

Government of Georgia

Resolution No. 65

February 16, 2023

Tbilisi

On Approval of the Investment/Capital Projects Management Methodology Article 1 In accordance with Part 4 of Article 9 of the Budget Code of Georgia and Subparagraph "H3" of Article 5 of the Law of Georgia "On the Structure, Powers and Rules of Activity of the Government of Georgia", the "Investment/Capital Projects Management Methodology" (hereinafter referred to as the Methodology) shall be approved with the attached wording. Article 2 The Ministry of Finance of Georgia shall be instructed to coordinate the process of implementing the investment/capital projects management in accordance with the methodology. Article 3 1. Spending institutions of the central budget, unified republican and unified municipal budgets of autonomous republics shall ensure compliance with the requirements stipulated by the methodology approved by this Resolution when preparing investment/capital projects. 2. The requirements of the methodology approved by this resolution do not apply to investment/capital projects for the implementation of which a preliminary decision has been made and procurement procedures have been initiated prior to the entry into force of this resolution.

3. To request the financial bodies of the autonomous republics and municipalities to coordinate the process of implementing the aforementioned methodology. Article 4 The Ministry of Finance of Georgia, in agreement with the Economic Council, approves: a) the types of basic units to be used for financial and economic calculations of investment/capital projects, their values and calculation methodology;

b) The criteria for the final selection of investment/capital projects and the procedure for determining the scoring system for evaluating these projects. Article 5 In accordance with Article 25 of the Organic Law of Georgia "On Normative Acts", the Resolution No. 191 of the Government of Georgia of April 22, 2016 "On Approval of the Investment Project Management Guide" shall be declared invalid. Article 6 The Resolution shall enter into force upon publication and shall apply to relations arising from January 1, 2023.

Prime Minister

Irakli Gharibashvili

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Chapter I

The Basics of Investment/Capital Project Management

Article 1. General provisions

1. The purpose of developing the “Investment/Capital Project Management Methodology” (hereinafter referred to as the “Methodology”) is to introduce a unified investment/capital project management cycle,

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The methodology provides for regulations in a consistent and comprehensive assessment of investment/capital investments and in determining the priority of competing projects, which ensures, in the process of strategic planning and budget preparation, both nationwide and in sectoral directions, transparency in the management of investment/capital projects, strengthening accountability and effective use of state resources.

2. The methodology defines specific criteria for the preliminary assessment of projects, final selection, consistent reflection and standardization of the investment/capital project management process in the budget.

3. The methodology provides rules and procedures for developing investment/capital projects, defines the roles and responsibilities of participating parties for all stages of the investment/capital project management process.

Article 2. Main stages of investment project management

1. According to international best practices, the investment/capital project management process consists of six main stages: preliminary project appraisal, final project selection, project budgeting, project implementation, project monitoring, and project outcome evaluation.

2. For the purposes of the methodology, an investment/capital project is a financially significant project that is financed (in some cases, the methodology provides for co-financing) with funds provided for by the central, unified republican and unified municipal budgets of autonomous republics (hereinafter - the relevant budget).

3. Based on the cost of investment/capital projects, the methodology defines three categories of projects:

No.	Category	Project cost
		(million GEL)
1	Small	<5
2	Medium	≥5 – <20
3	Large	≥20

4. According to the category of investment/capital projects provided for in paragraph 3 of this Article, the methodology regulates the management of investment/capital projects at the appropriate stage of the life cycle, as well as determines additional information to be presented regardless of the cost of the project.

5. In relation to projects implemented from the central, republican or unified municipal budget of an autonomous republic in cooperation with the private sector, the methodology applies taking into account the regulations set out in the Law of Georgia “On Public and Private Partnership” and the Resolution of the Government of Georgia No. 426 of August 17, 2018 “On Approval of the Rules for the Development and Implementation of Public and Private Partnership Projects”.

6. Paragraph 5 of this Article applies to projects initiated in accordance with the procedure established by this methodology, although during the review process it was deemed appropriate to implement the project through public-private partnership.

7. When evaluating a public-private partnership project, the quality-price ratio methodology is used, which is determined in accordance with the procedure established by the legislation of Georgia.

8. The regulations provided for by the methodology do not apply to projects related to the elimination of the consequences of natural disasters, as well as to projects containing state secrets as defined by the Law of Georgia on State Secrets.

Article 3. Definition of Terms

The terms used in the methodology have the following meanings:

a) An investment/capital project is a set of activities with clearly defined objectives and results, implemented according to a fixed schedule, and creating an asset that provides benefits to a specific group of beneficiaries and/or the ability to use the benefits received.

An investment/capital project involves the creation of new infrastructure or a significant and substantial improvement of an existing one. The project must significantly increase the capacity or productivity of an existing asset, or the life span and value of the asset. Maintenance, repair and even capital rehabilitation of existing assets do not constitute an investment/capital project unless the role of the asset in economic activity is substantially changed.

A small investment/capital project is an investment/capital project worth up to 5 million GEL.

A medium-sized investment/capital project is a project worth between 5 million GEL and 20 million GEL.

A large investment/capital project is a project worth 20 million GEL or more.

Information on investment/capital projects included in the relevant budget is reflected in the annex "On Investment/Capital Projects" attached to the relevant budget;

b) Capital expenditures are expenditures that are directed to the creation of an asset. This includes both tangible assets (buildings, structures, machinery, equipment) and intangible assets (information, communication, IT systems). Capital expenditures include significant improvements to an existing asset (renewal, reconstruction, expansion). Accordingly, according to the budget classification, [expenses of this direction are recorded in the items "Increase in non-financial assets", "Other ¹], capital expenses", "Capital transfers not elsewhere classified" and "Increase in financial assets". The above does not include only investment/capital projects and the total volume of these projects constitutes only a certain part of capital expenditures. For the purposes of this methodology, it is important to separate capital expenditures from maintenance and ongoing repair costs, since an investment project requires a pre-determined investment decision that is not related to the physical condition of the asset;

c) Total project cost – When determining the total project cost, all costs necessary for the implementation of the investment/capital project should be taken into account, both the costs of creating the asset and the equipment necessary for its operation, depending on the source of financing (state budget, donor financing, loans and/or

including beneficiary contributions). In the case of public-private partnership projects, the cost of all obligations assumed by the state (including contingent liabilities) may also be added to the project cost determined by the rules for the development and implementation of a public-private partnership project;

