



ASSOCIATION OF YOUNG ECONOMISTS OF GEORGIA

REPORT

Monitoring of Program of Urgent Medical Aid to Population

*The Report is Published
In the Scopes of the Project "Transparent Budget"*



The Project is Implemented with the Support of the Great Britain Charity Organization OXFAM
in Georgia Representation

CONTENT

I. IMPLEMENTATION OF PROGRAM: LEGAL BASIS AND BACKGROUND	3
1.1.PROGRAM TARGETS AND FINANCIAL SCHEME	3
1.2. TRENDS OF PROGRAM IMPLEMENTATION (FUNDING)	6
II. RESULTS OF MONITORING	16
2.1. INFRINGEMENTS COMMITTED AT APPROVAL OF PROGRAM.....	16
2.2. NEGLIGENCE BY LOCAL SELF-GOVERNMENT OF THE ARTICLES 21.1 AND 21.2 OF THE LAW OF GEORGIA “ON 2003 STATE BUDGET OF GEORGIA”	19
2.3. NEGLIGENCE OF ACCOUNTING.....	19
2.4. VIOLATIONS IN IMPLEMENTED STATE PURCHASES	20
2.5. VIOLATIONS AND CORRUPTION OPPORTUNITIES IN IMPLEMENTATION OF THE PROGRAM.....	22
2.6. VIOLATIONS FROM THE STANDPOINT OF FINANCIAL ACCOUNTING	24
SUMMARY	25

I. IMPLEMENTATION OF PROGRAM: LEGAL BASIS AND BACKGROUND

1.1. PROGRAM TARGETS AND FINANCIAL SCHEME

The recent laws on State budgets can be estimated as the legal basis for Program of Urgent Medical Aid to population. Specifically, Georgian law "On State Budget 2002" (Art. 2, Cl. 2') has provided the implementation of program of urgent medical and ambulance aid to population; also, Georgian law "On State Budget 2003" (Annex 7) envisaged hospital aid for the population, within the frameworks of the State Program of Urgent Medical and Ambulance Aid.

According to the information from Ministry of Labor, Health and Social Protection of Georgia, with the purpose to meet the requirements of Georgian law "On State Budget 2003", Ministry of Labor, Health and Social Protection and Ministry of Finances have jointly prepared Resolution #131/n-112 of May 1, 2002 "On the Order of Budget Resource Accumulation for the Implementation of State Program of Population's Urgent Medical and Ambulance Aid" in order to control the order of cash flow from local government and self-government bodies to State Medical Insurance Company. In accordance with the Resolution # 166/o of May 30 of Ministry of Labor, Health and Social Protection of Georgia, and pursuant to the Instruction of the same Ministry "On the New Order of Implementation of Obligatory Municipal Minimum", the obligations of local and central authorities in the realm of health protection, respectively, were strictly discerned, with regards to the modern circumstances resulting from the requirements of Georgian law "On State Budget 2002".

According to the information from Ministry of Labor, Health and Social Protection of Georgia, "providing a major part of the population that is scarcely solvent as to exhaustively cover all hospital expenses (so called hospital medical treatment), a special Program of Hospital Medical Aid has been prepared".

At the same time, State Program of Hospital Medical Aid has been established through the combination of two different programs; these two are, as follows: 1) Program of Additional Medical Aid to the Poor; and 2) Municipal Hospital First Aid Program. Said Program is put into practice by United State Fund of Social Protection that was established under Presidential Decree #558 of December 31, 2002, as the result of the merge of United State Fund of Social Insurance and State Medical Insurance Company. This body is a legal entity under public law.

It is important that the ultimate goal of State Program of Population Hospital Aid is the facilitation of access to hospital first aid (treatment in a hospital) for persons aged over 3 (three). The scope of the aforementioned Program includes the co-funding of medical aid; under such condition, citizens are supposed to cover only a part of medical aid expenses. Namely, the main component of State Program of Urgent Hospital Medical Aid to Population is the financing of such very first aid without which life and health of patients are highly endangered. Therefore, State will partly fund patients' medical treatment in hospitals (at 75%); as regards for the poor (specifically, those in avail of Poverty Policy), free hospital first aid is ensured, that is, the citizens filed under 'POOR' category do not pay hospital medical treatment expenditure to be totally covered by the State.

State Program of Urgent Medical Aid to Population stands for a component of the State Program of Hospital Medical Aid to Population aiming at the availability of timely and quality first aid (emergency) in terms of both finance and area.

According with Georgian Ministry of Labor, Health and Social Protection (stated in Letter #6/06-263 of October 6, 2003), the following measures are provided within the framework of State Program of Urgent Medical Aid for the Population:

- Hospital Medical Aid for children aged from 3 to 15 and for adults aged over 15 (except for hospitals in Adjara AR);
- Anti-rabies treatment of the population (anti-rabies treatment is the obligation of local municipal self-government bodies, in the city of Tbilisi and in Adjara AR);
- First aid medical treatment in peril of person's life (first aid medical treatment is the obligation of local municipal self-government bodies, in the city of Tbilisi and Adjara AR);
- Hemodialysis support for the population (the contingent envisaged by the instruction on inclusion in the "component of transplantation of organs and tissues and dialysis", that can not be ensured by the amount of the specified component).

