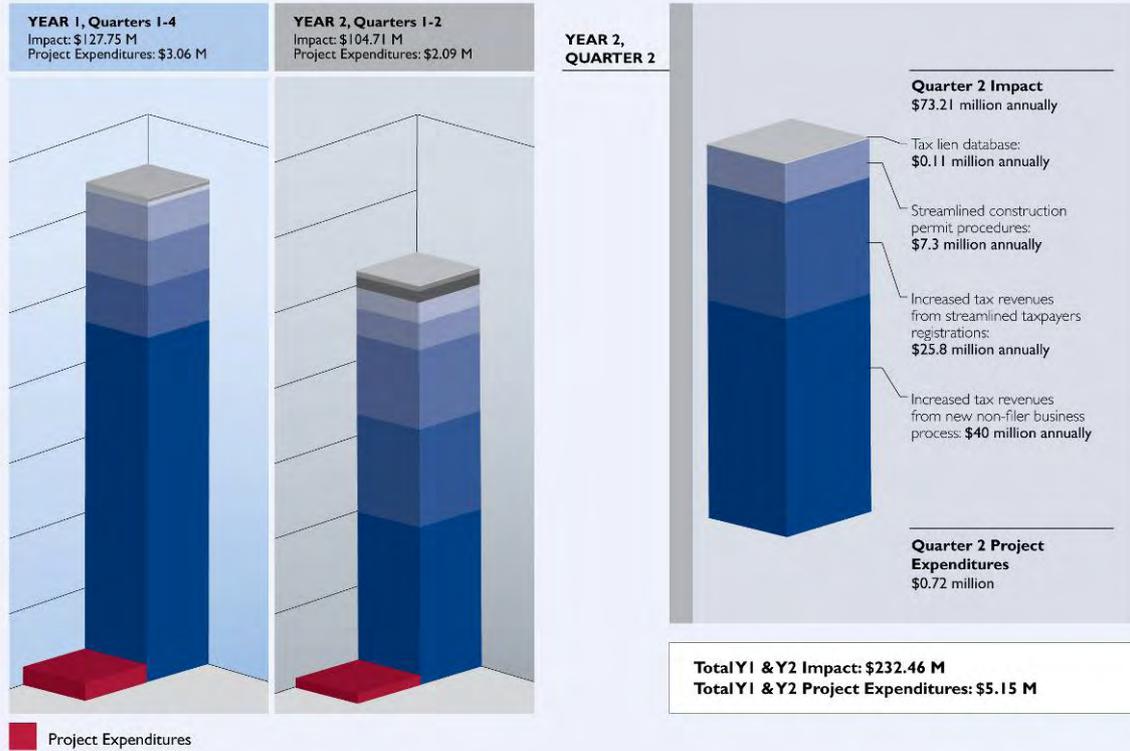




USAID
FROM THE AMERICAN PEOPLE

BUSINESS CLIMATE REFORM

MONETARY VALUE OF GoG REFORMS THROUGH YEAR 2, SECOND QUARTER



Business climate reforms implemented by the Government of Georgia with USAID support during the period April 1 to June 30, 2007 generated about **\$17 million USD** in benefits for affected stakeholders.

QUARTERLY PROGRESS REPORT

April 1, 2007-June 30, 2007

Contract No. AFP-I-00-04-00002-00 Task Order Number 03

A task order under the Commercial Legal and Institutional Reform (CLIR) IQC

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A. SUMMARY OF ACHIEVEMENTS – YEAR 2, QUARTER 3

About \$17 million USD¹ in positive benefits to selected stakeholders were generated by Government of Georgia reforms implemented between April 1 and June 30, 2007, with support from USAID's Business Climate Reform. The Project's support of GoG reform priorities during the third quarter of year two resulted in a wide range of implemented recommendations that have streamlined procedures for the private sector, improved operational procedures of government agencies and built the capacity of the Project's local counterparts.

KRA 1.1 Commercial Legal and Regulatory Framework

- The draft e-signature law, prepared by the State Minister on Reforms Coordination with Project support, has been approved by five Parliamentary Committees. Hearings by a plenary session of Parliament on the draft, submitted as a Presidential initiative, will start in the fall session which begins in September, 2007.