- d) Final beneficiary – the final consumer of the product and/or service obtained or improved as a result of the implementation of an investment/capital project;
- e) Preliminary project assessment – the process of preliminary assessment of the strategic objective, logical justification, budgetary impact and economic feasibility of the project. The first stage of the investment/capital project management process, which involves the development of a project concept note, cost-benefit analysis and a feasibility study in accordance with the requirements of the working group, on the basis of which a decision should be made;
- f) Final selection of the project – decision by the Economic Council on the implementation or non-implementation of the investment/capital project based on the conclusion prepared by the working group, taking into account the results of the project concept note, cost-benefit analysis and/or feasibility study;
- g) Project Concept Note – general information about the project, including a description of the project, definition of goals and objectives, identification of the problem and ways to solve it, assessment of the impact on the budget, risk assessment, including social and environmental impact assessment, which is prepared at the preliminary assessment stage;
- h) Feasibility Study – an analytical study that is carried out at the appraisal stage in accordance with the request of the working group and includes a technical and economic assessment of the proposed project, may also include environmental and social assessments, and is carried out to draw conclusions about the overall feasibility and sustainability of the investment/capital project;
- i) Cost-Benefit Analysis (CBA) – a quantitative assessment of the expected costs and expected benefits of a project in monetary terms based on an assessment of alternative costs;
- j) Cost-Effectiveness Analysis (CEA) – the determination of the expected outcomes of a project and the selection of a project implementation strategy to achieve these outcomes that minimizes the total discounted capital and operating costs. This method is used when estimating the monetary value of benefits is difficult or involves additional costs, or when choosing between alternatives that produce the same or similar outcomes. This analysis is often used to evaluate projects where estimating the monetary value of outcomes is difficult or impossible;
- k) Net Present Value (NPV) – the discounted value of the sum of expected future cash flows (positive and negative) over the life cycle of a project;
- l) Internal Rate of Return (IRR) – the discount rate at which the net present value of a project is zero.
- n) ENPV (Economic Net Present Value) – the discounted value of the sum of expected future cash flows, including economic benefits and costs, over the life cycle of a project;
- n) EIRR (Economic Internal Rate of Return) – the discount rate at which the economic net present value of a project is zero;

- p) Benefit-cost ratio – the ratio of total discounted benefits to total discounted costs over the entire life of the project;
- p) Environmental Impact Assessment (hereinafter referred to as EIA) – complies with the definition specified in the legislation of Georgia and is prepared in accordance with the procedure established by the legislation of Georgia;
- r) Social Impact Assessment – an assessment of the potential negative and positive social consequences of a project, such as: income distribution, poverty, unemployment, gender equality, etc. During social impact assessment, an analysis is not made of the magnitude of losses and benefits for the entire society, but rather an analysis of who is harmed and who benefits as a result of the project (the latter is assessed during the cost-benefit analysis);
- (s) Opportunity cost – the value of a resource in the best alternative use. In economic analysis, the opportunity cost of a resource acquired by a project is its marginal social value in the best alternative use (not related to the project) or in its current use (measured on the basis of willingness to pay), if it is a final product or service (including interest accrued on government deposits);
- t) Externalities – costs or benefits that are not directly accrued to the accounts of the entity implementing the project (i.e., they cannot be reflected in the financial statements because they do not have a market price) and/or that cannot be directly linked to the project in terms of financial flows. They can be positive or negative;
- (t) Efficiency – an assessment of the resources used in the project in relation to the results/products achieved;
- f) Effectiveness – the evaluation of a project based on how successful the results/products achieved as a result of the project implementation are. It may take some time to obtain sufficient evidence to prove the effectiveness of the project;
- v) Discounting – the process by which nominal indicators of future benefits and costs are expressed in present value, is an annual rate similar to a negative interest rate, by "Discount rate" which future costs and benefits are reduced to determine comparable present values. This rate is the same for projects to be implemented within one budget year;
- g) Economic Council – the Economic Council established by a resolution of the Government of Georgia for the purpose of coordinating the development and planning of the country's economic policy and economic strategy;
- (q) Working Group – a working group established by the Minister of Finance of Georgia, which, within the scope of the competence defined for the Ministry of Finance of Georgia, carries out the analysis specified by this methodology in relation to an investment/capital project at various stages of the project life cycle, maintains a unified register of investment projects and monitors the implementation of the procedures specified by the methodology. The regulations of the working group are approved by order of the Minister of Finance of Georgia;
- (h) Public-Private Partnership Project (PPP) – a project that complies with the principles set out in the Law of Georgia on Public-Private Partnership for the relevant stage of project implementation;

M) Value for money (VfM) – an assessment defined by the Law of Georgia on Public-Private Partnership;

c) Quality-price ratio methodology – methodology defined by Resolution No. 426 of the Government of Georgia of August 17, 2018 “On Approval of the Rules for the Development and Implementation of Public-Private Partnership Projects”;

(h) Climate risk identification/screening - determining the impact of climate change-related threats on the project;

s) Residual value - the difference between the fixed asset and the accumulated depreciation. It expresses the remaining value for the last year of the project, before the end of the asset's life cycle;

Q) Operating Expenses (OPEX) – all expenses related to the operation and maintenance of new or upgraded services/infrastructure created as a result of the project implementation;

(k) Operating revenues – cash received from the sale of goods or services provided, for example, fees for the use of infrastructure (for example, highway tolls), the sale or rental of land or buildings. Operating revenues do not include transfers or subsidies (for example, transfers from state or municipal budgets) and do not include other financial income that is not related to the implementation of the project.

Chapter II

Preliminary project assessment

Article 4. Essence, purpose of preliminary project assessment and mechanisms for identifying new projects

1. Project appraisal is the process of assessing the strategic objective, rationale, budget impact, and economic efficiency (feasibility) of a project.

2. The purpose of the preliminary project assessment is to exclude projects that do not correspond to the priorities of the Government of Georgia or a specific sector, region, autonomous republic or municipality, are not economically efficient and/or are less efficient from an economic point of view under budgetary constraints.

3. The preliminary assessment stage ensures:

a) Determining the rationality of the project in terms of logistics, risks and sustainability;

b) Exclusion/rejection of unsuitable project alternatives and identification of suitable alternatives for final project selection.

4. Possible mechanisms for identifying a new project include:

a) In the case of asset management systems, obtaining information about the condition and remaining life cycle of specific state assets and identifying those assets that require some replacement/change in the near future;

b) Priority areas for state investments will be identified through various sectoral and regional strategic plans, which will facilitate the implementation of the project.