It is interesting that the financial scheme is determined (see Scheme #1), according to Article 21 of Georgian law "On State Budget 2003", for the implementation of State Program of Urgent Medical Aid to Population. Namely, monthly moneys should be allocated from local budgets, at the amount not less than the 1/12th of 7% of the annual expenses; allocated from the Tbilisi budget should be at least 20 Tetri per capita. That means that the funds allocated by local budgets should be used for the implementation of the Program of Urgent Medical Aid to Population and transferred to the account of United State Fund of Social Insurance of Georgia; in Tbilisi, with the purpose of urgent medical aid funding, partly, also, to the account of Urban Health Protection Support (the allocation

of 2.5 mln GEL is envisaged, under Resolution #4-1 of March 14, 2003 of Tbilisi Sakrebulo “On Tbilisi Budget 2003”).

According with the above, the following amounts are designed to be allocated from State Budget 2003: 7,500,000 GEL – for urgent hospital aid (s. Table 1), including 6,000,000 GEL for children aged from 3 to 15 and adults over 15, for the provision of the population with anti-rabies vaccine and immunoglobuline - 400,000 GEL, for the delivery of first medical aid to population -900,000 GEL, and 200,000 GEL for the supply of the population with hemodialysis.

Table #1

2003 State Budget

Activity	
Urgent Stationary Service	6 000 000
Among them:	
Infants of the age of 3-15 years old	
Fellow population of the age over 15 years old	
Providing population with the anti-rabies vaccines and immunoglobulin	400 000
Providing population with the Emergency Healthcare Service	900 000
Providing population with the hemodialysis	200 000
Total:	7 500 000

Noteworthy is that, as per the advice from Ministry of Labor, Health and Social Protection (ref. Letter #6/06-263 of October 6, 2003), due to the failure of the program measures to stay resources-economic, the following co-funding principle has been utilized: patients should pay up to 25% of hospital medical aid payment. At the same time, the co-funding principle is not the instance of children aged from 3 to 15 and adults over 15, in Tbilisi; in this event, the State should cover the total amount. This instance is the array of children that should be medically treated, in the following districts: Tchiatura, Tsageri, Oni, Mestia, Lentekhi, Tzalka, Qazbegi, Tianeti, Akhagori, Aspindza, Tzalenjikha, Keda, Khulo, Shuakhevi, Akhmeta, Ambrolauri, Dusheti. In other cases (including, also, Zugdidi) the normal State funding for both age groups is at 75%.

An important part of the country’s population is interestingly to be under poverty line that causes the inability thereof to get access to a basic medical aid. With this in mind and, also, based on Constitution of Georgia, in order to enable

citizens to get access to their basic rights, that is, to increase the availability of medical aid, it is necessary to effectively implement Urgent Medical Aid Program.

At this backdrop, the conducted monitoring witnessed the existence of a very good software in United State Fund of Social Protection. This program can facilitate the information exchange between center and districts. Moreover, there are many experts and professionals employed for the performance of the mentioned software. However, we should say the existing system of the planning and execution of this State Program must be adjusted and/or changed (for the sake of the perfection thereof).

1.2. TRENDS OF PROGRAM IMPLEMENTATION (FUNDING)

A brief glance at the funding of population's hospital aid, in terms of planning and actual parameters in 2002-2003 (s. Tables 2 and Table 3) will clearly display difficulty to perform planned parameters, at both regional and district level. For example, the eight-month plan over 2002 was performed at 68%, on a Georgia scale (the highest index, 111%, was attained in Ratcha-Lechkhumi and Kvemo Svaneti, while the lowest point was in Guria - 44%). This index was 53% in Samegrelo-Zemo Svaneti region. A high index is also 105% in Chkhorotsku, while in Abasha, there was no actual transfer. Anyways, according with the 2003 data, a 56% record was attained (from the lowest, 35%, in Kakheti, up to the highest, 101%, in Samtskhe-Djavakheti).

Table #2

Obtained Revenues of the State Medical Insurance Company and Regional Branches from the Local Self-government Bodies of 2002

	Names of the Regions, Cities and Districts	8 Month Plan	Received Amount (GEL)	Received Amount/Plan (%)
1	2	3	4	5
	Tbilisi	1459500	1320000	90.44
	Kakheti			
1	Akhmeta	49000	45875	93.62
2	Gurjaani	84936	52830	62.2
3	Dedoplistskaro	35000	18000	52.86
4	Telavi	85400	84000	98.36
5	Lagodekhillagodexi	58336	22500	38.57
6	Sagarejo	67664	16000	23.65
7	Signagi	74664	3000	4.02

1	2	3	4	5
8	Kvareli	45504	8000	17.58
	Total:	500504	250705	50.09
Kvemo Kartli				
1	Rustavi	177600	167800	94.48
2	Bolnisi	86400	66700	77.2
3	Gardabani	126000	11200	8.89
4	Dmanisi	42000	4800	11.43
5	Tetritskaro	51200	27266	53.25
6	Marneuli	140000	39500	28.21
7	Tsalka	30400	4300	14.14
	Total:	653600	321566	49.2
Shida Kartli				
1	Gori	168000	165200	98.33
2	Kaspi	64800	23000	35.49
3	Kareli	64800	10000	15.43
4	Khashuri	89600	89800	100.22
	Total:	387200	288000	74.38
Imereti				
1	Kutaisi	508640	445000	87.49
2	Chiatura	154000	55250	35.88
3	Tkibuli	96480	37000	38.35
4	Tskaltubo	86400	25540	29.56
5	Bagdati	34960	14000	40.05
6	Vani	43360	12560	28.97
7	Zestaponi	165600	11000	6.64
8	Terjola	48960	36750	75.06
9	Samtredia	74400	74400	100
10	Sachkhere	56000	67872	121.2
11	Kharagauli	32640	7760	23.77
12	Khoni	41760	13900	33.29
	Total:	1343200	801032	59.64
Guria				
1	Lanchkhuti	67680	0	0
2	Ozurgeti	93280	65860	70.6
3	Chokhatauri	40960	24500	59.81
	Total:	201920	90360	44.75
Samegrelo-Zemo Svaneti				
1	Poti	132000	84500	64.02
2	Zugdidi	147200	61000	41.44
3	Abasha	33600	0	0
4	Martvili	48000	18500	38.54
5	Mestia	16400	16337	99.62
6	Senaki	51200	51209	100.02

