

# PROGRESS REPORT

## On The Elaboration Of The Poverty Reduction And Economic Growth Program Of Georgia

### **1. Progress achieved in elaborating the PREGP of Georgia.**

The Interim Document of the Poverty Reduction and Economic Growth Program of Georgia (PREGP) was developed in October 2000 and discussed with the international community, civil society and NGOs. By end-November 2000, the Governmental Commission for Elaborating the PREGP, chaired by the President of Georgia, convened and adopted the mentioned Interim Document. In January 2001, the Interim Document was discussed and approved by the Executive Boards of the World Bank and IMF.

The work to elaborate the final PREGP was initiated in January 2001. The first draft, the so-called Discussion Material, was produced by October of last year. This document became subject to comprehensive discussions not only within the Government, but also within civil society and the international community.

The Discussion Material, as well as subsequent drafts, consider comments and proposals of the IMF and the World Bank as outlined in the Joint Staff Assessment. In particular:

- 1) Work has been conducted to improve further the quality of poverty data. A thorough analysis of the household survey data was made and this will be reflected in the final document. The census, which took place in January of this year, will also help us to define all the relevant indicators with more precision.
- 2) The work towards prioritization of the whole PREGP is progressing. The 5 Sub-Commissions of the Governmental Commission for Elaborating the PREGP are finalizing their work to set respective priorities to be implemented under the PREGP. We expect this task will be completed by the end of June 2002.
- 3) Analysis of the social impact of different types of expenditures envisaged in the PREGP is a very complex task and this work has just been initiated.
- 4) Work has commenced to evaluate the cost of measures to be implemented under the PREGP. With the assistance of an International Expert on Cost-Evaluation and his local Assistant, the Sub-Commissions of the Governmental Commission mentioned above have made initial estimates of the cost of those activities and reforms that should be implemented within the PREGP framework. This work is not finished but initial progress towards adequate and realistic cost-evaluation of the Program is evident.
- 5) As for raising the efficiency of public spending, improvement of revenue mobilization and reduction of corruption, all of these issues are to be addressed by the PREGP itself. These are very complex activities, which need to be undertaken in conjunction with each other. The fiscal reform will be one of the central elements of the final Program, the aim of which is to reform the customs and tax departments, to reform the tax system as such through the

elaboration of a more realistic and modern tax code, and through restructuring the country's external debts. All of these measures will generate more revenues and will facilitate more efficient and equitable use of resources raised for the State Budget. The measures for improving the investment climate shall also be envisaged in the final Program. Work towards this direction has already started with the support of the FIAS of the World Bank Group, which undertook an analysis of the existing barriers to efficient domestic and foreign investments.

## **2. Revised time-table and expected completion date for the final PREGP.**

The initial schedule for elaborating the Final Document, as envisaged in the Interim Document, has been changed significantly. It was planned to finalize the PREGP by June 2001. Based on subsequent consultations with International Donor Organizations and civil society, our goal is now to finalize the PREGP by October 2002. This delay in finalizing the PREGP will allow us to ensure maximum participation of the civil society representatives, as well as to perfect the Final Document. An important priority issue in this respect will be the financial assessment (cost evaluation) of the Program, and social impact analysis of various activities and reforms envisaged in the Final Document. The final time-table looks like this:

### **June 2002**

- Continuation of the technical assistance Project "Support to PREGP", which comes to an end on 31<sup>st</sup> of May 2002. The resources for continuation will be obtained from the PRSTF (for details see Chapter 3 of this Progress Report).
- All the 5 Sub-Commissions complete their respective work on prioritizing activities and reforms, as well as on estimating initial costs of the reforms in their respective spheres, and submit the finalized materials to the Secretariat.
- Cost-evaluation of the PREGP and social impact analysis of the reforms is intensified.
- Establishment of the Editorial Board, which will be responsible for elaborating the final draft of the full PREGP based on all the materials, comments, feedback, suggestions, etc., received from the Sub-Commissions and other Governmental institutions, civil society representatives and the international community. The Editorial Board shall comprise of 20 people, 10 from the Government (including representatives of the Secretariat and the Sub-Commissions) and 10 from civil society (highly-qualified experts in various spheres).
- Special technical workshops shall commence in June, where all the materials prepared by that time by the Sub-Commissions, as well as materials generated during discussions and debates with civil society participation are re-discussed and finalized and submitted to the Editorial Board. In total 7 such workshops are envisaged (also see Chapter 3 of this Progress Report).
- Implementation of the Communication Strategy of the PREGP will continue.

### **July 2002**

- Continuation of the technical workshops.
- Continuation of cost-evaluation of the PREGP and of social impact analysis.
- The Editorial Board is to produce the draft document of the final PREGP by the end of July.

- Implementation of the Communication Strategy of the PREGP will continue.

### **August 2002**

- The Editorial Board will disseminate the draft to the Government and continue its work.
- Continuation of cost-evaluation of the PREGP and of social impact analysis.
- The draft document prepared by the Editorial Board is to be translated into English and disseminated to the international community interested in the PRSP process.
- Implementation of the Communication Strategy of the PREGP will continue.

### **September 2002**

- The final workshop is held, with the participation of Ministers (Chairs and Co-Chairs of the Sub-Commissions), civil society representatives and donors.
- With the support of the World Bank Institute, an international conference is held in Tbilisi, Georgia, where the draft final PREGP is discussed with the international community.
- The final comments and suggestions from the Government and from the international community are received by the Secretariat.
- Cost-evaluation of the PREGP and the social impact analysis of the reforms is to be completed and submitted to the Editorial Board for its inclusion in the final Document.
- The Editorial Board continues its work taking into account the feedback from the workshops held and the results of the cost-evaluation and social impact analysis.
- Implementation of the Communication Strategy of the PREGP will continue.