- c) Through master plans developed for key infrastructure sectors, it is possible to identify specific projects and their priority sequence;
 - d) Involvement of relevant stakeholders, including local populations.
5. The preliminary assessment process involves assessing the project's strategicity, feasibility, social impact, and budget.
 6. The preliminary assessment stage allows for the consideration of alternative solutions to the problem/issue and the final agreement on several options, one of which is to consider what the outcome would be if the project is not implemented.
 7. The initiation of the project appraisal process is not directly linked to the budget cycle and can begin at any time during the budget year. As a rule, this process should begin as soon as the problem is identified by those responsible for responding to it, and adequate time should be allocated to analyzing the project and its alternatives. The project appraisal phase should normally begin at least one year before the start of the budget year in which the project is intended to be implemented, although a much longer or a relatively shorter period of time may be required, depending on the scale and complexity of the project.

Article 5. Project Concept Card

1. In order to conduct a preliminary assessment, a project concept note should be prepared, which includes basic information related to the project.
2. The information in the project concept note should be based on internal analysis and deliberation. It implies reaching a consensus on the project and, taking into account the specifics of the project (scale, complexity, etc.), it is desirable for specialists and experts in a specific field to participate in its development. Depending on the content of the project, reaching a consensus on the project may also imply the participation of relevant external stakeholders and government agencies. The above is reflected in the process of fully preparing the project concept note.
3. It is possible that the preparation of a concept note may be initiated and not completed if it becomes apparent at the stage of its preparation that further development of the project is not appropriate. This should not be considered an inefficient use of resources.
4. The project concept note must include the following information:
 - a) Basic information about the project and its implementer;
 - b) The essence of the project, the logic of the intervention, the assessment of the need and demand for the project implementation (including information from a gender perspective);
 - c) Compliance of the project with strategic documents;
 - d) Preliminary assessment of the economic significance of the project and analysis of alternatives;
 - e) Impact of the project on the budget and availability of financial resources;
 - f) Issues related to project implementation;

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g) Issues related to project sustainability (including assessment of social impact and gender aspects);

h) Studies required for project evaluation.

5. The project concept note is prepared in accordance with Appendix No. 1 to this methodology.

6. The following issues should be taken into account when preparing the concept note at the preliminary project evaluation stage:

a) Defining the project objectives and scope:

a.a) The project concept note should include a description of the project's rationale, strategic significance, main objective, main task, results/products and activities;

a.b) The strategic rationale for the project is a key component of the project concept note and a key criterion for making a preliminary assessment decision. It is important to be convinced of the long-term strategic significance of the project, taking into account that the political direction set by the Government of Georgia, Ministry, Autonomous Republic or Municipality may change over time;

a.c) After justifying the problem and the need for action, it is important to clearly formulate the project objectives so that it is possible to analyze alternative ways to achieve the set goals;

a.d) The project products/outcomes (i.e. what we will get as a result of the project) and the activities to be carried out to achieve them should be defined.

b) Identification and selection of project alternatives:

The project concept note should include an assessment of alternative project options, in order to analyze the costs and benefits of the project if implemented, over the life cycle of the project. Project proponents should consider in detail the alternative project options, including the "do nothing" alternative. Also, in the case of preparing an additional feasibility study, it is important to review the alternatives based on the results obtained, and the possibility of adding new alternative options, including those related to climate change, may be considered;

c) Determining the demand for the services provided by the project:

c.a) It is important to clarify the demand analysis at the project evaluation stage;

c.b) Forecasts of demand for specific services resulting from the project should be determined, in nominal terms, including forecasts of changes (increase/decrease) in this demand during the project life cycle;

d) Economic analysis:

d.a) The economic analysis must include all assumptions and data, including those studies that will be requested by the working group at the preliminary assessment stage;

e) Other analyses that may be carried out at the preliminary assessment stage:

e.a) Risk analysis and management planning:

E.A.A) Risk is an uncertain event or situation that, if it becomes a reality, will have a positive or negative impact on the project;

E.A.B) The scope and type of risk analysis should be appropriate to the issues related to the project;

e.a.c) Risk management includes formulating responses to key risks. The response should result in changes to the project plan so that the identified risks are mitigated or eliminated;

E.A.D) Risks can be divided into the following categories:

E.A.D.A) Construction risk – an asset not being completed on time in relation to the budget or project specifications;

E.A.D.B) Demand risk – discrepancy between the current demand for the service and the current forecast;

E.A.D.C) Planning risk – inability to provide services at the required level or in accordance with quality standards;

E.A.D.D) Economic risk – the impact of economic parameters on project costs or revenues;

E.A.D.e) Environmental impact risk – the potential for environmental impacts resulting from the implementation of the project, including those that substantially harm the environment and cause negative public sentiment;

E.A.D.V) Climate change risk – the impact of threats caused by climate change on the project;

E.A.D.G) Financing risk – the availability of financing may delay the project or change its scope;

E.A.D.H) Legal risk – changes in legislation increase costs (e.g., tightening environmental protection standards);

E.A.D.I) Operational and maintenance risk – the operating and maintenance costs of the new facility will differ from the planned budget;

E.A.D.K) Procurement-related risk – insufficient capacity of contractors or contractual disputes;

E.A.D.L) Technological risk – provision of services with suboptimal technology due to rapid technological change;

e.b) Project Sustainability Analysis – includes a financial analysis of the project and its implementing organization, its ability to cover all necessary costs and financial obligations, to assess financial sustainability. The impact on the budget is determined in relation to the maximum allocation volumes. Taking into account the content of the project, it is possible to carry out an assessment of environmental impact and social sustainability, including an assessment of the impact of climate change and gender inequality;

E.B.A) Conduct a financial analysis of the project to determine financial profitability and sustainability:

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E.B.A.A.) It is determined whether the project will have a positive impact on financial objectives and how sustainable it will be in the long term;

E.B.A.B) Financial analysis is applicable to all categories of projects;

E.B.B) Financial analysis to assess the sustainability of the implementing organization:

E.B.B.A.) Financial analysis is determined, on the one hand, by the experience of the organization implementing the investment-capital project in implementing similar projects and, on the other hand, by the financial sustainability of the organization owning the asset created as a result of the implementation of the investment-capital project, which implies the presence of the experience of this organization in managing the asset and the financial resources necessary for its maintenance;

E.B.C) Project budget analysis:

E.B.G.A.) Budgetary impact is determined in relation to the allocation ceilings. A budget analysis should be carried out for all projects in order to determine the impact of the project on the state budget and the availability of investments from a fiscal perspective during implementation and operation. Budget analysis makes it possible to assess the budget allocated to the project in relation to the forecast of the expenditure ceilings and the fiscal resources available during the budget preparation process;

E.B.G.B) For the budget impact analysis, costs should be expressed in current prices. Organizations implementing projects should use forecasts of available macro-fiscal parameters for the medium term, or consult with the Ministry of Finance of Georgia, taking into account the need and the duration of the project;

E.B.C.C) Budgetary analysis can be used to assess the budgetary impact at current value. This is broader than financial analysis (but not as broad as economic analysis) because it considers all direct and indirect financial flows that affect public finances, not just those that affect the project implementing organization. Budgetary impact analysis should be prepared only for major projects that have significant direct revenue generation potential or substantial tax effects.