1	2	3	4	5
7	Chkhorotsku	23200	24400	105.17
8	Stalenjikha	32800	19500	59.45
9	Khobi	40800	5200	12.75
	Total:	525200	280646	53.44
Racha-Lechkhumi and Kvemo Svaneti				
1	Ambrolauri	18640	25058	134.43
2	Lentekhi	16000	16110	100.69
3	Oni	16800	14000	83.33
4	Tsageri	16800	21000	125
	Total:	68240	76168	111.62
Mtskheta-Mtianeti				
1	Akhlagori	12800	12600	98.44
2	Dusheti	46400	50748	109.37
3	Tianeti	20800	17600	84.62
4	Mtskheta	131200	139400	106.25
5	Kazbegi	7280	7860	107.97
	Total:	218480	228208	104.45
Samstkhe-Javakheti				
1	Adigeni	51656	12000	23.23
2	Aspindza	40640	17775	43.74
3	Akhalkalaki	39992	39500	98.77
4	Akhaltzikhe	98784	114920	116.33
5	Borjomi	136696	47300	34.6
6	Ninotsminda	32664	31500	96.44
	Total:	400432	262995	65.68
	Grand Total:	5758276	3919680	68.07

Note : - Planned parameters are obtained from the company branches;

- 7 month is considered as the planned parameter for Tbilisi.

The Georgian Parliament, on December 31, 2002 made alterations and additions to the law "On State Budget 2002 ", thus 5,700,000 GEL, instead of, 5,758.3 GEL was registered under planned parameters.

It is significant that, when in the research of background (problems) an emphasize was made on Samegrelo-Zemo Svaneti Region (Zugdidi District).

At the same time, under the report of Samegrelo-Zemo Svaneti Regional branch office of United State Insurance Fund "On Implementation of 2003 State Programs of Obligatory Medical Insurance", United State Insurance Fund does stand for a legal representative of State Medical Insurance Company. In order that the State programs be continuously conducted the period of validity for 2002 State Programs of Health Protection

has been prolonged to September 1, 2003. At the same time, pursuant to the Order dm/08-3475 of 01/09/03 signed by Mrs N. Qazakhashvili, Deputy Managing Director of United State Social Insurance Fund of Georgia, since September 1, 2003, the formulation of State programs of 2003 health protection contracts has been started. Consequently, Samegrelo-Zemo Svaneti regional branch office has executed 89 (eighty nine) ambulance and hospital medical aid contracts with 46 (forty six) medical institutions in Samegrelo-Zemo Svaneti region. Respectively, the expense quota for State Programs of Medical Insurance (including by medical institutions) has been defined (s. Table 4).

Table #4

State Medical Insurance Company Programs and Limits

#	State Medical Insurance Programs	Monthly Limits until 1 st September of 2003	Monthly Limits after 1 st September of 2003
1	Emergency Healthcare Service Program	16765	18775
2	Urgent Medical Service Program	42100	75650

Eleven medical institutions participate in the component of Program of Urgent Medical Aid to Population in Samegrelo-Zemo Svaneti region (see Table 5). The medical institutions that participate in this program are limited with a monthly financial quota. The performed operations of the institutions will be paid, within the frameworks of quarterly quota. The implemented works are reimbursed to institution within quarter limit. The financial quota over one calendar quarter constitutes a tripled amount of the monthly quota. The financial quota under additional component of medical support to the poor adds up to 75,650 GEL.

Over 2003, 1,727 patients were treated within component of hospital medical aid in Samegrelo-Zemo Svaneti regional medical institutions (see Table 6).

First aid as a population urgent medical aid's component sets itself the following as an object: first medical aid for both persons with permanent place of residence and forcedly displaced persons. For those medical institutions that participate in this program, a monthly financial quota is determined. The financial quota for a component of additional medical aid for the poor adds up to 18,775 GEL (see Table #5), in terms of a region; while 13,643 patients over 2003 (see Table #7) were first aid treated, under this medical support program, in Samegrelo-Zemo Svaneti region. In this context, the average index of the allocated cost-account per one patient is 16.5 GEL, in Samegrelo-Zemo Svaneti region (at

the backdrop of the highest per region index being 25.6 GEL, at Zugdidi First Aid station, and the lowest figure of 13 GEL, in the instance of Poti First Aid station).

