its role of assessing the government's economic and fiscal forecasts.

Apart from that, PBO as an independent fiscal institution is not mentioned in Budget code of Georgia, which defines the principles of formation of the budget system of Georgia, regulates rules for the drafting, discussion, approval, execution, reporting and control of budgets by State, Autonomous Republics and Local Authorities, along with the budgetary interaction and responsibilities of State, Autonomous Republics and Local Authorities and the legal entities established by them.

PBO's mandate is not fully prescribed neither in the rules of procedure of the Parliament not the statute of PBO in detail. The rules of procedure of the Parliament do not mention some of the analysis conducted by PBO in line with the budget process of Georgia, such as monthly and quarterly analysis of the budget execution, the review of budget execution of the Autonomous Republics of Abkhazia and Adjara and local self-governments, alternative macroeconomic forecasts and other products, for instance analysis related with BDD document produced by the Macroeconomic analysis and tax policy unit. The statute also does not mention some of the PBO's activities such as producing alternative scenarios of macroeconomic forecasts. However, PBO has its own reporting policy which clearly determines the publication dates for all relevant reports prepared by PBO throughout the annual budget cycle³².

In practice PBO is also conducting monitoring of fiscal rules compliance, which is not included in PBO's legal mandate. PBO's has been tasked to monitor and report on the government's compliance with the fiscal rules through the Financial Agreement Sector Reform Performance Contract between the EU commission and the Government of Georgia (2018). In 2020 PBO first assessed the rules compliance and from then on PBO continues to conduct the assessments though it is not officially mandated by law.

PBO does not provide recommendations on defining the budgetary, tax, monetary and public finance supervision policy. The OECD Principles favors that IFIs should be precluded from any normative policy-making responsibilities to avoid even the perception of partisanship (Principle 2.1). In line with this, over half of OECD IFIs (56%) do not provide normative advice. In those instances, where IFIs can provide normative advice (Austria, Belgium, Denmark, Korea and Sweden) it is strictly limited in scope and usually relates to providing recommendations to ensure compliance with fiscal policy objectives.

PBO is mandated to contribute to the legislative process from 2012 by assessing the quality of the financial impact assessment of the initiated draft laws. Due to the fact that there is no official guideline approved by the Parliament outlining the principles for making financial impact assessment of the draft law, which PBO could request from the initiators to adhere to, PBO has to not only check the quality of financial impact assessment, but also actively consult with the initiators explaining them how to provide sound fiscal impact assessment of draft laws. Checking all introduced amendments and ensuring the quality of the prepared fiscal impact assessment via consulting with the initiators consume most time of the unit staff.

Though in 2015-2016 PBO on its own initiative prepared the document of basic principles for preparing financial impact assessment, which greatly contributed to the quality improvement of the

³² <http://pbo.parliament.ge/reports/reporting-calendar.htm>
<http://pbo.parliament.ge/macroecon/reporting-calendar.htm>

financial impact assessments prepared by the initiators. In 2021, PBO updated the methodology, though the latter is not a mandatory document for initiators and does not replace the official guideline, which need to be approved by the Parliament according to the amendment to the Law of Georgia on Normative Acts (article 2).³³

Besides, PBO within its current mandate does not have any official obligation concerning the Regulatory Impact Assessment (RIA) or Gender Impact Assessment (GIA). However, taking into account the PBO's role in terms of examining the financial impact assessment of the draft laws, there have been a number of capacity building activities carried out in 2015-2017 with the support of USAID Good Governance Initiative (GGI) and EU Project "Legislative Impact Assessment: Drafting and Representation", which PBO also participated in. As a result, in 2017-2019 several RIAs and GIAs were conducted by the Parliament with the active support of the international donor organizations including NDI, which PBO contributed to by conducting cost-benefit analysis.³⁴

According to the ordinance №35, 17 January 2020, of the Government of Georgia (Annex №1) on the approval of Regulatory Impact Assessment (RIA) methodology (), there is a list of 20 most important laws³⁵. If any bill submitted to the parliament intends to amend any of these 20 laws, then RIA has to be submitted to the parliament together with the bill, but only if the initiator of the bill is the government. If the initiator is from the Parliament, then this rule does not apply. A RIA consists of a complex fiscal impact assessment as well as other (e.g. environmental) impact assessments.

If the government is the initiator, then the government has to conduct RIAs. Nowadays RIAs are mainly conducted by outside experts instead of the staff of the public institutions, which are interested that RIAs are prepared. They outsource RIAs, which is highly costly though it is financed by international donors. In terms of improving evidence based policy in Georgia, it would be more favorable that the efforts and finances were directed to developing internal capacity of public sector, who are supposed to conduct the RIAs.

Besides, nobody within the Parliament is obliged to check the quality of RIAs submitted by the Government unlike the financial impact assessment, which is checked by PBO. It would be reasonable that the quality of RIAs conducted by the Government were also checked by PBO.

In case of potential changes in the regulation, which will also oblige the Parliament to produce RIAs while making amendments in those 20 laws, then PBO should be actively engaged in conducting RIAs. This means a significant increase in the workload and necessary capacity of the PBO compared to the current situation.

It is also important to consider that the regulation (EU) №473/2013 introduced the requirement for national medium-term fiscal plans and draft budgets to be based on macroeconomic forecasts produced or endorsed independently by an IFI. It also conferred on euro area IFIs a formal monitoring role for all numerical fiscal rules in force.³⁶

We can discuss more on PBO's macroeconomic forecasts:

1. PBO's forecast represent real value added, because there is no other forecast that is independent from the government and is still comparable to that in depth. Neither the NBG, nor other think tanks or international organizations publish regularly macroeconomic forecasts for the Georgian economy at a level of disaggregation necessary for fiscal analysis. E.g. the

³³ <https://matsne.gov.ge/ka/document/view/4388338?publication=0>

³⁴ <http://pbo.parliament.ge/estimates/regulatory-impact-assessment.htm>

³⁵ <https://matsne.gov.ge/en/document/view/4776100?publication=0> (Annex №1)

³⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0473&rid=1>

NBG only publishes real GDP growth and CPI. The IMF publishes some components of the GDP both at nominal and real values, but these are still not useable for tax forecasting (besides, no national legislative should rely on international organizations as their “own” independent forecaster).

2. The quality of the PBO’s product can be measured by comparing the forecasting track record of the different professional forecasters. For the moment we would not put too much emphasis on this comparison given the fact that on the one hand PBO only started to publish regular forecasts in 2016 (for 2017), on the other hand 2020 with the Covid crises was a clearly unforeseeable year for everybody, hence we only have 3 “real” years to compare forecasting track records. As a matter of fact, in those three years PBO made the smallest average error³⁷ in forecasting both real and nominal GDP growth rate compared to the MoF, the NBG³⁸ and the IMF.

Table 11. Track record of institutional forecasters in forecasting real GDP growth rate

	real GDP growth rate			Forecast error			
	2017	2018	2019	2017	2018	2019	RMSE
FACT (GEOSTAT)	4.84%	4.80%	4.98%				
MoF forecast	4.00%	4.50%	4.50%	-0.84%	-0.30%	-0.48%	0.59%
IMF forecast	4.52%	3.98%	4.77%	-0.32%	-0.82%	-0.21%	0.52%
NBG forecast	5.40%	4.70%	4.60%	0.56%	-0.10%	-0.38%	0.39%
PBO forecast	4.58%	4.90%	5.52%	-0.26%	0.10%	0.54%	0.35%

Table 12. Track record of institutional forecasters in forecasting nominal GDP growth rate

	nominal GDP growth rate			Forecast error			
	2017	2018	2019	2017	2018	2019	RMSE
FACT (GEOSTAT)	13.67%	9.30%	10.20%				
MoF forecast	8.16%	8.16%	8.16%	-5.51%	-1.14%	-2.04%	3.46%
IMF forecast	9.22%	7.05%	8.00%	-4.45%	-2.25%	-2.20%	3.15%
NBG forecast	--	--	--	--	--	--	--
PBO forecast	9.96%	9.60%	9.57%	-3.71%	0.30%	-0.63%	2.18%

We emphasize again that three data points are not a sound basis to draw conclusions, but as time goes on, longer and longer time series should be regularly used to monitor performance to make sure that the PBO’s forecasts are not only impartial, but also as professional as possible.

3. The PBO’s independent forecast is already a fundamental element of the Georgian public financial management system. As it became clear from the stakeholder interviews, there is not sufficient visibility of PBO among the general public and even among MPs, but the experts in the Ministry of Finance already read its documents on a regular basis, and this had already a significant effect: comparing the MoF forecast of the above used three years between 2017-2019 with the previous three years (2014-2016), what we see is that MoF became significantly less optimistic (the average bias of the real GDP forecasts turned from an overly optimistic

³⁷ Measured by the root mean squared error.

³⁸ The NBG did not publish any forecast for the nominal GDP.

+0.9% into a cautious -0.5%), while the size of the error (RMSE) dropped from 1.21% to 0.59% (i.e. dropped to its half).