E.B.D) Project Environmental Impact and Social Sustainability Assessment:

E.B.D.A) Given the nature of the project, it is possible to determine the environmental impact and social sustainability of the project and identify any risks that may threaten sustainability;

E.B.D.B) Project assessment should confirm the sustainability of projects in terms of their overall environmental impact, so that they do not have undue, unbalanced impacts on different groups in society, which could call into question their social sustainability;

E.B.D.C) Infrastructure projects often have significant environmental and social impacts. Depending on the scale, category of the project and the likely significance of these impacts, an environmental impact assessment and/or a social impact assessment, including gender and climate change impact analysis, may be required;

E.B.D.D) In cases specified by the legislation of Georgia, environmental impact assessment

The assessment (E.A) report is prepared in accordance with the rules and procedures specified by Georgian legislation;

E.B.D.E) Environmental impact assessment is carried out at the preliminary assessment stage, before the completion of the feasibility study (if any), in order to allow for the results to be taken into account in the economic analysis;

f) Determining the best alternative for the project and preparing recommendations for decision-makers:

f.a) The feasibility of the project is determined based on a financial and economic analysis, taking into account the relative importance of costs and benefits;

f.b) Project alternatives are identified based on an assessment of all circumstances and a decision is made on the need to implement the project. This decision should be based on the assessment of the results of the various analyses mentioned above;

v.c) Along with the financial and economic analysis, the economic feasibility of the project is determined, which takes into account intangible benefits and costs that cannot be monetized;

v.d) It is recommended to implement a two-step evaluation process for a project for which it is possible to determine the net present value (NPV):

V.D.A) Determining the position regarding the economic feasibility of the project based on financial and economic analysis;

v.d.b) Adjust the position based on the extent to which accessibility and sustainability factors contribute to the implementation of the project, as well as taking into account the relative importance of costs and benefits, which may not have been reflected in monetary terms, but were qualitatively analyzed at the stage of assessing the environmental impact and social sustainability of the project;

f.e) The results and recommendations of the above analysis should be presented in the project summary prepared by the working group;

f.v) In the case of projects subject to cost-benefit analysis, the decision should be made based on which alternative to the project is likely to be the most efficient. The latter provides the opportunity to produce a unit of output at the lowest expected cost. In order to make a final decision on the implementation of the preferred alternative, it is necessary to establish a reasoned position. When making a decision, it is important to consider to what extent the implementation of the project with the lowest cost represents a better use of public funds compared to not implementing the project.

Article 6. Methodological approaches at the preliminary assessment stage of projects

1. Methodological approaches for preliminary project evaluation should be selected based on the content of the project.

2. It is necessary to decide what period to analyze to assess the costs and benefits of the major project. Usually, the period to be analyzed coincides with the life cycle of the fixed asset created as a result of the project, namely:

Project analysis periods by sector

Machine Translated by Google	Sector	Year
	Railway	30
	Roads	25-30
	Ports and airports	25
	Urban transport infrastructure	25-30
	Water supply and sewage system	30
	Waste management	15-25
	Energy	15-25
	Wide-band transmission	15-20
	Business infrastructure	10-15
	Other sectors	10-15

Source: European Commission, 2014.

3. Cost-benefit analysis is a key element of project evaluation. The above The analysis provides an economic analysis of the project for the purpose of efficient use of resources. The ability to assess feasibility and alternative project options. During the cost-benefit analysis, the direct and indirect costs associated with the investment project are Indirect costs and benefits are expressed in monetary terms and are also calculated Net present value. During the cost-benefit analysis, the project is Comparing the impact with the “do nothing” alternative. Cost-benefit analysis When implementing:

a) Assumptions determined for the analysis should be based on those obtained from similar projects. knowledge and experience (if any) and be as As realistic and accurate as possible;

b) Demand analysis is an important part of project evaluation. Demand forecasting It is crucial to have proper engineering or other types of capital assets. To develop a decision;

c) During the project evaluation process, the initiators shall provide specific information on the results of the project. Preliminary forecasts of demand for services should be expressed in nominal terms, Including the forecast of the growth of this demand during the project period. Project specifics Considering this, such forecast indicators could be: the number of children enrolled in school Indicator, hospital occupancy, traffic intensity, water consumption, Solid waste generation and others;

d) The level of detail in demand forecasts may vary depending on the project. Depending on the scale and content. Overly optimistic demand forecasts It becomes a reason for making wrong decisions about public investments. If necessary, demand forecasts can be verified independently. by individuals, especially in the case of large-scale projects;

e) During the economic cost-benefit analysis, the costs of the investment project are and assessment of benefits from an economic perspective and beyond the scope of the implementing agency A narrow range of financial indicators. It includes an assessment of costs and benefits across the entire

In the context of society, including costs and benefits whose market prices cannot be directly observed. The analysis involves identifying and evaluating prices and benefits in terms of pure economic efficiency.

4. In order to compare alternatives, determine economic feasibility and select the best alternative, in addition to cost-benefit analysis, cost-effectiveness analysis (CEA) may be used for economic analysis, in cases where it is difficult to estimate the monetary value of the project benefits and alternatives that produce the same or similar results are being considered.