Table #5

State Medical Insurance Company Programs and Limits According to the Medical Institutions (Samegrelo-Zemo Svaneti Region), after September 1st, 2003

Medical Institution	Emergency Healthcare	Urgent Healthcare	Total
Zugdidi State Hospital	0	36600	36600
Zugdidi Emergency Healthcare Station	4500	0	4500
Darcheli Regional Hospital	1000	0	1000
Poti Emergency Healthcare Station	4000	0	4000
Poti Municipal Hospital	0	9000	9000
Abasha State Hospital	750	4000	4750
Martvili State Hospital	900	6000	6900
Mestia Ambulance Union	600	0	600
Mestia Regional Hospital	0	3500	3500
Senaki Regional Hospital	0	5000	5000
Senaki Children Hospital	0	250	250
Senaki Emergency Healthcare Station	3500	0	3500
Chkhorotsku Regional Hospital	0	3800	3800
Chkhorotsku Emergency Healthcare Station	1500	0	1500
Tsalenjikha Regional Hospital	775	1000	1775
Jvari Hospital "Engurhesi"	450	1500	1950
Khobi Regional Hospital	0	5000	5000
Khobi Emergency Healthcare Station	800	0	800
Total:	18775	75650	368592,05

Table #6

Medical Institution	I		II		III		IV		V		VI		VII		VIII		IX	X	XI	XII	Total
	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs					
Kirtsi Maternity House	0	2	0	0	0	1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3
Jvari Hospital "Engurhesi"	0	2	0	1	0	2	0	3	0	3	0	1	0	0	0	3	6	5	4	4	34
Abasha Hospital	23	4	23	4	7	5	14	5	12	5	18	4	11	3	11	4	41	15	14	17	240
Chkhorotsku Regional Hospital	16	3	12	6	13	6	19	5	13	5	16	5	23	5	17	5	23	26	22	24	264
Zugdidi Infectious Hospital	0	2	0	2	0	1	0	1	0	2	0	2	0	3	0	2	0	0	0	0	15
Zugdidi State Hospital	0	5	0	6	0	3	0	0	0	3	0	3	0	3	0	3	0	0	0	0	26
Tsalenjikha Regional Hospital	0	0	0	1	0	0	0	1	0	3	0	2	0	2	0	3	6	12	5	6	41

Martvili State Hospital	7	0	12	0	21	9	16	2	13	3	13	1	18	3	13	3	6	12	5	9	166
Khobi Regional Hospital	7	2	7	1	8	2	8	2	9	7	8	1	14	1	7	4	7	10	9	8	122
Mestia Regional Hospital	0	2	0	1	0	1	0	1	0	3	0	0	0	1	0	0	6	9	10	10	44
Chkhorotsku Maternity House	0	0	0	0	0	1	0	0	0	1	0	1	0	0	0	0	0	0	0	0	3
Senaki Children Hospital	0	0	0	0	4	0	2	0	9	1	3	0	3	0	2	0	6	9	3	2	44
Senaki Regional Hospital	19	1	12	2	19	4	15	4	22	5	14	5	121	3	18	2	36	29	14	11	356
Poti Municipal Hospital	0	0	0	0	0	0	19	0	4	0	14	0	12	0	16	0	41	52	29	41	228
Zugdidi Hospital Republic	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	61	72	69	202
Darcheli Regional Hospital	0	0	0	2	0	2	0	2	0	2	0	3	0	3	0	3	0	0	0	0	17
Region	72	23	66	26	72	37	93	26	82	43	86	28	202	27	84	32	178	240	187	123	1727

Table # 7

**Urgent Medical Aid for Population
(Emergency Healthcare)**

Medical Institution	I		II		III		IV		V		VI		VII		VIII		IX	X	XI	XII	Total
	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs	Local Population	IDPs					
Jvari Hospital "Engurhesi"	18	13	20	13	20	13	20	13	20	13	20	13	15	13	20	13	30	30	30	30	377
Abasha State Hospital	20	20	39	20	45	20	29	20	26	20	26	20	28	20	30	20	50	50	50	50	603
Chkhorotsku Emergency Healthcare Station	72	10	70	10	79	10	77	10	78	10	74	10	82	10	88	10	101	101	100	103	1105
Martvili State Hospital	47	24	47	19	40	23	49	18	40	17	40	16	50	16	44	15	58	58	19	38	678
Khobi Emergency Healthcare Station	30	7	31	7	31	7	31	7	30	7	30	7	30	7	30	7	54	54	41	54	502
Mestia Regional Hospital	35	8	35	8	35	8	35	8	35	8	35	8	35	8	35	8	40	40	40	40	504

Zugdidi Emergency Healthcare Station	144	54	68	56	147	69	124	57	139	53	119	50	127	55	123	50	161	161	153	195	2105
Senaki Emergency Healthcare Station	149	59	137	63	137	63	209	63	221	63	211	63	213	59	216	53	237	237	234	237	2924
Darcheli Regional Hospital	40	21	21	24	21	30	30	22	30	21	30	21	30	21	30	22	50	50	47	53	614
Tsalenjikha Regional Hospital	33	5	41	6	38	5	39	5	39	6	39	5	37	5	45	7	52	52	50	50	559
Poti Emergency Healthcare Station	400	0	173	0	296	0	312	0	310	0	303	0	308	0	301	0	317	317	318	317	3672
Region	988	221	682	226	889	248	955	223	968	218	927	213	955	214	962	205	1150	1150	1082	1167	13643

As we have said, depending on the requirements put forth in Georgian law “On State Budget 2003”, Article 21, Cll. 1,2, local self-government bodies undertake to allocate at least 7% of total approved local budget estimate to co-fund “firstaid pack” (in addition to special measure transfers from central Georgian budget and extraordinary funds of budget institutions/organizations). From this standpoint, local self-government bodies of Samegrelo-Zemo Svaneti region determined a 957,200 GEL annual plan that had been assigned for first aid (urgent) hospital support of the population.