Table 13. Track record of the MoF in forecasting real GDP growth rate before and after the PBO has started to publish its own forecasts

	2014	2015	2016	2017	2018	2019
FACT (GEOSTAT)	4.40%	3.00%	2.90%	4.84%	4.80%	4.98%
MoF forecast	5.00%	5.00%	3.00%	4.00%	4.50%	4.50%
Forecast error	0.60%	2.00%	0.10%	-0.84%	-0.30%	-0.48%
Average bias	0.90%			-0.54%		
RMSE	1.21%			0.59%		

In order to strengthen the PBO's role in macroeconomic forecasting, there is a need that new forecasting models (e.g CGE model) were developed that can be used for making different analysis (e.g the long-term fiscal sustainability analysis, sectoral fiscal analysis, analysis of the overall impact of policy changes on the economy). The PBO would need international technical assistance to be able to develop all the necessary models, just as the MoF or the NBG get technical assistance from international organizations.

3.5 Identified needs

- The roles and mandate of PBO should be prescribed in the rules of procedure of Parliament clearly and in detail. In case PBO is mentioned in the constitution (like it is in case of PBO Italy³⁹), then PBO could be regulated by the organic law.
- The statute of PBO should also update according to the changes in the rules of procedure of the Parliament.
- PBO, as an independent fiscal institution and a part of PFM system should be mentioned in the budget code of Georgia.
- The official mandate of the PBO should be expanded to the publication of alternative analysis of long-term debt sustainability report and report on the compliance of the fiscal rules and the latter should be defined by the Organic Law of Georgia on Economic Freedom⁴⁰. Most international organizations (especially the IMF⁴¹, OECD and the EU) agree that these tasks are to be performed by PBO.
- PBO's role in conducting/checking the quality of RIA should be defined.

³⁹ LEGGE COSTITUZIONALE 20 April 2012, n. 1 Article 5 point 1f

⁴⁰ E.g There are relevant provisions about the fiscal council of Romania in the Fiscal Responsibility Law of Romania.

⁴¹ See e.g. Georgia: Fiscal Transparency Evaluation 2017 (IMF), page 42

- It is recommended that regular surveys among MPs are conducted, as it might shed light on desirable changes in terms of expanding PBO's mandate according to their needs.
- In case the explanatory note will become obligatory at all stages of discussing the draft law, then PBO's conclusion about the financial impact assessment component of the explanatory note should also be obligatory at all stages.
- PBO should undertake independent financial impact assessments for some importance laws selected on certain criteria. In order to perform this resource-intensive task, the number of PBO staff and its capacity should be increased.
- For draft laws, PBO's conclusion should be obligatory at all three hearings. This requires relevant changes in the rules of procedure of the Parliament.
- It is recommended that the mechanism is established at PBO, which ensures that PBO's products are continuously developing and meet the international standards as well as the needs of the stakeholders and are applicable to the user. To follow good international practice in quantitative analysis, models and other methodologies have to be continuously developed.
- Donor support for PBO need to be strengthened so that the PBO is given the opportunity for receiving international technical assistance to develop its methodology and general analytical capacity.

4. OECD Principle 4. Resources

4.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

4.1. The resources allocated to IFIs must be commensurate with their mandate in order for them to fulfil it in a credible manner. This includes the resources for remuneration of all staff and, where applicable, council members. The appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence. Multiannual funding commitments may further enhance IFIs independence and provide additional protection from political pressure.

4.2 Current Situation

Appropriations for PBO is the part of budget of the staff of the Parliament. PBO does not have its own separate budget code. There is no separate budget for PBO. Thus, the appropriations for PBO cannot be tracked or published separately as stated in OECD principles (5.1 and 7.1). Thus, there is no info about PBO's finances included in the budget and annual reports of the Parliament.

According to the rules of procedure of the Parliament, the formation of the draft budget of Parliament and its submission to the Government of Georgia is ensured by the Parliament. The formation of the

draft budget of Parliament is managed and coordinated by the Chairperson of Parliament. The volume of allocations designated for Parliament in the State Budget may be decreased compared to the respective volume of previous and current years only with the prior consent of Parliament.

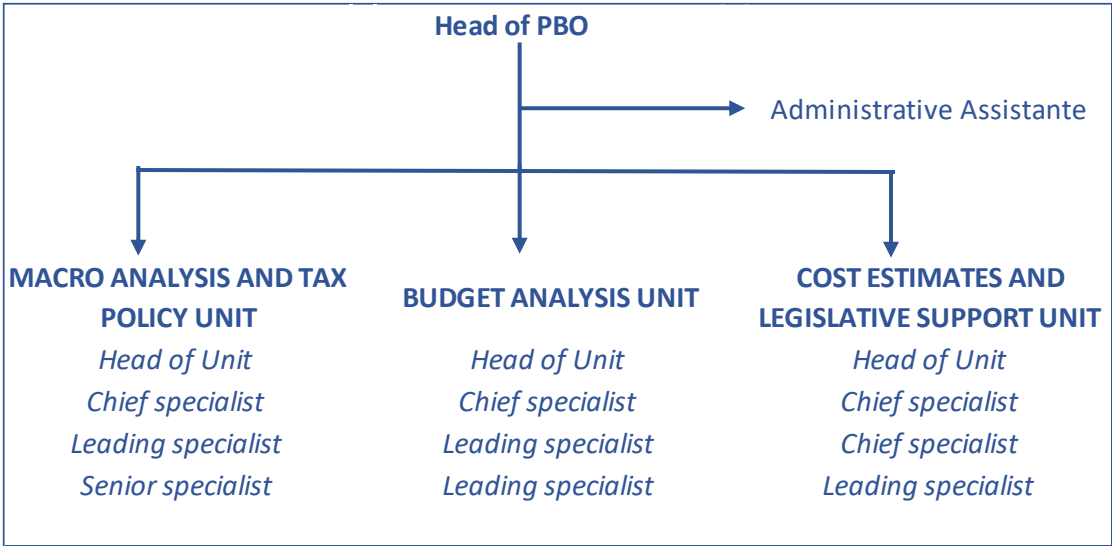
Each year PBO sends the standard letter about its needs for the upcoming year to the Finance supplies department and procurement unit of the Parliament, so that the Parliament takes PBO’s needs into account while making next year’s budget and procurement plan.

The number of the staff of PBO, their positions and remuneration are approved by the decree of the chairman of the Parliament (№372/3, 29 Dec. 2017, Article 35. Parliamentary Budget Office)⁴² and is available publicly. Total number of PBO staff is 14.

The PBO is organized in three units: Macroeconomic Analysis and Tax Policy Unit, Budget Analysis Unit and Cost Estimates and Legislative Support Unit. Each unit consists of a head and three specialists. The head of the institution has an assistant to help with administrative issues. PBO also has one employee employed on the basis of an employment agreement.

Looking at the composition of PBO staff, 92% of current PBO employees have master and PHD degrees. 77% of the employees have graduated economics, while the rest is for business administration and public policy and management. 54% have prior working experience for 5 years of less, 31% have 6-10 years of experience, 15% have 10 or more years of experience. 38% of employees are teaching or used to teach at the universities.

Chart 1. Organizational Chart of PBO



⁴² <https://parliament.ge/public-information/19/data/2816>

4.3 Summary of the stakeholder interviews

Table 14. Interview question about financial resources

	Below	At	Above	No answer available
Do you think the financial resources of the PBO are below/at/above optimum level?	9	0	0	26

Most respondents cannot assess the financial resources of the PBO, but those, who can uniformly agree that they are below optimum.

Table 15. Do you think that working in the PBO is an attractive option for university graduates / midcareer experts / high profile experts?

	New graduates	Mid-career experts	High profile experts
YES	23	9	8
Maybe, but less	1	6	3
NO	0	7	10
No answer available	11	13	14
Total	35	35	35

For new graduates the PBO is clearly a very attractive option to start their career, but it becomes less attractive for the experienced experts. According to the respondents, the PBO is not competitive enough for high profile experts because of non-competitive salaries.

Table 16. According to your views what type of institutions should be the reference when determining salary of the staff in the PBO?

Answer	Frequency
SAO	9
NBG	6
MoF	1
Competition Agency	1
Private sector	1

Majority of those who had specific views on the appropriate reference institution in terms of the salaries of PBO staff, mentioned the State Audit Office and the National Bank of Georgia.

4.4 Discussion of selected issues

Table 17. Reports of PBO

Reports of PBO		Number of issues per year
Preset products	Monthly macroeconomic review	12
	Quarterly macroeconomic review	4
	Annual macroeconomic review	1
	Quarterly macroeconomic forecasts	4
	Annual macroeconomic forecasts 1	1
	Annual macroeconomic forecasts 2	1
	Annual macroeconomic forecasts 3	1
	Annual macroeconomic forecasts 4	1
	Monthly review of the State Budget execution	12
	Quarterly review of the State Budget execution	3
	Annual review of the State Budget execution	1
	Annual review of the budgets of auton. republics and local gov.	1
	Review of the State Budget Draft Law for next year 1	1
	Review of the State Budget Draft Law for next year 2	1
	Review of the State Budget Draft Law for next year 3	1
Fiscal rules compliance report	1	
Legislation dependent products	Review of the State Budget Draft Law for current year 1	1
	Review of the State Budget Draft Law for current year 2	1
	Fiscal Impact Assessments	180 (average)
SUBTOTAL	PRESET PRODUCTS	46
	LEGISLATION DEPENDENT PRODUCTS	182

Activities by which the PBO is directly serving the parliament can be categorized into two main types: preset products, which have their place in the calendar each year and legislation dependent products, which depend on how active are the initiators in introducing new bills/amendments. Nevertheless, even in the case of this latter category there is an average number of assignments that the capacity of the PBO has to be prepared for.