Article 7. Financial and economic analysis at the preliminary project appraisal stage

1. Financial analysis at the preliminary assessment stage of projects

a) Conducting a financial analysis is necessary to assess the project's profitability, financial sustainability, and budget impact;

b) Financial analysis is conducted to compare the project costs over the entire life cycle with the expected revenues from its implementation, which are discounted using the cash flow method. Financial analysis is conducted taking into account the following factors:

b.a) The analysis considers the inflow and outflow of cash flows;

b.b) The present value of future cash flows is calculated using the discount rate;

b.c) The number of years for forecasting cash flows should correspond to the duration of the project's life cycle (accounting period);

b.d) The "do nothing" alternative with its corresponding future cash flows should be calculated and compared to the project alternatives;

b.e) The financial analysis must be prepared taking into account constant (real) prices;

b.f) The financial analysis must be prepared taking into account value added tax;

c) The final results of the financial analysis are presented in the form of two financial indicators – Net Present Value (NPV) and Internal Rate of Return (IRR). There is also the possibility of considering an additional indicator, the Benefit-Cost Ratio (BCR);

d) In some cases, financial analysis may not be a decisive factor in making a decision on whether or not to implement a project (a decision on implementing a project is permissible even if its financial profitability indicators are negative), given that many projects implemented in the public sector are not financially profitable projects. Financial analysis contains important information, determines the amount of financial costs, which is later reflected in the economic analysis;

e) When preparing a financial analysis at the preliminary assessment stage, it is necessary to analyze at least the following indicators:

e.a) Total project cost (Capital Expenditure – CAPEX), which includes the initial investment costs of the project (including capital costs of all tangible and intangible assets of the project) and the replacement costs of capital assets (excluding maintenance and other operating costs);

e.b) The residual value expresses the value remaining until the end of the asset's life cycle for the last year of the project forecast and is the difference between the fixed asset and the accumulated depreciation. Maintenance costs are not included in the calculation of the residual value;

e.g) Operating expenses (OPEX) include all costs associated with the maintenance, operation and maintenance of assets during the project life cycle. Operating expenses include, for example: maintenance, labor, office, utilities, maintenance (maintenance or repair of assets, ongoing repairs), cleaning and other costs;

e.d) Operating revenues include cash received from the provision of goods and/or services produced as a result of the project. The amount of these revenues is forecasted taking into account the value and estimated quantity of goods and services delivered during the operational years. Their assessment should be carried out on the basis of forecasts of current and future requirements, taking into account the capabilities of existing and planned infrastructure. Operating revenues should not include transfers or subsidies, as well as other financial income;

f) In order to compare the financial performance of each project alternative, a differentiated cash flow calculation should be prepared. In particular:

v.a) Differential cash flows are the difference between each alternative for implementing the project and the "do nothing" alternative;

f.b) The financial indicators of each project alternative are calculated and compared with each other, including in order to determine the best alternative;

g) Calculation of financial indicators

G.a) Calculation of Net Present Value (NPV)

Z.A.A) Net Present Value (NPV) is the difference between the financial revenues and financial costs of a project, discounted at the present value. The net present value is calculated using the following formula:

$$NPV = \sum_{t=0}^t \frac{(B_t - C_t)}{(1+r)^t}$$

Where,

B – positive cash flows (profit),

C – negative cash flow (expense),

r – discount rate

t – time (in years).

Z.A.B) A project is profitable if the net present value is greater than zero, meaning that the total discounted revenue from the benefit is greater than the total discounted cost.

Machine Rate of Return (IRR)

Z.B.A.) The internal rate of return (IRR) is one of the important parameters for project evaluation, and it should be taken into account that:

Z.B.A.A.) In some specific cases, it is impossible to find a discount rate that will make the net present value (NPV) equal to zero;

Z.B.A.B) It is possible for more than one discount rate to exist that will yield a net present value (NPV) of zero;

Z.B.A.C) The internal rate of return (IRR) can be used to compare projects of different sizes. The internal rate of return (IRR) is more relevant when making decisions about mutually exclusive projects than when assessing the economic viability of an individual project and its alternatives;

g.c) Benefit Cost Ratio (BCR) – If the Benefit Cost Ratio (BCR) is greater than one, the income generated from the project implementation exceeds the costs incurred, which is considered a positive factor.

2. Economic analysis at the preliminary assessment stage of projects

a) Economic cost-benefit analysis is based on financial cash flow analysis. The main goal of economic analysis is to assess the feasibility of implementing an investment, both in terms of society as a whole and at the national level, and to determine how beneficial the use of economic resources required for the implementation of the project is;

b) Economic analysis consists of three stages:

b.a) Determination of relevant benefits and costs:

B.A.A) The main types of relevant costs and benefits need to be identified. Estimates should be made based on the additional costs to be incurred from the budget for this specific project. Costs that would have been incurred in any case should be excluded. Costs should be estimated for the entire period of the proposed investment;

B.A.B) The accuracy of cost identification will vary depending on the project size and data availability. All projected capital and operating cost estimates should be clearly stated, including any assumptions used, such as actual labor costs, actual energy consumption costs, demand growth, or actual bills/rates;

b.a.c) The assessment of costs and benefits should be consistent and allow for comparison of different alternative options. Whenever possible, benefits should be quantified in monetary terms. It is often possible to adopt different conditional financial measures, although in some cases such an assessment may be associated with additional costs. Accordingly, taking into account the scale and specificity of the project, the spending institution should determine the complexity of the analysis to be carried out. It is not possible to quantify all costs and benefits. Those costs and benefits that cannot be quantified in monetary terms should be reflected in the project concept note in the form of a qualitative analysis. Where possible, these costs and benefits should be expressed in physical quantities;

B.A.D) The need for environmental and social analysis/impact assessment should be identified at the pre-selection stage. Whenever possible, it is preferable to include environmental and social costs and benefits in the economic analysis.

Identify, assess and include benefits in cost and benefit calculations. If this is not possible, these costs and benefits should be quantified (in terms of their scale and number of beneficiaries) and included in the analysis as qualitative characteristics;

B.A.E) Often, the increase/decrease in greenhouse gas emissions is a significant cost/benefit of the project. The impact of greenhouse gases is a global, long-term and internationally binding impact, which is why it should be taken into account in the project assessment;

B.A.V) Given the nature of the project, another aspect of the environmental and social analysis involves assessing the differential impacts of the project on certain ecosystems/territories or social groups that differ from each other in terms of geographical location, social status, income, ethnicity, gender, and other similar factors. When assessing the project and its alternatives, these differential impacts should be considered separately from the potential impacts on society as a whole, as they may be disproportionately distributed among different groups, which should be taken into account when making the final decision on feasibility;

b.a.g) If certain ecological and social costs/losses are unacceptably high for a particular ecosystem or group, it may be necessary to identify appropriate mitigation measures to ensure ecological and social sustainability. The costs of mitigation measures, as well as the costs of related improvements, should be included in the economic analysis;

b.b) Assessment of relevant costs and benefits

B.B.A.) The basic principles for estimating the magnitude of costs and benefits are:

B.B.A.A.) Proportionality: Estimating the costs and benefits of a specific project may require significant resources, research and in-depth analytical work. In light of this, there is generally no expectation that all projects will require the same level of in-depth research and analysis, given their varying scale;

B.B.A.B) Use of market prices: Although the need for change may arise frequently, it is generally understood that market prices are the best starting point for estimating costs and benefits;