Samegrelo-Zemo Svaneti region should be said to have disastrous situation, as far as the performance of the afore-mentioned obligations is concerned. As per the actual status on January 12 2004, the local self-government bodies had transferred 518,578 GEL (54,2 %) to United Social Insurance Fund. In this sense, especially sinister is the state of affairs in districts of Martvili (3,9 %), Zugdidi (16,7 %), Abasha (21,1 %), where the local self-government bodies had hardly transferred merely 25% of the annual plan, if any, to United Social Insurance Fund (see Table #8). This circumstance particularly threatens the population of the region, since this causes difficulties to provision thereof with hospital first medical (urgent) aid.

Table # 8

The Amount Transferred by the Local Self-government Bodies to the United State Social Insurance Fund of Georgia

District	Yearly Plan	Received Amount	Debt	Financing %
Zugdidi	245000	41000	204000	16,7
Poti	264000	233000	31000	88,3
Abasha	61600	13000	48600	21,1
Martvili	77000	3000	74000	3,9
Mestia	53700	40806	12894	76,0
Senaki	99200	99200	0	100
Chkhorotsku	42000	27972	14028	66,6
Tsalenjikha	49000	29100	19900	60
Khobi	65700	31500	34200	47,9
Region	957200	518578	438622	54,2

At this point, it should be marked out that the self-government bodies of Senaki, Poti, Mestia districts have somehow managed to meet their engagements. In this regard, especially remarkable is Senaki district that funded the hospital first medical (urgent) aid at 100%.

II. RESULTS OF MONITORING

2.1. INFRINGEMENTS COMMITTED AT APPROVAL OF PROGRAM

As we have already mentioned, the population's hospital medical aid program together with its component such as urgent program were provided in Georgian law "On State Budget 2002" (Article 2, Cl. 2), in the form of the population's urgent and ambulance aid, and in Georgian law "On State Budget 2003" (Annex 7), within the framework of hospital medical aid, in the form of the population's urgent and ambulance aid.

Despite the abovementioned, the bodies of the respective executive authorities (which submit Program and compile Project budget) violated, due to negligence or of malice pretence the requirements to preparation, consideration and approval of State Program, also, the requirements determined in the legislation on State Programs and subject to the laws on State Budget 2002 and 2003 (see Scheme 2).

Namely, according with the information from Department of Social Infrastructure's Economy at Georgian Ministry of Economy, Industry and Trade (Letter #01/02-05/132 of 4.12.03), the draft Target Program of Population's Hospital Medical Aid was submitted for the consent to neither Georgian Ministry of Labor, Health and Social Protection, nor with United State Social Insurance Fund; later, we shall say some more on this account. That Program, however, was provided in bills on State Budget 2002 and 2003 and, thereupon, approved by Georgian Parliament in the form of laws. Correspondingly, the submission of State Program and the elaboration of Budget bill have flatly violated following legal requirements:

- 1) **Article 3 of Georgian law "On Grounds for Indicative Planning of Economic and Social Development of Georgia":**
 - **in accordance with Cl. 2,** - In order to be included in the next year forecast calculation of indicative plans, an initiator should submit the Program to Georgian Ministry of Economy no later March 1 of the current year.
 - **in accordance with Cl. 5,** - taking into consideration the current goals, tasks and priorities of the social and economic development of the Georgian country, on the basis of the approved Programs, will, first of all and in cooperation with ministries and departments concerned, draw up a list of the programs to be carried out and attach to the next year forecast calculation of indicative plan accompanied with brief announcements, to take account thereof in Law on State Budget".

- **in accordance with Cl. 6**, - Ministry of Economy of Georgia and Ministry of Finances of Georgia, while working on main directions and parameters of State Budget, will select and take account of those programs, the achievement of which is advisable and desirable, starting next year”.

2) Decree of the President of Georgia “On the Order of Selection and Funding of Target State Programs (Program Proposals)” #711, of December 24, 1998:

- **in accordance with Cl. 2, II** - “in order to include target programs into next year draft indicative plan, target programs should be submitted to Ministry of Economy no later March 1, according with Form enclosed (Annex 1), along with Budget Proposals (Annex 2)” (see Annex 1);

- **in accordance with Cl. 3, II** – “enclosed to the submitted target programs should be the Conclusion of Ministry or Department concerned regarding the necessity of the programs and the advisability of the realization thereof”.

- **in accordance with Cl. 2, III** :

- Target Program Committee at Ministry of Economy will discuss the target programs and compile the list of the programs for realization; this list, enclosed with brief annotations, will be submitted to Foreign Investments Consulting Council at the President of Georgia, before April 15, current year. The President of Georgia will approve the list, after the consideration thereof, at the Council’s session;

- The target programs to be included in bill on State Budget will be selected only from this list.

- **in accordance with Cl. 2, V** – “ *the executive bodies responsible for approval of the target programs, after the allocation of funds for the realization thereof, will draw up the agreements with relevant organizations (in case of need, by the instrument of tender) and provide the timely performance of the program, the efficacious and purposeful expense of the allocated resources, the strict observance of the parameters considered in the program*”.

c) At the same time, in this respect, we deem important the following extract from formal letter (#01/02-05/132 of 4.12.2003) sent to Ministry of Economy, Industry and Trade :

In accordance with the requirements of the Decree #711 of the President of Georgia from December 24, 1998 on the stage of presentation of the 2002 state target programs, by the Ministry of Labor, Health and Social Protection the target program has not been presented under this name (it is a question of the state target program on hospital medical aid to population). Proceeding from this, it was not reflected also in the Decree #319 of the President of Georgia of August 10, 2001 “On

***approval of the list of state target programs to be realized in 2002 (draft programs)".
The situation was the same in 2003.***