KRA 1.2 Public-Private Dialogue

- In the Seventh Quarter, 85 people participated in three public-private dialogue events on topics ranging from e-banking and e-signature to improving the Ministry of Finance's dispute resolution system. The project cooperated closely with the Ministry of Finance, AmCham, the Ministry of Economic Development and the State Ministry for Reforms Coordination in planning and conducting these events.
- The Project assisted the Ministry of Economic Development in preparing and publishing a new investment guide entitled 3Ti - Your Key to Georgia. The guide was designed to attract foreign investors by focusing on travel, trade, and transport.

KRA 1.3 Capacity and Professionalism of Administrative Bodies

The Revenue Service Risk Analysis Unit, formed at the recommendation of the Project to assist in implementation of customs risk management, continues to develop professionally at a rapid pace. The Project presented a formal five-day seminar on customs risk management and collaborated with UNCTAD consultants on an informal training on the new Automated System for Customs Data (ASYCUDA) World software selectivity module. The training was immediately put to use, as participants began preparing risk profiles with Project assistance that will be implemented as part of the introduction of risk management and cargo selectivity to customs clearance. This activity, planned for implementation in September or October, will reduce clearance times and increase compliance.

KRA 2.1 Transparent, Streamlined Property Registration Procedures and Collateral Systems

- A NAPR task force led by the Project's Secured Financing completed an intensive seven-week collateral registry design phase. The intention of the design phase was both to produce the collateral registry design and build the capacity of NAPR staff to

¹ For detailed explanations and an independent assessment of the methodology utilized by the Project to arrive at these figures please see Annexes 2-5.
USAID Business Climate Reform Seventh Quarterly Report

participate in legal drafting, understand and defend the design decisions made in the legislative process, and ultimately to administer the new secured financing regime effectively. The NAPR task force and the Project's advisor are now working on drafting the new secured financing legislation.

KRA 2.2 Rationalized, Orderly, Even-handed, and User-friendly Tax and Customs Procedures

- The GoG adopted as a priority reform the Project's recommendation that a "Gold List" program be introduced for high volume/low risk importers. Project consultants are working closely with the Revenue Service to finalize the Gold List regulations. The new Gold List streamlines importing procedures for high volume importers that have a record of compliance with customs legislation. A pilot Gold List program is expected to be implemented next quarter.
- The new strategy on Ministry of Finance administrative appeals reforms, developed with Project assistance, was approved by the MOF and presented to the private sector. The changes in the appeals process will authorize the MOF to issue tax rulings which will eliminate ambiguities in the tax code. The MOF will also implement case management and tracking systems for statistical analysis and performance monitoring. The new appeals process will come into effect by October, 2007.

KRA 2.3 Reduced and Simplified Business Registration, Licensing, Standards, and Inspection Regulations and Procedures Introduced

- Project recommendations to streamline the import and registration of pharmaceuticals were approved by the Ministry of Labor, Health and Social Affairs. A working group has been formed between the Ministry, Co-Reform and Business Climate Reform to implement Project recommendations.
- In cooperation with the Ministry of Economic Development and the Ministry for Reforms Coordination, Project members wrote the draft construction code and submitted it to the Ministry of Economic Development for consideration. The Minister for Economic Development approved of the draft and distributed it to the line ministries for comment and discussion. Distribution to the line ministries is the first step for passage of legislation.

B. KEY RESULTS AREAS

KRA 1.1: Commercial Legal and Regulatory Framework Improved

1. Draft E-Signature Law Submitted to the Parliament

The draft e-signature law by the State Minister on Reforms Coordination with Project support was submitted to Parliament after review by the line ministries as required by the Law on Normative Acts and rules of parliamentary procedure. The draft was approved by five Parliamentary

KRA 1.1 Milestones	
Projected 2007	Progress to Date
E-Signature Law Enacted	Draft submitted to Parliament, five committees approve
Construction Code Enacted	Draft Code approved by MoED, submitted to line ministries for review
Modern secured financing regime implemented	Collateral Registry design phase completed, legal drafting underway

committees, and will be taken up by a plenary session when Parliament reconvenes in September, after its summer break. Submission to Parliament marks a big step for Georgia. The adoption of an e-signature law will have numerous benefits, facilitating implementation of both e-governance and e-commerce, and will enable Georgian companies to conclude business deals with foreign partners using an e-signature, which will have the same legal status as a traditional written signature, eliminating the need to send paper documents around the world to be signed. The law is designed to be technology neutral and to eliminate market entry barriers for potential e-signature service providers. The draft law is in conformity with the EU e-signature directive and the UNCITRAL model e-signature law.