B.B.A.C) Use of actual prices: Costs and benefits should be given in real terms. Costs and benefits should be estimated at the prices of a common base year, which should be communicated to all analysts and decision-makers in advance. As a rule, the current year is taken as the base year;

b.b.a.d) Changes in taxes, subsidies and transfers that are likely to affect the preferred alternative: Indirect taxes (e.g. VAT), subsidies and social transfers (e.g. social assistance) do not result in the consumption or creation of economic resources. They simply reflect the allocation of resources from one part of society to another. Therefore, they should not be taken into account in the assessment of costs and benefits;

b.c) Calculation of economic indicators

B.G.A) Calculation of Economic Net Present Value (ENPV)

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The economic net present value represents the economic costs of the project and the difference between the economic benefits that are discounted to the current. The economic net present value is calculated using the following formula:

$$NPV = \sum_{t=0}^t \frac{(B_t - C_t)}{(1+r)^t}$$

Where:

B – positive cash flows (financial and economic benefits);

C – negative cash flows (financial and economic costs);

r – discount rate

t – time (in years).

Note: Financial Economic Net Present Value (NPV, ENPV) is calculated one case financial is used, and second according to financial. And

B.G.A.B) Discounting of net cash flows – future costs and benefits
Discounting should be done at present value;

B.G.A.C) The predominant decision-making criterion in cost-benefit analysis represents the economic net present value (ENPV);

B.G.A.D) A project is viable if the economic net present value is zero. is greater, which means that the total discounted value of the benefit is greater, than the total discounted cost;

B.G.B) The Economic Internal Rate of Return (EIRR) is such that
The discount rate that is used to discount the project's cash flows (financial and economic)
The difference between benefits and financial and economic costs) taking into account the forecasts,
Gives us a net present value (NPV) of zero;

B.G.B.A.) In most cases, the economic internal rate of return (EIRR) is used to evaluate a project.
It provides tangible results, but it is important to consider that:

B.G.B.B.) In some specific cases, it is impossible to find a discount rate that
which will make the economic net present value (ENPV) equal to zero;

B.G.B.C) It is possible for more than one discount rate to exist that is zero.
It will give us the economic net present value (ENPV);

B.G.B.D) The economic internal rate of return (EIRR) can be used in various
To compare projects of similar scale. The economic internal rate of return (EIRR) is more
Relevant when making decisions about mutually exclusive projects,
rather than the economic evaluation of an individual project and its alternatives
When assessing viability;

B.C.C) Benefit Cost Ratio (BCR) – if the cost-benefit ratio
The coefficient (BCR) is greater than one, the income received from the implementation of the project
exceeds the costs incurred, which is considered a positive factor.

3. The financial and economic cost-benefit analysis (CBA) provided for in paragraphs 1 and 2 of this Article for medium and large projects shall be prepared in accordance with Annex No. 2 to this Methodology, and the financial calculations for small projects shall be prepared in accordance with Annex No. 3.

Article 8. Additional stage of project evaluation in case of public-private partnership

1. During the project appraisal process, the implementing agency shall determine the most appropriate procurement method, which may include a public-private partnership project if it has characteristics conducive to this procurement approach.
2. If an economic operator is considering a procurement option for a PPP project, further steps should be taken at the evaluation stage to determine the feasibility of this option. For this purpose, implementing agencies considering a procurement option for a PPP project should be guided by the existing legislation and regulations relating to PPP projects. They should, among other things, assess the feasibility of the PPP project option in terms of value for money (VFM) analysis compared to public (traditional) procurement.
3. When considering possible procurement options, the following should be checked, among other elements, during pre-testing:
 - a) An estimate of the financial, construction and operating costs for each alternative procurement method throughout the project life cycle;
 - b) the existence of sufficient interest in the provision of services from potential private investors and the level of competition in the market;
 - c) Clear identification and assessment of project-related risks and the ability to transfer the appropriate type of risk to the private partner;
 - d) the possibility of covering part of the contractual payments to the private partner from the funds paid by the end user;
 - e) An assessment of the scale of the project in relation to the operational costs associated with the public-private partnership project.
4. If the results of the preliminary test of the procurement option indicate that it is appropriate to implement the procurement option of the public-private partnership project, the process should continue under the legislation regulating public-private partnership.

Article 9. Allocated roles, responsibilities and decision-making in the project appraisal process

1. At the preliminary assessment stage of the project, the initiator and reviewer of the project proposal is the relevant spending institution and its structural unit or budgetary organization responsible for solving the identified problems in the relevant field. The head of the spending institution is responsible for supervising the process of preparing the project concept note, cost-benefit analysis and feasibility study (if any), which will describe the project parameters. The concept note, cost-benefit analysis and feasibility study analysis are prepared by the financial department of the spending institution.

Budget Service[²] with active involvement. The head of the spending institution may delegate responsibility for preparing the necessary documents

To the head of a structural unit or budgetary organization subordinate to him.

2. After the project is assessed by the financial and budgetary services, the project is submitted to the head of the spending institution.

3. The head of the relevant spending institution makes a decision on submitting the project to the Ministry of Finance of Georgia after reviewing the project concept note, cost-benefit analysis and feasibility study analysis of the project (if any), and the possibility of financing it during the estimated period of project implementation.

4. The spending institution prepares financial calculations for new investment/capital projects with a cost of less than 5 million GEL. These calculations are prepared for projects throughout their entire life cycle (both investment costs and current costs), before these projects are included in the budget application, in accordance with Annex No. 3 to this methodology.

5. The spending institution prepares the following information:

a) For a small project – it is mandatory to prepare financial calculations in accordance with Appendix No. 3 to this methodology;

b) For a medium-sized project – it is mandatory to prepare:

b.a) Project Concept Card – in accordance with Annex No. 1 to this Methodology; however, it is not mandatory to fill in economic calculations and related information, except when requested by the working group established at the Ministry of Finance of Georgia;

b.b) Cost-benefit analysis – only financial calculations in accordance with Appendix N2 to this methodology. In addition, if requested by the working group established at the Ministry of Finance of Georgia, a cost-benefit analysis is prepared in full (financial and economic calculations), in accordance with Appendix N2.

c) For a large project – it is mandatory to prepare:

c.a) Project concept note – in accordance with Annex No. 1 of this methodology;

c.b) Cost-benefit analysis – financial and economic calculations, in accordance with Annex No. 2 of this methodology.

6. The spending institution shall submit the information provided for in paragraph 5 of this Article on medium and large projects to the Ministry of Finance of Georgia.

7. The spending institution shall submit the information on small projects specified in paragraph 5 of this Article to the Ministry of Finance of Georgia upon request.