As to the 2004 top-priority state target programs, with observance of terms of the Decree #711 of the President of Georgia of December 24, 1998, the Ministry of Labour, Health and Social Protection firstly presented them in a form of the letter #1-w/05-78 of February 28, 2003 (electronic version). After this on March 17 of the same year, the mentioned state target programs have been presented in a form of document, by the letter #1-w/05-106. It is to be mentioned here that the state target programs submitted by the Ministry of Labour, Health and Social Protection did not meet the requirements of the decree #711, i.e. in fact the annexes #1 and #2 have not been presented as separate programs. The both annexes are submitted in combined form, for all programs submitted by the Ministry of Labour, Health and Social Security" (see Annex #2).

d) It is to be mentioned, that according to information of the Department of Economy of Social Infrastructure of the Ministry of Economy, Industry and Trade of Georgia (letter of the Ministry of Economy, Industry and Trade of Georgia #01/02-05/132 from 4.12.2003) – programs submitted by the Ministry of Labour, Health and Social Protection to be implemented in 2004 did not meet the requirements of the Decree #711 of the President of Georgia of December 24, 1998, i.e. they had not Annexes #1 and #2. Despite this, the report made by the Ministry of Labour, Health and Social Protection of Georgia to the special commission for selection of 2004 state target programs says:

“Despite the all above-mentioned, the Department takes into account the difficulties, that accompany current systematic changes in the Ministry of Labor, Health and Social Protection and respectively, that approaches to resolution of problems standing in front of the branch are changed and the commission thinks to be expedient to support the submitted programs, and to point out to the Ministry, that it must submit programs with observance of the requirements of the Decree #711 of the President of Georgia of December 24,1998” in shortest terms.

It is to be mentioned that according to the Decree #711 of the President of Georgia of December 24,1998 “On rule of selection and financing of the state target programs (program proposals)”, the state programs in order to be included in the bill on state budget are selected only from the list approved by the President of Georgia. Despite this, neither the Decree #319 of the President of Georgia of August 10, 2001 “On approval of the list of state target programs to be realized in 2002 (draft programs)”, nor the Decree #406 of the President of Georgia of September 20, 2002 “On approval of the list of top-priority state

target programs to be realized in 2003” did not determine the state program of hospital aid to population or its component in a form of urgent medical aid to the population. Only in the list of the Decree #385 of the President of Georgia of August 8, 2003 “On approval of the list of state target programs to be realized in 2004 (draft programs)” the program of hospital medical aid to the population was determined, that we think to be based rather on subjective factors than on clearly defined criteria, that is pointed out by the last paragraph of the letter of the Ministry of Economy, Industry and Trade of Georgia, in particular, that important documents necessary for successful implementation of the program were not submitted with observance of the procedure.

2.2. NEGLIGENCE BY LOCAL SELF-GOVERNMENT OF THE ARTICLES 21.1 AND 21.2 OF THE LAW OF GEORGIA “ON 2003 STATE BUDGET OF GEORGIA”

It is to be mentioned that in planning of expenditures of 2003 local budgets, local self-governments and governments of the most territorial units violated the Articles 21.1 and 21.2 of the Law of Georgia “On 2003 state budget of Georgia” (see Table 9). Particularly, plans established by the United State Fund of Social Insurance significantly differ from the plans established by the norms of the Ministry of Finances and the above-mentioned law, and respectively in most cases, the plans are significantly decreased. On the basis of comparative analysis and taking into account the above-mentioned, the plan of the Region Samegrelo - Zemo Svaneti makes only 47,8% of the parameter determined by the legislative requirements (7% of expenditures), in their number the most difficult situation is in Tsalenjikha (32,4%) and Poti (38,8%), that in general points out weak financing of the sphere of public health service.

2.3. NEGLIGENCE OF ACCOUNTING

Because of the study carried out by the monitoring group, we think that there is negligence of accounting established by the legislation. Specifically, according to the requirements of the Decree #711 of the President of Georgia of December 24, 1998 “On rule of selection and financing of the state target programs (program drafts)” the United State Fund of Social Insurance did not submit neither to the Ministry of Economy, Industry and Trade of Georgia, nor to the Ministry of Finances (and if it submitted -then with violation of terms and in incomplete form, e.g.: report on the state target program of

hospital medical aid to the population – in a form of the letter #8/06-423 of the Ministry of Economy, Industry and Trade of Georgia of 05.12.2003) report on a course of implementation of the program (in their number economic classification of expenditures) and substantiation of allocated sums in future year, that makes possible evasion from procedures of control (monitoring) established by the legislation and makes the financial activity non-transparent. The Department of Social Infrastructure of the Ministry of Economy, Industry and Trade of Georgia confirms the mentioned also; the reports submitted by it, were evaluated as incomplete ones (Letter #01/02-05/132 of the Ministry of Economy, Industry and Trade of Georgia of 4.12.2003).

The above-mentioned clearly confirms that the United State Fund of Social Insurance heavily violates requirements of the legislation, regulating the state programs that makes situation in the fund not transparent for the public and stakeholders.