With the help of expert, it was assessed how much of the total analytical capacity is absorbed by the various products on an annual basis in case when there is no vacant position at PBO. For this calculation we assumed that the 75% of the time of the head of PBO and the total time of the administrative assistant does not qualify as analytical capacity. It's important to mention that PBO does not have the deputy head, who would be in charge of coordinating activities of the three units of PBO and also check the quality of the reports. PBO does not have the staff in charge of communication with its local and international partners and stakeholders. This is an obstacle as it implies serious everyday overworking of the PBO head, who should be focused more on managerial and internal communication.

Preset products absorb about 40% of the total analytical capacity of the PBO, if all positions are filled. PBO also translates the preset products and other documents, such as methodological guidelines, strategic development plans and actions plans, the self-assessment report, etc. in English on its own initiative in order to ensure visibility and communication with international partners as well as donors. This requires a significant part of the analytical capacity, because some professional competence in public finances is necessary for such a task. This absorbs approximately 15% of the total statutory analytical capacity.

PBO makes quality check of the financial impact assessment of at least 180 legislative packages on average annually (each includes several draft laws) and reviews of the State Budget Draft Law for current year. This adds up to around another 25 percentage of PBO's total analytical capacity. Though it does not include independent financial impact assessment to be produced by PBO, as PBO currently has no capability to conduct such assessments due to staff shortage.

Apart from that, PBO took part in conducting several RIAs and GIAs (6 RIAs and 3 GIAs) in 2017-2019. In case the Parliament will also be required by law to conduct RIAs and GIAs, then PBO might take active part in their implementation. Besides, PBO's role to check the quality of RIAs produced by the Government can also be defined. In that case, PBO would require considerably more staff members to conduct these tasks.

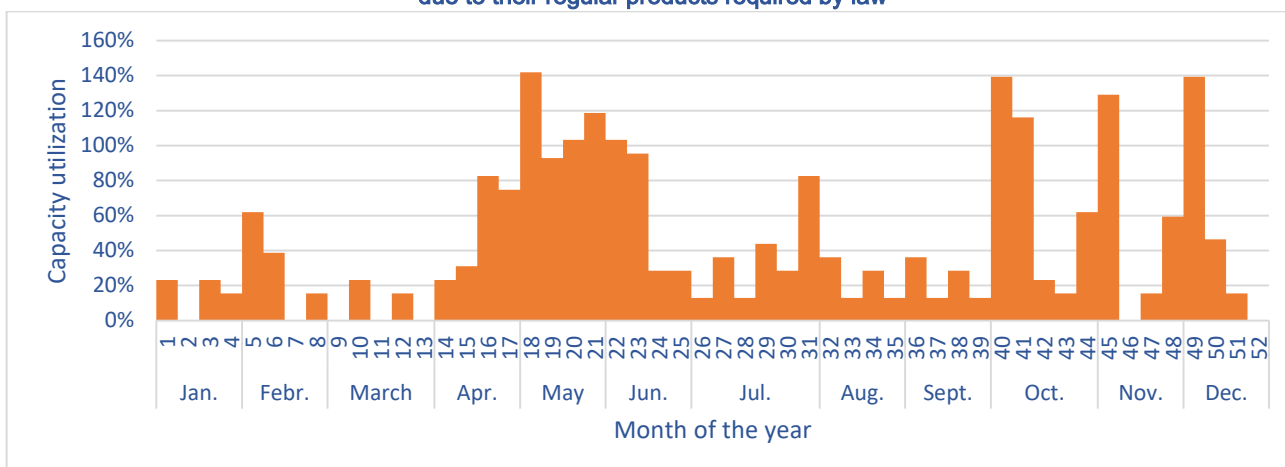
Summarizing the three above mentioned activities we see, only about 20 percent of the analytical capacity is available for other activities, such as research and development, methodological publications, PBO's commitments under different agreements, international projects, professional development (trainings), administrative issues (beyond those of the head of the institution), membership of working groups, consulting with initiators, teaching (some of the PBO staff are trainers at the Parliamentary training center delivering trainings to the staff of the Parliament), direct communication with stakeholders (MPs, think tanks, international organizations or civil society), production of communication materials (infographics, etc.).

To follow good international practice in quantitative analysis, models and other methodologies have to be continuously developed. If (in line with good international practice) the PBO wanted to establish strong direct relation with various groups of stakeholders and target audiences, appropriate material should also be produced for the various communication channels. In the current situation practically there is little capacity for such activities, as there is a staff shortage. The staff of PBO need to be increased significantly in order to conduct activities mentioned above and continuously progress in its work.

PBO's place in parliamentary structure as well as its own organization structure and the staff number underwent several changes during the past years. Before 2014, staff number was changing and was for instance, 21 in 2007 and 2008, though it reduced afterwards to 10 in 2009. During the reform in 2014, the international expert advised that PBO needed to be staffed by at least 25 employees. Though, despite his recommendation, staff number of PBO was defined as 15. Nowadays, even though PBO's mandate is significantly expanded compared to 2014, the staff number is defined as 14.

Based on the annual calendar of the PBO publications, the workload of various products and the total hourly cost of various PBO experts/managers, capacity utilization for any week of the year can be calculated taking into account all the regular products (not included checking financial impact assessment).

Chart 2. Seasonality of the capacity utilization of the macro and budget analysis units due to their regular products required by law



As it is the case in most countries, there are two main peaks for institutions active in budgeting, these periods are 2nd and 4th quarter of the year. In some weeks the capacity utilization is well above 100 percent.

The staff of the Cost Estimates and Legislative Support Unit has to work annually on more than 180 legislative packages on average, which include several draft laws itself. The workload of the staff depends on the quantity of the packages, the size of the package and also the nature and complexity of the amendments. We may say that the unit has to work on 5-6 packages on average in a week and the medium size package of the draft laws might consist of 5-10 draft laws on average. When the package is too large or the draft laws are urgent, the staff of PBO may have to work overtime. There is no time left for PBO staff to make independent financial impact assessment on its own.

Table 18 Individual monthly wages in institutions competing with PBO for similar experts (mid-range, GEL/month, 2021)⁴³

	Ministry of Finance, Macroeconomic Analysis and Fiscal Policy Projection Department	Ministry of Finance, Budget department	Parliamentary Budget Office		State Audit Office, State Budget and Strategic Analysis Department	Parliamentary Research Service	National Bank of Georgia, Macroeconomics and Statistics Department (w/o bonus)
			Actual	Maximum possible			
Head of the Institution/department	6,000	6,000	5,000	6,000	5,500	6,250	7,395
Deputy head of the institution/department	4,000	4,000	N.A	N.A	N.A	N.A	5,628
Head of unit/division	3,300	3,500	3,500	4,000	4,500	N.A	5,459
Chief specialist	N.A	2,100	2,800	2,800	3,410	4,400	4,292
Leading specialist	1,900	1,900	2,200	2,200	2,640	2,800	3,670
Senior specialist	1,500	1,600	1,800	1,800	1,835	N.A	2,742

As an average measure of the PBO wages lagging behind other comparable institutions we can calculate the gap in the total payroll in the scenarios with the same number of employees.

⁴³ The table is based on the official data provided by the relevant institutions upon the official request of PBO sent to them on 25.05.2021. The letter to MoF - №4831/2-15/21, the letter to SAO - №4829/2-15/21, the letter to NBG - №4822/2-15/21, the letter to Parliamentary research center - №4828/2-15/21.

Calculations do not include 10% increase of basic official salary in the public sector from 1 January 2022.

Table 19. Weighted average individual wage in competing institutions compared to the PBO (%) (prepared by the expert)

Institution	Relative wage
Ministry of Finance, Macroeconomic Analysis and Fiscal Policy Projection Department	89.3
Ministry of Finance, Budget department	91.3
Parliamentary Budget Office - Actual	100.0
Parliamentary Budget Office -Maximum possible	106.4
State Audit Office, State Budget and Strategic Analysis Department	119.9
Parliamentary Research Service	140.9
National Bank of Georgia, Macroeconomics and Statistics Department (w/o bonus)	156.3

Note: Wages are weighted by the number of PBO employees in the different categories; Missing PRC wages are interpolated.

SAO is paying 20 percent, the Parliamentary research service 41 percent and the NBG almost 60 percent more than the PBO. Only the MoF is paying less than the PBO. Salaries of MoF specialists are lower compared with PBO, though salaries of the heads of the MoF departments are higher than PBO head and salaries of the MoF unit heads are slightly lower or equal to what is in PBO.