It is expected that the e-signature law, introduced by Presidential initiative, will be one of Parliament's priorities when it reconvenes. After passage, project advisors will provide assistance in drafting regulations for accreditation of electronic signature service providers. We are already working with GoG agencies to implement a number of e-government applications, including electronic filing of tax and customs declarations, and property and collateral registration, and the list is growing as GoG officials realize the potential for e-government solutions to reduce public sector administrative costs and private sector compliance burdens. The MoED, for example, requested Project assistance to evaluate the possibility of implementing electronic issuance of certificates of origin for Georgian exporters.

2. Drafting of Secured Financing Law Underway

A NAPR working group has completed a preliminary first draft of the new secured financing law. It is significant because the working group drafted it on its own, with support from Project Secured Financing Advisor Yair Baranes, as a result of the Project's capacity building efforts during an intensive seven-week collateral registry design phase, which preceded drafting. The preliminary draft includes three major areas of secured financing law.

- The scope of the legislation section is comprehensive, including all significant claims to movable property, and introducing new types of collateral to Georgia that are commonplace in other jurisdictions. This feature allows creditors to reduce risk

- of granting credit by evaluating all pre-existing claims against the property offered to them as collateral.
- The section defining the manner and significance of registration provides for simple notice filing via the internet of any existing or future right without the need to submit any documentation or to physically visit the premises of the registry.
 - The section on determination of the relative priorities among conflicting claims is based on the chronological order of registrations and allows creditors to assess the risk of granting credit more accurately.

This law is the basis of all secured financing legal reform, and its passage will facilitate the reform of related legislation and regulations. The first draft of the law will be finalized after the specific features of the future pledge registry are decided upon. NAPR must decide whether to modify its existing Oracle system used for land registration, or adopt a different off the shelf system. In addition to the draft secured financing law, the working group also considered amendments to Georgia’s Civil Code to improve enforcement procedures.

3. Draft Construction Code Under Review by Line Ministries

A new draft Construction Code prepared by a task force including representatives of the MoED, SMRC, and the Project, was approved by the Minister of Economic Development and submitted to other line ministries for review and comment. Approval of the line ministries is the first step toward adoption. The draft will then be submitted to parliamentary committees before being heard in a plenary session. It is expected that the draft will be adopted by Parliament by end of the 2007 calendar year. Project members are also conducting training sessions for local officials throughout Georgia to familiarize them with the provisions of the new code. (See KRA 1.3.) The Project’s construction team members also continue work on streamlining construction permitting and preparing technical standards for the construction industry.

KRA 1.2: Public-Private Dialogue Strengthened

4. 3Ti Investment Guide published

The project in conjunction with the Ministry of economic development prepared and published 500 copies of the “3Ti - Your Key to Georgia” investment guide. The brochure focuses on Georgia’s advantages over its neighbors with respect to travel, trade, transit, and investment. The guide highlights Georgia’s unique environment for attracting tourism, its liberal trade policies and its advantages as a transit country for goods moving to and from Europe and Asia.

KRA 1.2 Milestones	
Projected 2007	Progress to date
3Ti investment promotion guide published	Potential investors and GoG counterparts were pleased with the pithy and informative new guide.
Improved public-private dialogue	3 public-private dialogue events were held with 85 persons participating.

5. GNIA’s Business Information Center Celebrates its First Birthday:

The Business Information Center was established with close cooperation between the Project and GNIA. The BIC is located in Tbilisi City Hall and its primary functions include providing rapid access to accurate information about all aspects of doing business in Georgia to both foreign and local investors, and serving as the key focal point for public-private dialogue in order to bring business leaders and government officials together to identify problems, solutions, and priorities. In its first year of operation, the BIC has answered inquiries from more than 500 potential investors, established an investor information hotline, developed a counterpart network of GoG officials to obtain information in response to investor inquiries, and organized 23 public-private dialogue events.

6. Pharmaceuticals, Transportation First GNIA Sectoral Overviews

The Georgian National Investment Agency has selected two areas – pharmaceuticals/medical equipment and services, and transportation/logistics – as the first subjects for a series of investor-quality overviews the agency will produce and publish on its website. A project investment advisor, fielded to help GNIA develop a standardized template and build its capacity to produce and update overviews of Georgia’s economy in sectors with potential to attract foreign investment, will be primarily responsible for drafting the first two, modeling the process and training GNIA and MoED staff to produce overviews on their own.