2.4. VIOLATIONS IN IMPLEMENTED STATE PURCHASES

As of October 2003 in the Agency of State Purchase entered (as it is ascertained from the letter #4-3/142 of November 11, 2003 of the Agency of State Purchase) operational report on the open tender carried out with the aim of purchase of the urgent aid component within the state program of hospital medical aid to the population (according to the Article 32.4 of the Order #1 of the Agency of State Purchase from October, 15 2001 “On a rule of implementation of the state purchases”, the purchasing organizations are obliged to submit operational report on purchases implemented by them). Purchase of service mentioned in the terms of the tender was envisaged in 9 lots (see Table 10), where 2 lots (VII and IX) have been announced to be non-implemented according to the Article 24.1(a) of the Regulations “On rule of implementation of the state purchases”. Information on the mentioned tender (and on operational reports submitted to the Agency on tenders implemented by the Fund) please see attached in a form of the Table 11, where the Purchase Agency points out certain violations related to publication in mass media and fixation of price of contract in USD.

It is to be mentioned that the operational report fails to contain main tender proposals of all contenders except of the winner that significantly hampers the chairman and members of the commission to ascertain compliance of the made decision with the acting legislation.

According to the information of State Purchase Agency, “contracts are concluded on significantly lesser sum, than is determined in the tender proposals submitted by them.

E.g.: Iashvili Children's Central Hospital proposes to the purchasing organization a medical service for 33,146.53 GEL monthly, and contract concluded with it envisages 3-month service and its value according to the tender proposal submitted by the contender would be 99,439.59 GEL, instead of 36,000 GEL, as is fixed in the contract (#93/24) on state purchase. In the contract on state purchase concluded with the winner contenders of the first lot there concrete list of rendered services is not determined".

Proceeding from the above mentioned it is not clear on what basis the value has been decreased – based on cost saving or due to reduction of duties in the list of services. The latter action may significantly damage state of health of the population. Such significant difference of the figures casts doubt on exact fixation of the value given in the contract as well.

The mentioned action makes unclear the nature and aims of the present transactions, as well as inspection of compliance of the made decisions with the law, that casts well-founded doubt in existence of corruption and other types of illegal precedents.

Besides, it is to be mentioned that state purchases have been carried out illegally. Specifically: during 2002 the state purchases by the state insurance company within the program of urgent medical aid to population have been carried out on the basis of negotiations with one person, that is a direct violation of the requirements of the Article 22.1 (a) of the law of Georgia "On State Purchases", according to which:

"1. The purchasing organization has a right to take decision on conduction of purchase by negotiation with one person, if:

a) approximate value of the object of purchase does not exceed 10,000 GEL".

At the same time, despite of the instructions made by the State Purchasing Agency (letter of the State Purchasing Agency #4-3/143 of 11 November 2003) on purchases implemented by the State Health Insurance Company during 2002 within the program of urgent medical aid to population on the basis of negotiations with one person, the item 3 of the order #01gd/100-o from August 18, 2003 of the United State Fund of Social Insurance of Georgia "On Organization of Implementation of the 2003 State Programs On Social Protection for the Unemployed Persons, Promotion of Employment, Health Protection and Medical and Rehabilitation Service to Disabled Persons" has the following edition:

"3. In accordance with the state programs on hospital and ambulance medical aid to the population to legalize contracts made via negotiations with one person since 1 September 2003".

When, out of medical institutions participating in urgent medical aid component of the 2003 state programs of hospital medical aid of the health protection service,

“Kharagauli district hospital Ltd” has the least monthly limit - 1,500 GEL, that makes 18,000 GEL annually and by 8,000 GEL exceeds the requirement of the law, and the JSC “R.Khundadze Tchiatura medical-sanitary department” has the maximal value –9,271 GEL that makes 111,252 GEL annually and by 101,252 GEL exceeds the requirement of the law (see Tables 12 and 13).

2.5. VIOLATIONS AND CORRUPTION OPPORTUNITIES IN IMPLEMENTATION OF THE PROGRAM

It is interesting, that the mentioned state programs begin since September, respectively it is not clear, and on the basis of what normative act expenses allocated by the state budget law of the previous year are made. E.g. why it is possible to implement the 2002 state program in 2003, when in accordance with the acting Georgian legislation, a financial year lasts since January till December (item 3 of the order #01gd/100-o from 18 August 2003 of the United State Fund of Social Insurance of Georgia “On organization of implementation of the 2003 State Programs on Social Protection of Unemployed Persons, Promotion of Employment, Health Protection and Medical and Rehabilitation Service to Disabled Persons”).

It is to be mentioned, that documentation on treatment represents excerpts from medical reports that in fact have not a form of official document. At the same time there is doubtful aspect that sums requested on treatment and operations differ by negligible percents or often equal to maximal sums of the established limits (see Table 14).

It is important that in Georgia, a mechanism of check of displaced persons residing compactly and residing without permission, and respectively a system of checking of insurance polices given out for them is absent. The system of monitoring of program implementation is absent as well, that allows:

- to carry out medical treatment with insurance police of another person or of a deceased person on the basis of illegal bargain with personnel of hospital;
- to carry out non-existent operation and/or medical treatment, because of jobs of hospital personnel by using of insurance police of once treated person;
- there may be precedents of artificial blowing of expenses.

Proceeding from the above-mentioned, the acting system gives high opportunity for stealing money from budget via illegal actions.

The results of our monitoring and study ascertain that according to the acting practice allocation of money on non-planned operation is made on the basis of a letter of *Gamgebeli* (mayor) and not of a qualified person, for example of the head physician, director etc. of contractor clinic, that gives high possibility of manipulations. The acting practice contains serious defects and significant steps are to be made in order to form it as perfect and transparent procedures.

It is to be mentioned, that on the basis of sociological polling conducted by the "Welfare Fund " in September 2003 a report has been prepared on survey conducted on "The program of overcoming poverty and economical growth in 21 village and displaced persons' settlements of Zugdidi district", one part of which was dedicated to evaluation of acquaintance of population with the program of urgent medical aid to population.