Table 20. Salary coefficients for different positions of PBO

Position	Hierarchical rank of position	Title of the position	Salary ratio categories									
			2.00	2.20	2.50	2.80	3.30	3.80	4.40	5.00	5.60	6.00
Head of PBO	1.1	Head of primary structural unit	2.00	2.20	2.50	2.80	3.30	3.80	4.40	5.00	5.60	6.00
Head of unit	2.3	Head of secondary structural unit	1.40	1.60	1.80	2.00	2.20	2.50	2.80	3.10	3.50	4.00
Chief Specialist	3.4	First category senior specialist	1.30	1.50	1.70	1.90	2.10	2.30	2.40	2.50	2.60	2.80
Leading Specialist	3.5	Second category senior specialist	0.90	1.00	1.10	1.20	1.30	1.40	1.60	1.80	2.00	2.20
Senior Specialist	3.6	Third category senior specialist	0.75	0.80	0.85	0.90	0.95	1.00	1.20	1.40	1.60	1.80

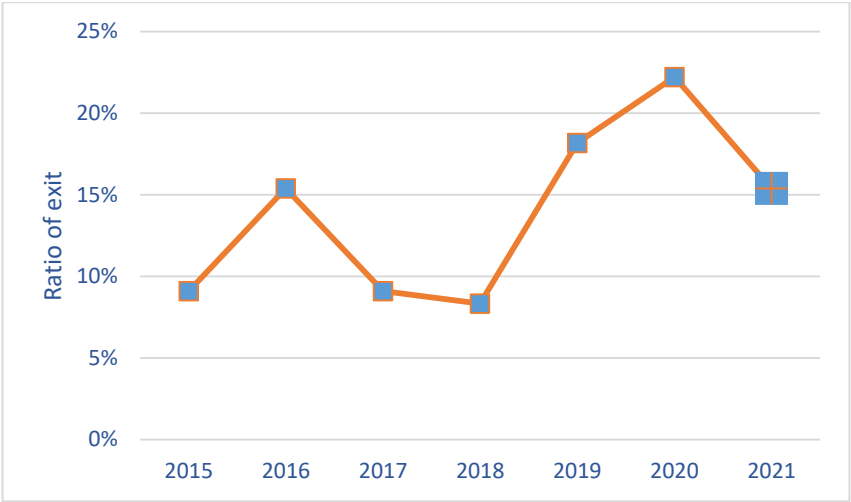
Salary coefficient for different positions of public officials are defined by the Law of Georgia on Remuneration in Public Institutions. The coefficients for PBO staff are at the maximum level, though for the PBO head and the heads of the units, they are below the maximum.

PBO is as one of the structural units of the Parliament, though it is an independent fiscal institution of the country, thus, it has a highly different position on the labor market. As PBO staff salaries can be no longer increased above the upper limit of the coefficients (except from the heads of the units and the PBO head, whose salaries can further be increased to upper coefficients as shown in the

table 20), there is a need that PBO were exemption from the law of Georgia on Remuneration in Public Institutions (like it is in case of State Audit Office), which would enable PBO to increase salaries in order to ensure its competitiveness.

The number of employees who left the institution in a specific year divided by the number of employees at the end of the previous year can be used to analyze situation in terms of human resources.

Chart 3. Number of employees leaving in a year as a percentage of the number of employees at the end of the previous year



In 2018-2020 there was increasing trend of annual staff turnover, though it went down in 2021. Looking at the internal data about PBO employees, most employees were hired from the government sector and some of them were recently graduates with a Master's degree in Economics. Most employees leaving the PBO had their next job in the private sector and also at NBG. This indicates to the challenge related to competitiveness.

Due to the fact that PBO does not have its own budget separated from the overall Parliamentary budget, it has limited flexibility in terms of directly acquiring necessary resources in a timely manner. The main source of financing of PBO's needs is the Parliamentary budget, as currently PBO is not supported by any donor organization, which could finance the institutional/training needs in a simpler/flexible and timely manner. That is why relatively expensive professional programs, such as Eviews and Infogram were purchased with Parliamentary budget. Though purchases by the Parliament implies standard administrative procedures, which takes some time. One examples for this issue is the website of PBO, which does not function properly for almost one year and a half. Such delays may negatively effect on performance of the institution. For informational purposes, the vehicle is not available for PBO head for official use.

4.5 Identified needs

- In line with the OECD principles mentioned above PBO should have the separate budget program code in the Parliamentary budget. Though, PBO should stay under the current parliamentary structure.

- As the OECD principle 4.1 states, the appropriations for IFIs should be published and treated in the same manner as the budgets of other independent bodies, such as audit offices, in order to ensure their independence. PBO's budget should be protected from reduction by the law. There should be a provision about PBO in the Budget Code of Georgia like it is in case of the Parliament and SAO (Chapter VI Special Funding Rules from State Budget)⁴⁴.
- PBO should be the exemption from the law of Georgia on Remuneration in Public Institutions, like it is in case of State Audit Office, in order to ensure its competitiveness on labour market. Though, PBO staff should remain as the public servants of the staff of the Parliament as it is now.
- The staff of PBO should be increased corresponding to its workload/mandate.
- The position of the deputy head of PBO should be established in order that managerial functions are effectively divided among the PBO head and the deputy head.

5. OECD Principle 5. Relationship with the legislature

5.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

OECD 5.1. Legislatures perform critical accountability functions in country budget processes and the budgetary calendar should allow sufficient time for the IFI to carry out analysis necessary for parliamentary work. Regardless whether an independent fiscal institution is under the statutory authority of the legislative or the executive branch, mechanisms should be put in place to encourage appropriate accountability to the legislature. These may include (but are not limited to): 1) submission of IFI reports to parliament in time to contribute to relevant legislative debate; 2) appearance of IFI leadership or senior staff before the budget committee (or equivalent) to provide responses to parliamentary questions; 3) parliamentary scrutiny of the IFI budget; and 4) a role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals.

OECD 5.2. The role of the IFI vis-à-vis parliament's budget committee (or equivalent), other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Preferably, the IFI should consider requests from committees and sub-committees rather than individual members or political parties. This is particularly relevant for those IFIs established under the jurisdiction of the legislature.

5.2 Current situation

The rules of procedure of the Parliament defines the submission timelines for only some of the main PBO's budgetary reports, such as the reviews of the draft law of Georgia on State Budget and annual analysis of the State budget execution. The rules of procedure of the Parliament does not fully prescribe PBO's mandate and the reports it produces.

However, PBO has its own reporting policy, which clearly determines the publication dates for all the relevant reports prepared by PBO throughout the annual budget cycle.

⁴⁴ Reduction of total State Budget allocations envisaged in the expenditures of the Parliament of Georgia and State Audit Office by economic classification of line items compared to the respective volumes of the current and previous years may occur only with a preliminary consent of the Parliament of Georgia and State Audit Office respectively.

All PBO reports are submitted to the parliament in time according to the deadlines set out in the rules of procedures of the Parliament as well as in line with PBO's own reporting policy. These publications are sent to the Budget and Finance committee and also published on PBO's website together with other products produced by PBO. PBO also sends its documents on its own initiative to the Sector Economy and Economic Policy committee according to their relevance.

The PBO's strong relation with the Budget and Finance Committee is in line with good international practice.

Besides the fact, that PBO is always given a possibility by the chairman of the Budget and Finance Committee to speak during the committee meetings, PBO is not officially authorized by the rules of procedure of the Parliament to speak or present its opinion/conclusion on any budgetary document (e.g draft law on the State Budget) at the committee meetings or the plenary session, unlike the SAO and the NBG. However, PBO representatives regularly attend all the Budget and Finance committee hearings, where budgetary issues are discussed, as well as the meetings concerning the Regulatory Impact Assessment and Gender Impact Assessment of the bills, where PBO has contributed to.

PBO' appropriations are part of budget of the staff of the Parliament. PBO does not have its own budget or budget code. Thus, there is no possibility that PBO's budget is scrutinized by the Parliament as stated in OECD principle 5.1.

According to the rules of procedure of the Parliament, the head of the PBO is appointed and dismissed by the Chairman of the Parliament upon the nomination of the Chairman of the Budget and Finance Committee of the Parliament.

Neither rules of procedure of the Parliament nor the statute of PBO establishes any rule on how PBO should prioritize the requests from committees and MPs. Currently, PBO considers requests from any committees or MPs, if any, with equal treatment taking into account PBO's time and capacity to perform the task. According to the PBO's statute, PBO provides financial calculations to the MPs, Parliamentary fractions and Parliamentary Committees within 4 weeks after the submission of the appropriate request (this period may be extended as agreed among the PBO and the party requesting the financial calculations).

According to the rules of procedure of the Parliament, the draft laws submitted to the parliament have to present an estimate on the expected financial impact in their explanatory note. Since 2012 it is the PBO's task to assess the quality of the financial impact assessment and no bill can be submitted to Bureau of the Parliament without the conclusion of PBO. The conclusion can be "positive", "to be discussed" or "negative"⁴⁵.

If needed, the Bureau of the Parliament can return the draft law to the initiator to eliminate its imperfections explained in the PBO's conclusion. However, the Bureau has the right to pass the bill for a committee hearing and vote even without the PBO's endorsement.

In most cases PBO issues positive conclusions. The cases of "to be discussed" conclusions are small and decreasing in number. This tendency is the result of the consultations between the initiators and the PBO before submission of the draft laws initiated by the Parliament. Besides, PBO developed the guideline on financial impacts assessment in 2016, which helps initiators to make financial impact assessment. Although, this guideline is not compulsory for initiators to comply with. According to the

⁴⁵ <http://pbo.parliament.ge/ge/costestimates/role-approach.html>

organic law of Georgia on normative acts, Parliament should officially adopt the methodology⁴⁶ that can be imposed on the initiators.