8. By decision of the working group, depending on the specifics and importance of the project, an additional feasibility study may be required for medium and large projects.

9. In the case provided for in paragraph 8 of this Article, the spending institution shall submit to the working group the prepared feasibility study and, based on the results of this study, an updated and revised concept note and cost-benefit analysis.

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10. The working group will review the project concept note, cost-benefit analysis, and feasibility study (if any);

11. When reviewing the documentation submitted regarding the project, the working group shall, as necessary:

- a) Request additional information from the spending institution;
- b) In addition to the alternatives presented in the project, requests consideration of another additional alternative;
- c) In case of disagreement with the spending institution regarding the accuracy of the assumptions, prepares an alternative cost-benefit analysis;
- d) determines the methods of technical and economic analysis (if any);
- e) Invites the project initiator or a representative of another spending institution related to the project and/or a field expert to participate in the work of the working group.

12. After completing the work on the preliminary assessment of projects, the working group prepares summary information on the investment/capital projects reviewed by the working group, which, in addition to the main assumptions and financial and economic calculations related to these projects, includes the scores assigned in accordance with the evaluation criteria for the final selection of projects, as well as the position of the working group on the preliminary assessment of projects:

a) I agree with the submitted project – the project moves to the next stage of investment/capital project management and is reflected in the conclusion provided for in paragraph 1 of Article 10 of this methodology;

b) I do not agree with the submitted project:

b.a) In case of approval by the spending institution, the project review is terminated;

b.b) In case of disagreement between the Ministry of Finance of Georgia and the spending institution, the project moves to the next stage of investment/capital project management, is reflected in the conclusion provided for in paragraph 1 of Article 10 of this Methodology, and the final decision on the implementation/non-implementation of the project is made by the Economic Council.

13. The working group reflects the relevant status of the project in the Investment Project Management Register, through the electronic Investment Project Management System (ePIMs).

Chapter III

Final selection of the project

Article 10. Methodological approaches, distributed roles, responsibilities and decision-making in the final project selection process

1. The working group, based on the concept card of investment/capital projects, cost-benefit assessment and feasibility study (if any), analyzes the amount of funds required to finance the projects in relation to the existing fiscal resources and prepares a conclusion on investment/capital projects, which it submits to the Economic Council.

2. Prepared by the working group provided for in paragraph 1 of this Article

Major conclusion objectives. Investment-capital projects includes the following information:

- a) Project register;
 - b) Brief information about the projects, including:
 - b.a) Project name;
 - b.b) Project representative;
 - b.c) Brief description of the project;
 - b.d) Source of project financing;
 - b.e) Project cost;
 - b.f) Evaluation period;
 - b.g) Key financial and economic indicators of the project (according to alternatives).
 - c) Points awarded in accordance with the evaluation criteria, proposals and recommendations of the working group for the final selection of projects.
3. Based on paragraphs 1 and 2 of this article, the Economic Council shall make a decision on the implementation/non-implementation of the project.
4. If the Economic Council issues a positive conclusion on the project submitted for final selection, the project moves to the next stage envisaged by this methodology.
5. If the Economic Council issues a negative conclusion on a project submitted for final selection, the consideration of the project is terminated.
6. The working group ensures the updating of the project status in the investment project register through the electronic investment project management system (ePIMs).

Chapter IV

Project budgeting

Article 11. The essence and purpose of reflecting the project in the budget and medium-term plans

1. The goal of the project budgeting stage is to select projects that will be financed from the appropriate budget for a specific medium-term period.
2. After a positive decision by the Economic Council, the investment/capital projects of the Government of Georgia shall be reflected in the country's basic data and directions document and in the budget of the corresponding year. The country's basic data and directions document shall also include a list of the aforementioned investment/capital projects.
3. Small and medium investment/capital projects, depending on the direction, may be implemented within the framework of one program code. In addition, large investment/capital projects are allocated as separate program codes in the relevant budget and are reflected in the appendix "On Investment/Capital Projects", except for investment projects financed by the donor, which are implemented within the framework of one program code and, in accordance with the agreement signed with the donor, may include more than one investment project.

4. The list of investment/capital projects that meet the financing requirements may be updated periodically throughout the year in accordance with the preliminary assessment and final selection process and reflected in the revised and final versions of the Country Profile and Directions document.

5. The spending institution shall reflect in its final version of its medium-term action plans and budget application for the relevant year only the list of investment/capital projects that are reflected in the country's basic data and directions document.

6. Financing of a project for which resources can be found immediately after the final selection of the project (e.g., with savings or additional resources in the budget of the relevant year) and is not yet reflected in the list approved by the country's basic data and direction document, may be implemented in accordance with the procedure established by the legislation of Georgia. Such a project will be reflected in the list of investment/capital projects in the country's basic data and direction document, upon subsequent updating of the document.

Article 12. Roles, responsibilities and decision-making in the process of reflecting the project budget and medium-term plans

Roles and responsibilities in the process of reflecting the project in the budget and medium-term plans are determined by the Budget Code of Georgia and the legislation regulating public finance management. Detailed information related to investment/capital projects is reflected in the appendix to the relevant medium-term capital projects.

Chapter V

Project implementation and monitoring

Article 13. Basic provisions for project implementation

1. Investment/capital projects are implemented in accordance with the Law of Georgia on Public Procurement and Georgian legislation.

2. In the case of donor-funded projects or international tenders, the project is implemented according to procedures agreed with the donors.

Article 14. Project monitoring and assigned roles and responsibilities in this process

1. Periodic (quarterly and annual) reporting on the status of investment/capital projects should be made to the relevant body responsible for the project based on the aforementioned performance reports.

2. Project implementation reports must include at least the following information:

- a) Project name;
- b) Project start date;
- c) Estimated date of completion of the project;
- d) percentage of work completed;

f) Planned budget and incurred expenses;

g) Explanations regarding project postponements, over or underspending, financing and construction-related issues, and measures planned in light of the above.

3. Reporting on projects financed from the state budget shall be carried out in accordance with the requirements for budget execution reporting specified in the Budget Code and within the established deadlines, and shall be submitted to the Parliament of Georgia together with quarterly and annual execution reports.

4. Reporting on projects to be implemented by autonomous republics and municipalities shall be carried out taking into account the requirements specified in the Budget Code and within the established deadlines, and shall be submitted to the relevant representative body together with quarterly and annual implementation reports.