"99 patients have been polled, who were rendered with urgent medical aid in central hospital of Zugdidi district.

- On the question, whether or not they heard about state program of urgent medical aid to population, 30 percent responded positively, 70 percent – negatively.

- On the question, did anyone explain them their rights and scope of service, that is owe to them within the program of urgent aid at entering to hospital or later, 30 percent responded positively, 64 percent – negatively, 6 percent – did not remember.

- On the question, did they pay any money for medical aid rendered in hospital, officially and/or unofficially, 11 percent responded that paid officially, 27 percent responded that paid unofficially, 18 percent responded that paid officially and unofficially, 34 percent responded that did not pay and 10 percent did not remember.

– On the question, whether they know what medical services are covered by the state program of urgent medical aid to population, 100 percent of respondents say that do not know.

It is to be mentioned that the text of the program and the report on its execution obtained by the monitoring group are not perfect and do not correspond to the norms and forms established by legislation given above by us. Because of the analyzed material a united opinion has been formed that mechanisms of preparation and subsequent implementation of executed programs is imperfect and needs perfection and improvement of transparency.

2.6. VIOLATIONS FROM THE STANDPOINT OF FINANCIAL ACCOUNTING

Because of monitoring, it was ascertained that chaos reigns in the business accounting of the studied program. The primary bookkeeping documentation often does not meet necessary requirements established by legislation and they may be easily forged. Particularly, in each concrete case documents of strict reporting (in their number accounting documents) are not used.

At the same time, the information submitted by contractor persons, is imperfect, as well a system of monitoring of implemented bargains is absent, i.e. submitted documentation is not rechecked, that gives advantageous conditions for corruption bargains. Monitoring of spending of sums allocated for purchase by United State Fund of Social Insurance that is charged to it by the item 2 of the order #1 of the Purchasing Agency of Georgia from October 15, 2001 "On the rule of implementation of state purchases" is not conducted.

SUMMARY

It is to be mentioned that the considerable part of population of the country is beneath the poverty line, therefore even elementary medical aid is inaccessible for them. In this direction and in order to execute constitutional rights of citizens of Georgia, i.e. with the purpose of increasing of accessibility of medical service to them an implementation of the Program of Urgent Medical aid to the population is especially important.

At the same time, the executed monitoring has shown existence of very good software in the United State Fund of Social Insurance that promotes information exchange between center and regions. Besides, many professionals and efficient persons are involved in execution of the above-mentioned program, though it is to be mentioned that the system needs correction and change (with the aim of perfection). In particular, the following important problems and violations are pointed out:

1. The respective bodies of executive authority (presenter of the program and developer of draft budget) damaged the requirements of development, consideration and approval of the state programs, established by the legislation as well as envisaged by the 2002 and 2003 laws on state budget.

2. In the list of the order #385 of the President of Georgia "On approval of the list of the top-priority state target programs (tender proposals) to be realized in 2004" program of hospital medical aid to the population is determined, that we think to be based rather on subjective factors than on clearly determined criteria; it is pointed out by the last paragraph of the letter of Ministry of Economy, Industry and Trade of Georgia.

3. Due to problems, existing in planning of local budgets, the local self-government violates requirements of the items 1 and 2 of the Article 21 of the Law of Georgia "On the 2003 state budget of Georgia".

4. The legislation regulating State purchase is infringed; a significant problem is making of state purchases based on negotiations with one person within the program of urgent service to population.

5. It is interesting that the mentioned state programs begin since September, respectively it is unclear, on basis of which normative act spending of appropriations allocated by the previous year's law on state budget is carried out.

6. The monitoring system of expenses already made and expenses to be made must be created based on clearly determined criteria.

7. It is to be mentioned that the text of the program and the report on the implementation thereof found by the monitoring group are imperfect and do not meet the

norms and forms established by the acting legislation. Because of the analysis of obtained materials, an united opinion has been formulated, that mechanisms of preparation and subsequent implementation of executed programs are imperfect and in need of improvement and increase in transparency.

APPENDIXES

Appendix #1

Notice from the Registry

#	Region		Amount	Incoming
1	Racha-Lechkhumi	Lentekhi	2900	26,12,03
2	Samtskhe-Jevakheti	Aspindza	5700	26,12,03
3	Mtskheta-Tianeti	Akhalgori	1830	27,12,03
4	Imereti	Vani	200	27,12,03
5	Samtskhe-Javakheti	Akhaltzikhe	22800	29,12,03
6	Imereti	Sachkhere	12000	29,12,03
7	Kakheti	Akhmeta	6125	29,12,03
8	Mtskheta-Tianeti	Tianeti	3500	29,12,03
9	Samegrelo	Chkhorotskhu	3500	29,12,03
10	Racha-Lechkhumi	Ambrolauri	15000	29,12,03
11	Samtskhe-Jevakheti	Adigeni	5000	30,12,03
12	Samegrelo	Senaki	8911	30,12,03
13	Shida Kartli	Eredvi	850	31,12,03
14	Mtskheta-Tianeti	Dusheti	3225	31,12,03
15	Guria	Chokhatauri	5000	31,12,03
16	Imereti	Tskaltubo	11100	31,12,03
17	Kakheti	Sagarejo	12000	31,12,03
18	Kvemo Kartli	Bolnisi	14200	31,12,03
19	Kvem o Kartli	Rustavi	15000	31,12,03
	Total:		150641	