PBO cooperates with the parliamentary councils, such as OGP parliamentary council and gender equality parliamentary council. PBO in cooperation with the gender equality council has developed several important products related with gender budgeting and gender impact assessment.

PBO is often a member of Parliamentary thematic inquiry working groups, especially those which are launched by the Budget and Finance Committee. Currently PBO is a part of the thematic inquiry group of Public debt created at the Budget and Finance Committee. PBO has also been an active part of RIA and GIA working groups created by the parliamentary committees.

PBO is also providing trainings for the staff of the parliamentary committees regarding different relevant topics such as financial impacts assessment of draft laws, RIA, assessment and monitoring of fiscal environment, assessment and monitoring of macroeconomic environment.

5.3 Summary of the stakeholder interviews

Table 21. Interview question about relationship with the parliament

	YES	YES with some qualification	No answer available	NO with some qualification	NO
Do you think the parliament in general including the Budget and Finance committee in particular is consciously using the services offered by the PBO?	3	5	22	1	4

In spite of the fact that most interview partners agreed (see above Table 1 and Table 3) about the importance of PBO serving the parliament with independent analysis and/or challenging the government, the same respondents were much more hesitant when they were asked about the parliament actually using this service. Some of them noted that MPs do not refer to PBO's products during parliamentary debates. Even though, PBO's reports especially alternative macroeconomic forecasts, monitoring of fiscal rules compliance, as well as reviews on state budget draft law and state budget execution contain much useful information and alternative viewpoints, which could successfully be used in parliamentary debates.

5.4 Discussion of selected issues

According to the rules of procedure of the Parliament, only the chairman of the BFC has the right to nominate the candidate for the PBO head, not the whole committee as it is stated in OECD 5.1 (4) a role for parliament's budget committee (or equivalent) in IFI leadership appointments and dismissals. One example is Italy, where the nominees require the endorsement of two-thirds of committee members.

According to the rule of procedure of the Parliament, PBO is accountable to SB. Though, SB of PBO is currently non-existent and does not review and agree upon the PBOs reports, such as PBO's annual report, annual activity plan and 3-year medium-term development strategy.

According to the statute of PBO, the SB should schedule a sitting at least twice a year and evaluate the activities of the PBO annually. SB has the right to hear expert opinions on the specific issues of the PBO reports and on the analysis carried out by the PBO. SB also has the right to issue

⁴⁶ The methodology can be developed based on the PBO's guideline.

recommendations on the activities of the PBO. Though, as mentioned above in the document, since 2016 SB of PBO has not formed, thus does not exist.

Stakeholder interviews showed that individual MPs have only sporadic contacts with the institution and some of them are not even aware about the role and mandate of PBO as defined by the rules of procedure of the Parliament. This might imply some challenges in terms of visibility and communication.

5.5 Identified needs

- The identified needs mentioned in the chapter “OECD Principle 2. Independence and non-partisanship” and in the chapter “OECD Principle 3. Mandate” are also relevant here:
 - The roles and mandate of PBO should be prescribed in the rules of procedure of Parliament clearly and in detail. In case PBO is mentioned in the constitution (For instance, like it is in case of PBO Italy¹), then PBO could be regulated by the organic law.
 - In line with the OECD principles mentioned above PBO should have the separate budget program code in the Parliamentary budget. Though, PBO should stay under the current parliamentary structure. Information about PBO should be presented in a program budget format (objectives, outcome, indicator);
 - OECD 5.1. (4) emphasizes a role for parliament’s budget committee in IFI leadership appointments and dismissals. Therefore, different options for nomination and appointment of PBO’s head could be discussed, where the whole Budget and Finance committee will take part in the process.
 - Supervisory board should become an effective mechanism for PBO or be replaced by another mechanism for instance such as advisory board. These might require relevant changes in law.
- SB or AB should regularly hold (at least semi-annual) hearings with the PBO throughout the year to monitor and assess the activities of the PBO.
- As the OECD principle 5.2 recommends, the role of PBO vis-à-vis parliament’s budget and finance committee, other committees, and individual members in terms of requests for analysis should be clearly established in legislation. Some mechanism need to be established for PBO Georgia, which regulates the process of making requests, timeframes, forms and order of precedence.
- Besides the fact, that PBO is given a possibility by the chairman of the Budget and Finance Committee to speak during the committee meetings, PBO should be officially granted by the law with the right to talk during the meetings of the Budget and Finance Committee and plenary sittings where budgetary issues will be discussed (like it is in case of SAO and NBG).
- It is recommended that regular surveys about the reception of PBO’s products are conducted among MPs.
- There is a need that the form and timeline were defined for delivering PBO’s products to MPs, meaning how, when, which reports, whom should the PBO reports be sent to directly.

- It is recommended that the mechanism is established for effective (face to face) communication and internal discussions with MPs for introducing results of PBOs reports in order to enhance trust, awareness and visibility among MPs.

6. OECD Principle 6. Access to information

6.1 Citation from the OECD document “Recommendation on Principles for Independent Fiscal Institutions”

6.1. There is often asymmetry of information between the government and the IFI – no matter how well an IFI is resourced. This creates a special duty to guarantee in legislation – and if necessary to reaffirm through protocols or memoranda of understanding – that the IFI has full access to all relevant information in a timely manner, including methodology and assumptions underlying the budget and other fiscal proposals. Information should be provided at no cost or, if appropriate, sufficient resources should be provided in the IFI budget to cover analysis obtained through government actuarial services.

6.2. Any restrictions on access to government information should also be clearly defined in legislation. Appropriate safeguards may be put in place⁷ as regards protection of privacy (for example, taxpayer confidentiality) and of sensitive information in the areas of national defense and security.

6.2 Current situation

The current practice of PBO is mostly in line with OECD principles as PBO has full access to all relevant information in a timely manner, but it is not institutionalized. Neither, there is any specific legal provision about access to information of PBO, nor there is the memoranda of understanding between PBO and other public institutions regarding the access to information.

Georgian public institutions (GEOSTAT, Treasury, Revenue Service, NBG, etc.), which PBO mostly obtain the data from, act according to the law, specifically the General administrative code of Georgia, which obliges the public institutions to issue public information immediately or no later than 10 days after the request (including public information requested electronically). PBO like any other interested person uses its right to request public information from relevant institutions and receives it in time. Though, current legislation does not make possible for the PBO to get access to non-public information which can necessary for PBO’s analysis.

6.3 Summary of the stakeholder interviews

Table 22. Interview questions about access to information

	YES	YES with some qualification	No answer available	NO with some qualification	NO
Can you recall any occasion when the PBO asked for some information from your institution? Was there any problem? If yes, what type?	1	0	23	0	11

Can you recall any situation when the PBO had difficulties to get the necessary information?	0	0	25	0	10
Can you recall any occasion when the PBO received some information from other institution too late? Was it potentially on purpose, or only for purely technical reasons?	1	0	29	1	4

There is a broad consensus among the respondents about the PBO accessing the necessary information without any problem.

6.4 Discussion of selected issues

Three-quarters of OECD IFIs have access to information guarantees in legislation, through Memorandums of Understanding, or both. Just over 60% of institutions in OECD member countries have access to information underpinned by legislation, and at least half of these have access to information underpinned by both legislation and a MoU (Canada, Finland, Italy, Portugal, Slovak Republic, and the United Kingdom).

Currently the PBO's right for access to information is not regulated by law or memoranda of understanding. In current practice PBO does not have problems regarding access to public information, though international experience shows that it is better to institutionalize such rights.

According to good international practice, IFIs can have access to much more information than the general public, because they need it and because they can be held liable for keeping the secrets. Only private information, business secrets and national security sensitive information should be withheld from the IFIs.

PBO should have full access to all possible data for producing the best possible quantitative analysis. Following the example of the Scottish Fiscal Commission, the PBO could publish its data needs on an annual basis.⁴⁷ Another possible example is Regulation of access to information of the 2009-2010 Hungarian Fiscal Council (Section 8 of the Act on Cost-efficient State Management and Fiscal Responsibility)⁴⁸.

6.5 Identified needs

- The PBO should systematically conduct a survey about what type of information other IFIs use in practice to produce their analysis and how such information could be accessible for the PBO. PBO may also consider to publish its data needs on an annual basis.
- The rules to institutionalize the PBO's access to all information necessary for its duties should be enshrined in the appropriate legal provisions.

⁴⁷ OECD Independent Fiscal Institutions Review, Scottish Fiscal Commission (SFC) p32 (<https://www.oecd.org/gov/budgeting/review-of-scottish-fiscal-commission-2019.pdf>)

⁴⁸ http://www.kfib.hu/uploads/up_20110815_092536_1523_The_2008_fiscal_responsibility_law.pdf

- The regulation of the PBO for access to information should:
 - Specify general rules about the timeliness of responses from public institutions in case the PBO asks for data;
 - Establish memoranda of understanding with relevant public institutions about their cooperation in terms of regular and ad hoc data requests;
 - Any restrictions on access to information for PBO should also be clearly defined.

7. OECD Principle 7. Transparency

7.1 Citation from the OECD document “Recommendation on Principles for Independent Fiscal Institutions”

OECD 7.1. Given that promoting transparency in public finances is a key goal of IFIs, they have a special duty to act as transparently as possible. Full transparency in their work and operations provides the greatest protection of IFI independence and allows them to build credibility with the public.