7. Roundtable for Potential E-Signature Service Providers

The Project along with the Ministry of Economic Development (MoED) and the Office of the State Minister for Reforms Coordination (SMRC) presented the draft e-signature law to potential e-signature providers such as banks, IT companies and internet service providers. The discussion focused on the draft law and more specifically on new business possibilities that will be created by passage of the e-signature law. The participants offered constructive ideas about the wording of the law regarding the definition of electronic signature and the definition of public and private keys. Standard Bank’s representative offered useful remarks about the wording of the draft law. The suggestions would not change the essence of the law; however, the change in wording would make the law easier to understand. The SMRC was receptive to these suggestions and is considering how to incorporate them while the law is going through parliament.

8. Televising NAPR and Business Climate Reforms

GoG reforms supported by the project were highlighted in two episodes of the Imedi TV “Business Class,” jointly sponsored by several USAID-funded projects active on economic growth and energy issues. NAPR reforms were highlighted on April 7th and general business climate reforms were featured on May 19th. The Project was responsible for three episodes and all of them have been aired. The shows include stories showing how the reforms are affecting the lives of real people, not just theoretical discussions. The program focusing on NAPR reforms concentrated on technological improvements that have streamlined the procedure for registering immovable property, which saves time and money for businesses and ordinary citizens. The goal of the episode was to provide the viewer the opportunity to learn about NAPR’s new initiatives, and how they affect the lives of ordinary citizens and the business environment in Georgia. The May 19th show

provided viewers with the opportunity to learn about ongoing reforms, why they matter, and when and how they will impact the lives of ordinary citizens.

9. Public-private Dialogue Events:

In the Seventh Quarter, 85 persons participated in three public-private dialogue events, including two events on reforms to the Ministry of Finance dispute resolution system, and a roundtable event with potential e-signature providers held by the Ministry of Economic Development and the State Minister for Reforms Coordination.

KRA 1.3: Capacity and Professionalism of Administrative Bodies Strengthened

10. RS Risk Analysis Unit Developing Professionally

The Revenue Service Risk Analysis Unit, formed at the recommendation of the Project to assist in implementation of customs risk management, continues to develop professionally at a rapid pace. Project Customs Advisors Robert Holler and Mark Stomski conducted a formal five-day seminar on customs risk management and collaborated with UNCTAD consultants on an informal training on the new Automated System for Customs Data (ASYCUDA) World software selectivity module. Twenty five members of the RS were trained to identify, measure, and treat risks through the creation of risk profiles, declaration criteria, informed compliance strategies and enforcement techniques while controlling changes in risk through scheduled data reviews and inter-agency cooperation. Real life examples were used to demonstrate international best practices and lively discussions ensued. The real life examples were also used to compare international best practices with Georgian practices. The training was immediately put to use, as participants began preparing risk profiles that will be implemented as part of the introduction of risk management and cargo selectivity to customs clearance. This activity, planned for implementation in September or October, will reduce clearance times and increase compliance.

11. NAPR Task Force Completes Collateral Registry Design

Project Secured Financing Advisor Yair Baranes led a NAPR task force in an intensive seven-week collateral registry design phase. Each week, at a Tuesday seminar, key design issues were introduced and options presented. Based on preliminary decisions, a report was prepared on Wednesdays, then reviewed in detail during a Thursday seminar. Final decisions each week were incorporated into a memo summarizing the design decisions that week. The memos will guide the legislative drafting phase. The intention of the design phase was both to produce the collateral registry design and build the capacity of NAPR staff to participate in legal drafting, understand and defend the design decisions made in the legislative process, and ultimately to administer the new secured financing regime effectively. To accomplish these goals, NAPR employees needed to understand the policy considerations underlying effective secured financing laws. Eleven critical areas of secured financing were covered in the training session such as priorities between different types of creditors, swift and effective enforcement mechanisms, and online registration of security interests. The NAPR task force and the Project's advisor are now working on drafting the new secured financing legislation.

12. Construction Permitting Officials Trained

On April 30, 2007 The Project and the Construction Department of the Ministry of Economic Development conducted a training session for twenty six chief architects and state supervisors of the Imereti region in Kutaisi. The trainees learned how to implement new streamlined construction permit procedures for new construction and renovation of older buildings, as well as the simplified procedures for obtaining an occupancy permit. The draft construction code was presented to the audience and they were asked to provide feedback on the new code and related regulations. An added benefit of the training was that it gathered the supervisors and architects from different areas on the region. The trainees were not acquainted with each other before the training and afterward they were able to exchange contact information in order to work together on construction issues. Officials in all Georgia's regions have now received training in the new construction regimes.