5. An annual report on projects implemented by autonomous republics and municipalities, in accordance with the information provided for in paragraph 2 of this Article, shall be submitted to the Ministry of Finance of Georgia within 2 months from the end of the year;

6. The Ministry of Finance of Georgia shall review the information received on the basis of paragraphs 1-5 of this Article in a working group format and, if necessary, shall be authorized to submit a summary report to the Economic Council.

7. A report on the implementation of projects will be submitted by the Ministry of Finance of Georgia to the Economic Council if, based on the dynamics of the project implementation, the working group reveals a significant lag in the project implementation schedule or sees other types of significant risks in the project implementation, including challenges and circumstances existing in the project implementation process, which may be taken into account in the future in the process of evaluating and selecting other projects.

8. As a result of the review of the information received pursuant to paragraph 7 of this Article, the Economic Council may discuss and make a decision on the further stages of project implementation.

Chapter VI

Evaluation of project results

Article 15. Essence and main provisions of the evaluation of results

1. Evaluation of project results – the achievement of project objectives is assessed in terms of resources used and environmental impact.

2. The objectives of project outcome evaluation are:

a) Increasing transparency by demonstrating how effectively public funds have been invested and used in relation to financial, economic, environmental and social objectives (including gender and climate change impact assessment);

b) Measuring effectiveness – actual results are compared with forecasts or achievements are compared with set goals in order to measure the benefits of the project;

c) Factors to consider in order to improve the preliminary assessment in the future – The information available at the preliminary assessment stage is important for assessing the project results.

Analysis of information to determine whether project implementation was adequate before approving preliminary forecasts to make investment decisions. This allows for the identification of additional measures to be taken to improve the quality of project evaluation;

d) Collect information on similar implemented projects to determine appropriate forecasts and encourage more accurate analysis of preliminary assessments by ensuring transparency of actual project results.

3. The essence of project performance evaluation is not to detect deviations from the project plan. The main thing is to consider the main reasons for deviations and the real goals of project performance evaluation. Deviations identified at the stage of project performance evaluation may indicate that due attention was not paid to possible unforeseen influences (i.e. external and partly internal unforeseen factors) at the initial stages of the project life cycle. Deviations may be caused by project design, incorrect information, ineffective decision-making, and other general issues.

Article 16. Stages of project results evaluation

The evaluation of project results consists of the following steps:

a) Evaluation of the planning process – it is important to evaluate the preliminary assessment and planning process of projects. It is difficult to determine which analysis specifically helps in decision-making during the preliminary assessment of the project. When the documentation related to the project is not available or is incomplete, as well as in the case of a lack of official documentation regarding the preliminary assessment results and planning documents in general, a transparent analysis of the evaluation of the project results becomes difficult;

b) Measuring the final result of the project – obtaining information on the performance of the project for the purpose of further evaluation of the project is associated with costs, therefore it is important to focus on key indicators and use standard approaches. In some cases, significant impacts of some projects may not be included in the objectives and such issues should be taken into account when evaluating the project results, if possible. An effective way to obtain information on the differences between the preliminary and final evaluation of the project is to interview relevant experts;

c) Differences between the expected result of the project and the achieved result – the existence of a difference between the expected result and the achieved result, and especially the clarification of the reasons for these differences, is often unrealistic, given that the planned result in most cases will not be identical to the achieved result. Even in cases where the difference is small, it does not mean that the reason for this is a well-planned and implemented project, but rather that the final result of the project may be determined by some external unforeseen factor;

d) Analysis of alternatives – the analysis is based on the post-project evaluation, the analysis of the situation caused by the achievement of the result in relation to the situation existing before the achievement of the result. Studying the difference between pre-evaluation and post-evaluation is important for a complete analysis of the project. It is possible that the analysis does not present some projects that have been implemented, and vice versa, projects that have not been implemented are considered and their analysis and results are discussed;

e) Identification of internal and external factors – it is important to study how internal and external factors have influenced the differences between the pre- and post-assessments. An analysis is carried out of the effects caused by internal and external factors that may not have occurred if the project had not been implemented or the effects that would have occurred if the project had not been implemented.

As a result of non-implementation. In this process, to evaluate the project, it is possible to clarify in more detail the issues related to the changes through interviews with the parties involved;

f) Cost estimation – is one of the most important stages of the subsequent evaluation of projects. Costing methods and the reasons for the differences between expected and actual costs are studied. The following key factors should be taken into account: delayed implementation dates, changes in project specifications and design, exchange rates, quantities and prices, safety requirements, as well as environmental requirements, geological and technological risks (including risks related to climate change);

g) Project evaluation – analysis of the differences between the expected outcome and the observed outcome during the project appraisal, which includes an analysis of the project development and implementation, where attention should be paid to the weaknesses and strengths of the implementation process. In this process, it may be revealed that relatively “better” tasks were not implemented. Also, the project is evaluated in relation to the environmental impact, whether the project played a proactive role in the project implementation process, taking into account financing, which can be studied as a result of consultations with the parties involved, as well as the public (including the impact of gender inequality);

h) Measuring the effectiveness of investments – the impact of the project on economic well-being in relation to the planned and achieved results. At this stage, taking into account the actual results and costs, the economic indicators of actual performance (NPV and IRR) are recalculated to compare them with the expected results.

Article 17. Evaluation of project results, roles and distribution of responsibilities

1. No later than 2 months after the end of the 2nd budget year following the completion of the investment project, the spending institution shall submit a report on the assessment of the results to the Ministry of Finance of Georgia.
2. The Ministry of Finance of Georgia will review the received documentation in a working group format and request additional information as necessary.
3. Taking into account the specifics of the project, in order to assess the effectiveness of the project, the Ministry of Finance of Georgia may impose an additional obligation on the spending institution to submit a project effectiveness assessment report, but no later than 2 months after the end of the 5th budget year following the completion of the project.
4. The Ministry of Finance of Georgia, as necessary, is authorized to submit a summary report to the Economic Council.
5. The project results assessment report will be submitted by the Ministry of Finance of Georgia to the Economic Council if the working group identifies factors within the framework of the summary report that may have a significant impact on the quality of implementation of ongoing and planned projects.
6. As a result of the review of the information received pursuant to paragraph 5 of this Article, the Economic Council may discuss and prepare a recommendation on the clarification of individual regulations in the process of managing investment/capital projects and/or the systematic updating of these processes.

¹ Machine Translated by Google
Macro Approval of the Budget Classification of Georgia" Ministry of Finance of Georgia
[[Ministerial](#) Order No. 99 of April 5, 2019.

² [_1](#) Financial and Budgetary Service – Order of the Minister of Finance of Georgia of July 8, 2011
[[In](#) accordance with the "Program Budgeting Methodology" approved by Order No. 385