OECD 7.2. IFI reports and analysis (including a full account of the underlying data and methodology) should be published and made freely available to all. As noted in 5.1, all IFI reports and analysis should be sent to parliament in time for legislative debate and the leadership of the IFI should be given the opportunity to testify before parliamentary committees.

OECD 7.3. The release dates of major reports and analysis should be formally established, especially in order to co-ordinate them with the release of relevant government reports and analysis.

OECD 7.4. IFIs should release their reports and analysis, on matters relating to their core ongoing mandate on economic and fiscal issues, in their own name.

7.2 Current Situation

According to the Statute of PBO, conclusions, reports, reviews, research publications prepared by the PBO are transparent and public. All PBO reports and analysis are published on PBO’s website, besides main information/findings on publications are also shared via PBO’s Facebook page⁴⁹. PBO also publishes information about the methodologies⁵⁰ it uses in preparing various analyzes/calculations, including a methodological note about the macroeconomic forecasting model. The guideline about the examination of the financial impact estimates of the bills is also published.

Though there is no separate information published anywhere about PBO’s operations (e.g costs), as PBO does not have its own budget and is part of the staff of the Parliament. Thus, PBO cannot be assessed in terms of operational transparency.

All PBO reports and analysis are sent to the Budget and Finance committee in time as it is set out in the rules of procedures of the Parliament and PBO’s own reporting policy (calendar), which is publicly

⁴⁹ <https://www.facebook.com/pbo.parliament.ge>

⁵⁰ <http://pbo.parliament.ge/publications/methodological-notes.htm>

available on PBO’s website. The release dates of PBO reports are coordinated with the release of relevant government reports and analysis.

PBO sends annual reports of PBO’s activities to the staff of the Parliament, the Cabinet of the chairman of the Parliament and the Budget and Finance Committee. This latter also receives semiannual performance reports twice a year.

PBO regularly prepares the following documents: annual report, annual activity plan and 3 year medium-term development strategy, which are not agreed with the SB as the latter does not exist. Though these documents are used in practice by PBO in its activities.

Besides the fact, that PBO is given a possibility by the chairman of the Budget and Finance Committee to speak during the committee meetings, PBO is not officially authorized by the rules of procedure of the Parliament to speak or present its opinion/conclusion on any budgetary or legislation related issues (e.g draft law on the State Budget) at the committee meetings or the plenary sessions.

PBO produces research papers at its own initiative. PBO aims to address the most important issues/developments not covered by its regular reporting through the independent, impartial and high-quality research work. PBO developed an internal policy for research work planning, which outlines the framework governing the selection of research topics to be covered throughout the year⁵¹.

PBO has always been a part of OGP and actively participates in implementing Open Parliament Georgia action plans. For instance, lately PBO successfully implemented one of its commitments of Open Parliament Georgia action plan 2021-2022, which implied updating the guideline of financial impact assessment. The latter contributes to raising awareness of the initiators and help them better produce financial impact assessment of the draft laws. Besides, PBO uses and publishes infographics showing the results of PBO’s reviews of budget execution and draft budget and other visualization tools for macroeconomic forecasts. Being a permanent member of OGP working group, PBO has initiated and implemented several initiatives, which contributes to transparency in public finances and parliamentary openness.

7.3 Summary of the stakeholder interviews

Table 23 Interview questions about transparency

	YES	YES with some qualification	No answer available	NO with some qualification	NO
Do you think that the professional work of the PBO is transparent enough (reports, methodologies)?	20	6	8	0	1
Do you think that the operations of the PBO as an institution are transparent enough (PBO’s budget and its execution)?	14	0	19	0	2

⁵¹ <http://pbo.parliament.ge/publications/research-planning.htm>

Can you recall any occasion when the credibility of the PBO was even mildly questioned?	3	0	11	0	21
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The professional work of the PBO is considered to be transparent. Most frequently the main argument for this assessment was the fact that all outputs of the PBO are published on its webpage.

Assessing the operational transparency is not relevant for the PBO, given the fact that PBO does not have its own budget, its budget is part of the budget of the staff of the Parliament. PBO does not have its own budget program code, thus there is no information available about budget plans and its executions for PBO.

Table 24 Do you think the PBO should specifically do something to increase its credibility and transparency?

Communication
Awareness campaign
Collaboration with CSOs
Communication in general
Communication with Parliament and government
Communication with target groups
Direct communication with the media
Information in English on the webpage
Increase visibility
Other
International experts in the SB
Publishing own institutional numbers would help
Transparency Report

Credibility was not a concern among respondents, though many of them proposed that PBO should more actively work on enhancing communication, which would further strengthen its credibility.

7.4 Discussion of selected issues

It is important to note that (1) PBO’s ability to serve the whole parliament and the society depends on its credibility, (2) PBO’s credibility hinges (among other things) on its transparency and the public perception of its transparency, (3) currently PBO is perceived by the stakeholders as transparent. In order to protect PBO’s credibility, it is important that the clear rule was defined by regulation stating in which cases PBO might not publish its document upon request of the initiator of the work.

In terms of transparency, it is also important that English versions of the PBO documents were also available on website. Currently PBO ensures that most of its main documents are available in English, though translation takes much time of the staff. Considering scarce human resources available for PBO, translating all documents would imply serious overload. It would require additional staff for PBO.

7.5 Identified needs

- Objective criteria should be laid down in statute of PBO regarding which of PBO's assessments/reports might not be published.
- In order that PBO ensures better transparency and communication by using more tools, staff of PBO needs to be increased.
- PBO should be officially granted by the rules of procedure of the Parliament with the legal right to talk during the parliamentary committee and plenary sittings.
- The release dates of all the statutory reports of PBO should be established in the rules of procedure of Parliament.
- Supervisory board should become an effective mechanism or be replaced by another mechanism for instance such as advisory board. So that the PBO's annual report, annual activity plan and 3-year medium-term development strategy are agreed by relevant body (if any) and published on PBO's website.
- SB or AB should regularly hold (at least semi-annual) hearings with the PBO throughout the year to monitor and assess the activities of the PBO.
- In line with these OECD principles PBO should have the separate budget program code in the Parliamentary budget. Though, PBO should stay under the current parliamentary structure.
- In case PBO will have its separate budget program code in the Parliamentary budget, in order to ensure operational transparency, PBO shall publish on its webpage:
 - All its expenditures (wages, travel expenses, etc.);
 - Action plans and annual reports on its activities, including the performance objectives and the evaluation of their achievement;
 - Strategic Development Plans;
 - Communications strategy.

8. OECD Principle 8. Communications

8.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

OECD 8.1. IFIs should develop effective communication channels from the outset, especially with the media, civil society, and other stakeholders. Given that the influence of IFIs in fiscal policy making is persuasive (rather than coercive by means of legal sanctions or other punitive measures), media coverage of their work assists in fostering informed constituencies that may then exercise timely pressure on the government to behave transparently and responsibly in fiscal matters.

8.2 Current Situation

All PBO reports are published on PBO's official website. New posts on the webpage are also simultaneously shared on PBO's Facebook page.

In 2016, within the EU project "Supporting Public Finance Policy and Management Reforms in Georgia", the draft document of the Communication Strategy of PBO was developed together with the communication action plan for 2016 – 2017 indicating activities for the internal and external stakeholders. The international expert was assisting PBO in developing the drafts of all abovementioned documents.

Besides, in 2018 with the support of Good governance initiative (GGI) the workshops were held for PBO regarding the communication with public, tools of communication, planning communication campaigns, developing communication strategy and activities.

Traditional Media

From May 2021 PBO as a corporate tag became integrated in the database of the media monitoring company that the staff of the Parliament procures the service from. If needed, statistical information about the mentions of PBO can be analyzed from now on. In fact there has been several cases, when PBO reports, especially macro analysis reports were mentioned in media.

Webpage

The most important communication channel for PBO to engage with the public is the website, where all its reports and research papers are published. Most interview partners confirmed this by naming the website as their way to follow the PBO's activities.

PBO website's technical properties does not allow to show the analytical information about the users and visits, for example no information is available on how many users visit the PBO's website and how often, how long they stay, what are the reports they are most interested in, whether they arrive by following the link posted on PBO's Facebook page, etc. These pieces of information would help PBO offer a better user experience for the visitors, thus better inform and engage with them.

In early 2021 PBO's webpage was attacked and as a consequence, website lost all its important functionalities. PBO needs a new website, which may operate independently or be integrated into Parliament's website.

Social Media

All information about PBO's products are usually published on its Facebook page as well. Though, due to the fact that PBO's website does not function properly, reports cannot be shared on Facebook. PBO does not use any other social media channels (twitter, LinkedIn, Instagram).

8.3 Summary of the stakeholder interviews

Table 25. Interview questions about communication

	YES	YES with some qualification	No answer available	NO with some qualification	NO
To what extent do you follow the activities and publications of the PBO?	18	5	6	2	4
Can you recall any occasion when the PBO was too late with publishing its analysis?	3	0	14	0	18
Do you think that the PBO is visible enough?	0	3	4	5	23

The results show that 65% of the respondents follow the activities of the PBO with different frequency. The majority of the respondents held the view that the PBO is not visible enough and they strongly suggested that PBO's visibility need to be strengthened.