### **October 2002**

- The Editorial Board completes its work based on all the final comments and suggestions received, as well as on the results of the workshops and the international conference. It submits the final draft to the Secretariat.
- The Secretariat organizes the meeting of the Governmental Commission for Elaborating the PREGP, which approves the Final Program.
- Implementation of the Communication Strategy of the PREGP will continue.

### **November 2002**

- The Secretariat translates the final Document into English.
- The Secretariat publishes both Georgian and English versions of the Final PREGP.
- The Government starts institutional arrangements for Program implementation.
- Implementation of the Communication Strategy of the PREGP will continue.

### **December 2002**

- The Secretariat disseminates the Final PREGP to all Government agencies, Parliament, local authorities, interested civil society representatives and all interested International Organizations and representatives of the Donor countries.
- The Government finishes institutional arrangements for Program implementation.

- Implementation of the Communication Strategy of the PREGP on the stage of its elaboration comes to an end.

### **January 2003**

- The implementation of the Poverty Reduction and Economic Growth Program is being launched on 1<sup>st</sup> of January 2003.

### **3. Additional steps taken by the Government in conjunction with the civil society and international community to develop the final PREGP.**

In order to promote civil society participation in the elaboration of the PREGP, a so-called Participation Format has been developed by the Government based on consultations with civil society representatives. Based on this Format, the Georgian version of the Discussion Material was published as a brochure. The brochures have been distributed to all the Governmental Agencies, all the Parliamentary Factions and Committees, to local Self-Government Bodies and various NGOs for their remarks and comments. It is noteworthy that comments have been received not only from Governmental Agencies, but also from NGOs and civil society representatives. The Secretariat to the Governmental Commission, in close cooperation with the Sub-Commissions, has already started to analyze these comments and some of them will be taken into consideration while elaborating the Final Document.

One of the significant preconditions for the success of the Program lies in holding meetings and consultations with representatives of civil society, NGOs, business circles, trade unions, etc. Numerous meetings have been held within the framework of the Communication Strategy of the Program both in Tbilisi and in various regions of Georgia. The regional meetings, which were covered by local and central mass media, were aimed at encouraging dialogue between the Government (both central and local) and the population. Great importance is attached to relations with mass media, since it is essential that the main goals and objectives of the PREGP be understood by the entire society. In this regard, an advertising campaign of the Program has been conducted within the framework of the Communication Strategy of the PREGP. In addition, the census of the population, which took place in January 17-24 of this year, was used to disseminate special information booklets on the Discussion Material of the PREGP to the majority of the population of Tbilisi.

In the framework of the participation process of the PREGP, a series of debates are currently underway with the purpose of building a consensus among different stakeholders on the hierarchy of problems and the corresponding strategic objectives of the PREGP based on the Discussion Material.

Participation of the representatives of civil society and format of the debates were mainly conditioned by their desire to be involved in the process. The information campaign and the creation of a web page on the Internet provided additional basis for involvement of new participants in the process. Liaison Persons of the Sub-Commissions are also taking an active part in these debates, because one of the main ideas

of holding them is the subsequent discussion of “the final product” of these debates by the Sub-Commissions after their completion.

Logical continuation of the debates is planned by means of carrying out a series of technical workshops. The selection of participants will be based on the participatory principle, in order to ensure the participation of high-level experts both from various Governmental Agencies (Secretariat, Sub-Commissions and certain Ministries and Agencies) and from civil society (including NGOs, representatives of academia, business circles, etc.).

The coordinated work of donors should be mentioned separately. When the Government of Georgia requested the donor community to coordinate their activities, this initiative got full support from the donors' side. The coordinated work of key donors in Georgia resulted in launching the Project “Support to PREGP”, which started in October 2001. The Multi-donor Support Project envisages to assist the Government of Georgia to develop the Final Document and to improve the level of coordination among the existing 5 Sub-Commissions, as well as between the Secretariat and the Sub-Commissions. The Project also envisages promoting intensive involvement of civil society in the preparation of the Final Document.

It should be noted that significant progress has been achieved with respect to improving the level of coordination among various agencies involved in the Program elaboration process. The Liaison Persons of the Sub-Commissions maintain permanent and close contact with the Project Director and the entire staff of the Secretariat. Active involvement of the Secretariat in all the activities, meetings, discussions, debates, etc., is also noteworthy, since it keeps the entire staff fully informed about the whole PREGP process.

However, the above-mentioned Multi-donor Support Project comes to an end on 31<sup>st</sup> of May 2002. The Government addressed the Donor community with a request to extend the technical assistance until the end of this year. The Donors suggested that the Government apply to the newly-established Poverty Reduction Strategies Trust Fund (PRSTF) with such a request. The Government drafted a Project Proposal for the PRSTF, which should be discussed by a special Steering Committee established in Georgia (which comprises of UNDP Resident Representative, World Bank Resident Representative, Ambassador of the Netherlands and a Georgian Governmental Official) in early June. After approval by the Steering Committee, the Project Proposal will be forwarded to the World Bank Office in Washington, D.C., which actually manages the PRSTF. We do very much hope that the decision on continuation of the “Support to PREGP” Project will be made quickly, taking into account the urgency of the matter.

In addition, it should be noted that the Georgian side continues intensive consultations and negotiations with International Organizations and Donor Countries to obtain their support for the actual implementation of the Poverty Reduction and Economic Growth Program of Georgia.

**Done by the Secretariat  
to the Governmental Commission for Elaborating  
Poverty Reduction and Economic Growth Program of Georgia  
May 30, 2002, Tbilisi, Georgia**