I. Introduction and Context

Country Context

Georgia, a country of 4.5 million people, has a per capita gross domestic product (GDP) of US$ 5,842 and a relative poverty rate of 24.7 percent. For the 47 percent of people living in rural areas, the poverty rate is slightly higher (27.0 percent in 2012). The country has a total area of 69,700 square kilometers. It is located south of the Caucasus mountain range, with Russia to the north, Armenia and Turkey to the south, and Azerbaijan to the east. Georgia is a fairly mountainous country with elevations ranging from zero to 5,000 meters above sea level.

Georgia joined the Open Government Partnership (OGP) in September 2011. Its OGP commitments include a SAOG commitment to cooperate with the civil society and use modern effective tools to increase the awareness and engagement of the general public.

SAOG considers citizen engagement in the audit process as critical a contributor towards achieving its mission. At the initial stage the SAO seeks to increase public knowledge of the audits and its added value through on-going media coverage, public campaigns, use of social media and other awareness-raising activities. At the second stage, the SAOG aims to involve citizens and non-governmental organizations in in audit planning and in the follow up of audit recommendation.

Sectoral and Institutional Context

The project responds to a new global trend where Supreme Audit Institutions (SAIs) are increasingly looking for innovative ways to engage citizens and leverage the capacity of civil
society. It builds on the emerging global consensus that impact of external audit on strengthening overall PFM system can be improved through the involvement citizen and non-executive stakeholders. Given their mandates to "watch" over government accounts, operations and performance, they are also natural partners of citizens in exercising public scrutiny. Following this trend, in 2013, SAOG has started to leverage citizen engagement in the external audit process in order to improve transparency, information and accountability in the use of public resources in Georgia. This activity is now part of the SAOG overall strategic plan and the proposal will help to create the capacities and knowledge needed for implementation of the strategic plan for citizen engagement in external audits.

SAOG plans to strengthen its collaboration with non-executive actors at three key stages of the audit cycle: 1) Audit planning (where, for example, CSO can submit proposals for SAOG to conduct audits on specific topics); 2) During the audit implementation (CSOs, journalists can provide additional evidence-based data to auditors for consideration); and 3) Post audit (other stakeholders can help to follow-up on government compliance with the audit recommendations).

**Relationship to CAS/CPS/CPF**

This proposal is well aligned with Georgia's Country Partnership Strategy (CPS) and findings of the Public Expenditure and Financial Accountability (PEFA). Georgia CPF for the period 2014-2017 focused on two pillars: 1) Enhancing Accountability and Strengthening Fiscal Systems and Institutions; and 2) Piloting Programs to Test Innovative Mechanisms for Participatory Local Development and Greater Social Accountability in Georgia; which would help enhance the effectiveness of public spending and proposed that the World Bank ("the Bank") provide assistance in these areas.

The Public Expenditure and Financial Accountability (PEFA) assessment of 2013 reflected an overall score of D+ (PEFA ratings range from A to D with D being the lowest) for the indicator on effectiveness of External Audit (PI-28: Legislative scrutiny of external audit reports). The assessment also noted that the Parliament conducted occasional hearings of audit findings, though no minutes documenting the scope and participants of the hearings are available. Implicit in the 2013 PEFA assessment was a need to strengthen public or citizen accountability in the external oversight system.

This proposal is also consistent with Bank's efforts to mainstream "Citizen Engagement in World Bank Group Operations". In line with the recently developed "strategic framework" this project aims to contribute towards building sustainable national systems for citizen engagement with government agencies and non-government actors such as CSOs, media, academics & parliamentarians.

**II. Project Development Objective(s)**

*Proposed Development Objective(s)*
The project's overall objective is to enhance the quality and credibility of public external audits in Georgia by mainstreaming citizen engagement into the external audit process. Specifically, the projects aims to:

1. Increase public awareness of how the role of State Audit Office of Georgia (SAOG) contributes to the efficient management of public resources;
2. Develop the capacities and skills of both SAOG and non-executive stakeholders (mainly CSOs, academics, parliamentarians, economic journalists) to engage constructively across throughout the audit cycle; and
3. Establish mechanisms to institutionalize participation of citizen participation and demand-side actors in external audit process.

**Key Results**
The project will support direct and indirect beneficiaries by:

1. Increasing public awareness of how the role of SAOG contributes to the efficient management of public resources;
2. Developing the capacities and skills of both SAOG and non-executive stakeholders (mainly CSOs, academics, parliamentarians, economic journalists) to engage constructively across throughout the audit cycle;
3. Establishing mechanisms to institutionalize participation of citizen participation and demand-side actors in external audit process; and
4. Supporting monitoring of the use of public resources.

At the national level, the direct beneficiaries of this project are the SAOG and non-executive stakeholders (CSOs, Parliamentarians, economic journalists). In addition indirect beneficiaries include members of the Public Accounts Committee, Government of Georgia, and citizens nationwide.

Impact on other countries in the region: Through the regional learning series, the project aims to raise awareness among Supreme Audit Institutions (SAIs), civil society organizations, think tanks and academia in other ECA countries (e.g. Armenia, Moldova & Azerbaijan) on the benefits of SAI-Citizen engagement and tools, entry points and methodologies on how to implement it. This would provide an opportunity for SAIs in these countries to translate regional & global knowledge into country level actions and request support as needed.

**III. Preliminary Description**

**Concept Description**
The project responds to a new global trend where Supreme Audit Institutions (SAIs) are increasingly looking for innovative ways to engage citizens and leverage the capacity of civil society. It builds on the emerging global consensus that impact of external audit on strengthening overall PFM system can be improved through the involvement citizen and non-executive stakeholders.

The proposed activities with their outputs are divided into three components: (i) Multi-stakeholder Awareness Building ($30,000); Capacity Building for Engagement Strategy and Action Plan (USD 75,000); and Knowledge Capture & Regional Learning (USD 20,000).

Component 1: Multi-stakeholder Awareness Building (USD 30,000)
The objective of this component is to develop the enabling environment for engagement of non-executive government stakeholders across the audit cycle by building internal and external stakeholder appreciation and readiness to mainstream citizen engagement in the audit process.

Component 2: Capacity Building for Engagement Strategy and Action Plan (USD 75,000)

The objective of this component is to leverage existing global knowledge to enhance the capacity of all stakeholders and to create the core technical conditions for the development and operationalization of a jointly defined strategy and action plan to engage non-state actors in the audit process.

Component 3: Knowledge Capture & Regional Learning (USD 20,000)

This component is intended to capture lessons from this project and facilitate learning, awareness building, and knowledge sharing with other countries in ECA. As an early mover on the SAI-citizen engagement approach in the region, this activity is expected to have important demonstration effects. SAOG will capture and document the process and disseminate the experience to serve as a model among other countries in the region.

IN ADDITION TO THE ABOVE COMPONENTS THE SAFE PROGRAMM HAS ALLOCATED $10,000 FOR BANKING SUPERVISION THROUGH A BETF.

IV. Safeguard Policies that Might Apply

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V. Financing (in USD Million)

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Total Project Cost: 0.135  Total Bank Financing: 0
Financing Gap: 0
VI. **Contact point World Bank**

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