Table 26. Through what channel do you follow them usually?

	First source	Second source
Webpage	16	3
Facebook	1	9
Direct/personal	8	2
n.a.	10	
Total	35	14

Most of the respondents follow the PBO via the webpage. Personal communication between PBO and stakeholders are also important. The Facebook page does not seem to play a considerable role.

Respondents proposed different ways of enhancing communication between PBO and the stakeholders.

Table 27. Do you think that the channels they use to propagate their products to the politicians/experts/public at large are adequate and used efficiently?

Proposal	Frequency
Production of material for communication purposes	7
Newsletter	3
More user friendly reports	2
Make shorter versions for MPs	1
Make small videos	1
Direct communication	13
Organize meetings / discussions with stakeholders	6
PBO should have the official right to speak in the committee (like SAO)	1
Collaborate more with international donors	1

Build direct contact with	
Students	3
Research centers	1
Reach out to SCOs	1
Traditional mass communication	8
Present the documents to different channels	3
Give more interviews, publish articles	2
Press conferences	1
Be more active in business media	1
Establish direct contact with the media	1
Online communication	16
The current channels should be used more efficiently	12
Other social media should also be explored	3
New webpage	1

8.4 Discussion of selected issues

The principle 8.1 has been reinforced by econometric analysis undertaken by the IMF which suggests that countries where IFIs have a higher media impact tend to exhibit better fiscal outcomes. However, more detailed analysis highlighted that the credibility of the independence of the IFI as an important pre-condition for its views to be reflected in the public debate.

To facilitate effective communications, the majority of OECD IFIs hold press conferences around the launch of key pieces of work. They may also publish press releases to accompany their publications (for example, Korea, Netherlands, Sweden and the United Kingdom). All maintain web presences to facilitate access to their work. The US CBO Director initiated a well-followed blog to further enhance the visibility of CBO analysis. CBO communications officers have developed good relationships with editors of well-respected newspapers and regularly speak with journalists, answering their questions to ensure that they have a clear understanding of CBO reports and analysis.⁵²

Media monitoring and citation analysis can help an IFI understand the media's appropriation and trust of its work and willingness to engage with its outputs.

PBO Georgia needs visibility to perform its role as an independent fiscal institution. Given the OECD principle 2.1. that PBO should totally refrain from normative statements and directly influencing inherently political decisions, it is not advisable for the PBO to participate even in professional debates as one of the participating experts or think tanks. PBO shall stand out from the crowd of market analysts and interest group representatives by making only positive (non-normative) but undisputed statements.

According to good international practice, IFIs needs to have a communication strategy in order to foster effective communication with different stakeholders. PBO need to enhance its visibility and communication with different stakeholders. It is important that PBO receives media coverage and its analysis becomes a reference by MPs and experts in their debates, also for economic journalists dealing with fiscal sustainability issues.

⁵² <https://www.oecd.org/gov/budgeting/designing-effective-independent-fiscal-institutions.pdf>

8.5 Identified needs

- PBO should develop a communication strategy, in which:
 - Specific target groups are named;
 - Adequate communication channels are identified for each target group;
 - Performance indicators to measure the efficiency of communication are defined.
- Preparing the communication strategy should be included in the statute of PBO. The statute should define what period the strategy should cover, corresponding action plans, whom should the strategy be approved by, etc.
- The new communication strategy of PBO should be developed. The new strategy should take into account new reality and challenges of PBO, together with international good practice.
- The rules regarding the limitations of PBO in terms of communication should be defined in the statute of PBO/rules of procedure of the Parliament.
- PBO should have a fully functional website, which can be financed by the donor organization or within the budget of PBO/Parliamentary budget. The website should have all necessary functionalities to produce web analytics.
- PBO may consider using data analysis and visualization tools (for instance, using infographics for more PBO products) for achieving better public outreach of its products.
- PBO may consider preparing and sending newsletters to MPs and other stakeholders.
- PBO should use media monitoring in order to track on its progress in terms of visibility.
- PBO need to actively use social media channels and its marketing tools to promote its content and increase social media coverage (for instance, via boosting posts). These activities could be financed within the budget of PBO/Parliamentary budget. With the support of donor organizations, PBO could use designer's service, who would work on PBO's branding, create the formats for PBO's posts aimed for social media, etc.
- PBO needs additional human resources, who would be in charge of communication with internal and external stakeholders, as well as international donors and partners.

9. OECD Principle 9. External evaluation

9.1 Citation from the OECD document "Recommendation on Principles for Independent Fiscal Institutions"

OECD 9.1. IFIs should develop a mechanism for external evaluation of their work – to be conducted by local or international experts. This may take several forms: review of selected pieces of work; annual evaluation of the quality of analysis; a permanent advisory panel or board; or peer

review by an IFI in another country.

9.2 Current Situation

The main tool for external evaluation of PBO is the Supervisory Board, but the Supervisory Board is a body which not only evaluates the activities of the PBO annually, but also reviews and agrees on PBO's, annual activity plan and 3-year medium-term development strategy, which govern the PBO's work. In this sense SB is not an external control body, as it consists of the Speaker of the Parliament, the chair of the budget and finance committee and the representatives of each party faction, not external experts. However, the SB has the right to hear expert opinions on the specific issues of the PBO's reports and analysis. SB also has the right to issue recommendations on the PBO's activities. Though, as mentioned above, SB of PBO has not created since 2016, which was noted by TI Georgia in the Assessment of the Performance of the Parliament of Georgia in 2019.⁵³

There is no mechanism in place for external evaluation. The current self-assessment report, even it is produced with the support of external expert, cannot be considered as an external evaluation as it represents self-assessment, not external evaluation.

It is worth to mention that from June this year, two year Twinning project between PBO and National Academy for Finance and Economics of Netherlands will be launched, where one of its main components aim to enhance performance of PBO through the capacity building and increased visibility. Among other activities, the project also implies to help PBO introduce regular external evaluation mechanism in order that the quality and relevance of its products are ensured in light of international trends and standards.

9.3 Summary of the stakeholder interviews

Only a few respondents know IFIs from other countries, but those, who know about those institutions, including the PFM experts, mainly proposed parliamentary budget offices (as opposed to fiscal councils). For the detailed list of answers see Table 2.

9.4 Discussion of selected issues

OECD IFIs are increasingly using peer review and external evaluation. Around half of OECD IFIs maintain an external advisory panel of independent experts. Advisory panels can, for example, to make suggestions in relation to an institutions' programme of work and topics of concern or to provide methodological or technical advice. The UK OBR has a nine-person panel of experts who help develop and scrutinize the OBR work programme and methods. The Slovak Republic's CBR has an Advisory Panel that provides advice on methodological issues. Some IFIs (Australia and the United Kingdom) have incorporated the process for external evaluation into legislation.

A small number of IFIs also engage in peer review. For instance, the Canadian PBO has its work peer reviewed for external validation in order ensure the rigour of the methodology and the results. To do this, it regularly collaborates with other institutions such as universities, think tanks, the Canadian Association for Business Economics, and the US CBO.⁵⁴

Despite the fact that Georgia is not among OECD member countries, PBO Georgia is usually invited at the annual events of the OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions (PBO Network), which PBO already participated in several times. PBO is going to further

⁵³ <https://transparency.ge/en/post/assessment-performance-parliament-georgia-2019>

⁵⁴ <https://www.oecd.org/gov/budgeting/designing-effective-independent-fiscal-institutions.pdf>

strengthen its engagement with the global IFI community and adhere to the evolving international standards.

9.5 Identified needs

- The mechanism for regular external evaluation (review of prevailing regulation and work of PBO) should be established in order that PBO keeps a strong connection with international trends. This mechanism should be institutionalized - it should be written into statute of PBO. This can be financed within the budget of PBO/Parliamentary budget or international donor organizations working on PFM topics.
- Supervisory board should become an effective mechanism or be replaced by another mechanism for instance such as advisory board. AB will not be responsible for any of the PBO's decisions, but only play the role of providing external professional advice.
- AB may be consisted of high profile domestic or/and international experts. Preferably some of the members of the AB should be foreign experts. Experts' remuneration can be considered within the budget of PBO/Parliamentary budget or international donors.
- PBO should also regularly participate in annual meetings of OECD Network of Parliamentary Budget Officials and Independent Fiscal Institutions in order to carry out exchanges with counterparts in terms of good practices. The activities can be financed within the budget of PBO/Parliamentary budget or international donors.

Annex 1: Interview questions

1. To what extent do you follow the activities and publications of the PBO?
2. If yes, through what channel do you follow them usually?
3. Do you agree with the existence of the PBO? Do you think Georgia needs a PBO?
4. Do you think your view coincides with the view of most people/experts in Georgia?
5. Can you identify any person, group of people or institution, who might be against the PBO, or at least would be happy, if there was no PBO?
6. Setting aside international requirements, what do you think is the most important reason (public finance or economic challenge) for the existence of the PBO?
7. Do you think the PBO in its current form and practice is by-and-large an adequate solution for this challenge you consider its *raison d'être*??
8. Do you think that the current legislation is a sufficient basis for the PBO to act as a truly independent organization?
9. Can you recall any occasion when the PBO behaved in a partisan manner (either for or against the government, or any party or lobby group)?
10. Can you recall any occasion when the PBO might have been perceived to behave in a partisan manner (either for or against the government, or any party or lobby group)?
11. Ideally a nonpartisan IFI should neither seek, nor avoid professional debates/conflicts (open disputes) with the government. In your view, what is nowadays a more realistic danger for the PBO: to create or to avoid too many conflicts/engage in debates?
12. If avoidance is the answer, what do you think is the more likely reason for this: capacity shortage, or some sort of self-censorship/avoiding danger?
13. Can you recall any occasion when the PBO was too late with publishing its analysis?
14. Do you know the leaders of the PBO?
15. If yes, do you think they are good experts?
16. If you know them, could you guess their political party preferences? (you don't have to name it explicitly!)
17. Do you know the procedure how the leadership of the PBO is selected and nominated?
18. If yes, would you recommend any changes in the selection and nomination procedure?
19. Do you think that working in the PBO is an attractive option for university graduates/midcareer experts/high profile experts?
20. Do you think having worked in the PBO is considered as an asset on the labor market?
21. Do you think that currently the salary of the PBO employees is commensurate to their work load?
22. If no, according to your views what type of institutions should be the reference when determining salary of the staff in the PBO?
23. Do you think the financial resources of the PBO are below/at/above optimum level?
24. To what extent do you think the parliament in general and the budget committee in particular is consciously using the products of the PBO?
25. Can you recall any occasion when the PBO asked for some information from your institution? Was there any problem? If yes, what type?
26. Can you recall any situation when the PBO had difficulties to get the necessary information?
27. Can you recall any occasion when the PBO received some information from other institution too late? Was it potentially on purpose, or only for purely technical reasons?
28. Do you think that the professional work of the PBO are transparent enough (reports, methodologies)?

29. Do you think that the operations of the PBO as an institution are transparent enough (PBO's budget and its execution)?
30. Can you recall any occasion when the credibility of the PBO was even mildly questioned?
31. Do you think the PBO should specifically do something to increase its credibility and transparency?
32. Do you think that the PBO is visible enough?
33. Do you think that the channels they use to propagate their products to the politicians/experts/public at large are adequate and used efficiently?
34. Do you know any foreign independent fiscal institution?
35. Could you name any of them that you would consider as a desirable model for Georgia to follow?
36. If the PBO had the necessary time and capacity, what should be its next type of product?

Annex 2: List of interview participants

1. Ms. Ana Amiranashvili - Parliamentary Program Officer, National Democratic Institute (NDI)
2. Mr. Anatoli Korepanov - Invited Specialist (contract-based), Sports and Youth Issues Committee, Parliament of Georgia
3. Mr. Archil Mestvirishvili - Member of the Board, Vice-Governor, National Bank of Georgia
4. Mr. Beka Liluashvili - Member, Budget and Finance Committee, Sector Economy and Economic Policy Committee, Parliament of Georgia
5. Mr. Beso Namchavadze - Senior Analyst, Transparency International Georgia (TI Georgia)
6. Mr. David Gamkrelidze - Head, Cash Forecasting and Management Department, Treasury Service, Ministry of Finance of Georgia
7. Mr. Davit Churadze - Head, Finance Supplies Department, Parliament of Georgia
8. Ms. Ekaterine Ghazadze - Deputy Auditor General, State Audit Office of Georgia
9. Ms. Ekaterine Guntsadze - Head, Budget Department, Ministry of Finance of Georgia
10. Ms. Ekaterine Mikabadze - First Deputy Minister, Ministry of Economy and Sustainable Development of Georgia
11. Mr. George Jerenashvili - Organizational Development Advisor, USAID Contractor/ Tetra Tech ARD, Good Governance Initiative (GGI)
12. Mr. Giorgi Isakadze - Editor, Forbes Georgia; Editor, Board Member, Business Media Georgia (BMG)
13. Mr. Giorgi Kakauridze - First Deputy Minister, Ministry of Finance of Georgia
14. Mr. Giorgi Kldiashvili - Executive Director, Institute for Development of Freedom of Information (IDFI)
15. Mr. Giorgi Mchedlishvili - Head, Reporting and Financial Analysis Division, Treasury Service, Ministry of Finance of Georgia
16. Mr. Giorgi Vashadze - Member, Budget and Finance Committee, Regional Policy and Self - Government Committee, Parliament of Georgia
17. IMF Georgia mission team
18. Ms. Inga Sinjikhvili - Expert of GIZ head quarter, PFM advisor, GIZ programme "Public Finance Management in South Caucasus" 2007-2020
19. Mr. Irakli Khmaladze - Project Manager, EU Delegation to Georgia
20. Mr. Irakli Kovzanadze - Chairman, Budget and Finance Committee, Parliament of Georgia
21. Ms. Irina Guruli - Deputy Director, Economic Policy Research Center (EPRC)
22. Ms. Irina Lomia - Head of the staff, Budget and Finance Committee, Parliament of Georgia
23. Mr. Kakhaber Kutchava - Chairman, Parliament of Georgia
24. Ms. Keta Goletiani - Parliamentary Program Coordinator, National Democratic Institute (NDI)
25. Ms. Ketevan Chapidze - Head, Economic Analysis Division, Ministry of Economy and Sustainable Development of Georgia
26. Mr. Levan Karsaulidze - Head of National Accounts Division, National statistics office of Georgia
27. Mr. Levan Kasradze - Head of the staff, Legal Issues Committee, Parliament of Georgia
28. Ms. Lia Dzebisauri - Deputy Executive Director, National statistics office of Georgia
29. Ms. Lika Sajaia - Project Manager, Parliamentary Secretary, Transparency International Georgia (TI Georgia)
30. Ms. Maka Chitanava - Deputy Head, Energy and Environment Policy Research Center, ISET Policy Institute
31. Ms. Mariam Dolidze - Senior Economist, Macroeconomics, Trade and Investments Global Practice (MTI GP), World Bank

32. Ms. Mariam Tkeshelashvili - Chief specialist, Agrarian Issues Committee staff, Parliament of Georgia
33. Mr. Mikheil Kukava - Practice Leader, PFM, Policy and Management Consulting Group (PMCG)
34. Mr. Mirza Gelashvili - Head, Macroeconomic Analysis and Fiscal Policy Planning Department, Ministry of Finance of Georgia
35. Mr. Misha Sesiashvili - Journalist, Mtavari TV
36. Ms. Natia Gulua - Deputy Head, Budget Department, Ministry of Finance of Georgia
37. Ms. Natia Suarishvili - Chief Specialist, Cost Estimates and Legislative Support Unit, Parliamentary Budget Office
38. Ms. Nato Niauri - Senior researcher, Parliamentary Research Center
39. Ms. Nestan Gaprindashvili - Economist, Analysis and Consulting Team (ACT); Chief specialist, Cost Estimates and Legislative Support Unit, Parliamentary Budget Office (2014-2020)
40. Mr. Nikoloz Gagua - Deputy Minister, Ministry of Finance of Georgia
41. Mr. Otar Bezhanidze - Head of Lawmaking and the Relations to the Parliament Division, Department of the Relations to the Parliament and the President, Administration of the Government of Georgia
42. Mr. Pridon Aslanikashvili - Deputy head, Macroeconomic Analysis and Fiscal Policy Planning Department, Ministry of Finance of Georgia
43. Mr. Roman Gotsiridze - Deputy Chairman, Budget and Finance Committee, Parliament of Georgia
44. Mr. Shalva Mkhatriashvili - Head, Macroeconomics and Statistics Department, National Bank of Georgia
45. Mr. Shota Gunia - Head, Division of Fiscal Risks Management, Ministry of Finance of Georgia
46. Mr. Shota Tkeshelashvili - Journalist, Forbes Georgia, BMG
47. Ms. Tamar Omiadze - Head, Training Center, Parliament of Georgia
48. Ms. Tamila Shabashvili - Head of the staff, Sector Economy and Economic Policy Committee, Parliament of Georgia
49. Ms. Tamta Sopromadze - Chief specialist, Macroeconomics and Statistics Department, National Bank of Georgia
50. Mr. Tsothe Karkashadze - Head, State Budget and Strategic Analysis Department, State Audit Office of Georgia
51. Mr. Vakhtang Tsintsadze - Head, Economic Analysis and Reforms Department, Ministry of Economy and Sustainable Development of Georgia

Annex 3. Acknowledgements

Balázs Romhányi graduated in 1991. He holds an MSc in economics from the London School of Economics and a PhD from the Budapest University of Economics. In the 1990s he worked for the National Bank of Hungary and the Resident Representative Office of the IMF in Budapest. From 2000 he worked for the Ministry of Finance as deputy head of the budget department. He played a significant role in drafting the Fiscal Responsibility Act adopted in 2008.

In 2009-2010 he was the chief of the staff of the Fiscal Council established by the Fiscal Responsibility Act. Later he started the Fiscal Responsibility Institute Budapest (www.kfib.hu), an NGO advocating fiscal transparency and regularly publishing analytical papers in Hungarian fiscal policy (baseline scenarios, fiscal impact assessment). In 2019-2020 he was resident public financial management advisor of the IMF based in Kyiv, Ukraine. He is a visiting professor of fiscal policy and public finance at the Central European University and provides international technical assistance (Bosnia and Herzegovina, Georgia, Kosovo, Moldova, Mongolia, Montenegro and Ukraine).