13. Training Builds GNIA Capacity to Attract FDI

Project Investment Promotion Advisor, Dusan Kulka, conducted two seminars entitled Getting Ready for FDI. The seminars were designed for the Ministry of Economic Development and GNIA officials and staff to enable them to better understand and address the issues and challenges they will face when implementing GNIA's primary function, attracting foreign direct investment. During the first seminar, the USG consultant discussed globalization and localization processes and the relationship between these processes and attracting foreign direct investment. He also addressed various aspects of image building and strategic marketing. In the second seminar Mr. Kulka highlighted the role of property in attracting foreign direct investment. He stressed the importance of greenfield investing in Georgia where the government designates sites for a particular use and advertises them to investors. Mr. Kulka emphasized that it was essential for GNIA to establish a database of properties available to investors in order to make it easier for them to locate and buy appropriate sites. The seminars featured question and answer periods as well as interactive exercises designed to increase audience participation and discussion of foreign direct investment strategy and identification of the sectors that have the highest potential to generate investor interest. Twenty eight individuals from Tbilisi City Hall, GNIA and the Ministry of Economic Development attended the seminars. Following the seminars, GNIA began creating a property database with Project assistance.

14. GNIA Developing Investment Attraction Strategy

Project Investment Promotion Advisor Dusan Kulka has been assisting GNIA's staff to determine and introduce mechanisms promoting FDI growth in Georgia. Based on the analysis of import/export performance of the Georgian economy, the USG consultant identified 97 foreign companies to be targeted by GNIA for investing in Georgia. The identified companies' activities are diverse, ranging from manufacturing of metal and metal products to transport to food and beverage production. The methodology on how to establish initial contacts was provided and the follow up the process was also explained and emphasized. The consultant also provided guidance on what type of real property sites are appropriate for FDI. GNIA and Project representatives visited sites in Rustavi and around Tbilisi.

KRA 2.1: Transparent, Streamlined Property Registration Procedures and Collateral Systems Implemented

15. NAPR Reforms Slash Costs, Create Private Sector Opportunities

An assessment of recent NAPR reforms implemented with Project support identifies significant improvements in Georgia’s performance on the “Registering Property” indicators of the World Bank Doing Business 2007 Survey. The number of steps necessary to register property was reduced from 6 to 3, the

KRA 2.2 Milestones-NAPR	
Projected 2007-08	Progress to date
Comprehensive secured financing law and collateral registry implemented.	<ul style="list-style-type: none"> • Collateral registry design phase completed • Drafting of secured financing law underway.

number of days from 9 to 2, and the average cost from 0.5% of property value to 0.1%. Had these changes been in place in time for the Doing Business 2007 survey, Georgia’s ranking in “Registering Property” would have improved from 16th to 2nd place in the world. The annual savings in time and money for property registrants is an estimated \$24 million. NAPR’s reforms have also created new business opportunities for the private sector (banks, notaries, lawyers, and real estate agencies) to offer electronic services related to property transactions. About 25% of registrations are now being conducted with the help of such private intermediaries, although this option was first made available only about six months ago. Assuming no growth in the 25% current rate, such intermediate businesses will gain \$2.4 million in additional revenues annually.

16. E-Registry Eliminates 63,000 Taxpayer Visits a Month

A Project subcontractor has completed entry of more than 50,000 paper-based business registration records into the electronic business registry maintained by the SRS. Registration officials say the first of many benefits will be to eliminate 63,000 visits a month to Tax Inspectorates by persons seeking business abstracts. The SRS now issues about 63,000 abstracts a month each of which required two visits – to ask and to receive – and an average of six hours to prepare. Now, using the electronic registry, abstracts can be issued on demand in minutes. The remaining visits will be eliminated when the new registry goes online with public access, and a new e-signature law authorizes issuance of electronic abstracts. Project consultants are supporting both initiatives. The Project is also helping to develop direct, online access to the business registry for NAPR property registrars. This will enable them to check the registry directly, rather than requiring submission of a paper abstract, which will reduce one step and one day in the “Registering Property” category of the World Bank Doing Business Survey.

KRA 2.2: Rationalized, Orderly, Even-handed, and User-friendly Tax and Customs Procedures Introduced

17. Implementation of Customs Risk Management Progress

The GoG approved the Gold List concept, and adopted it as a high priority. The Gold List will allow select large volume/low risk importers to import good directly into market circulation at the border, rather than waiting the currently required 3-5 days to clear their goods at an inland terminal. Gold List importers will be required to pre-file their declarations and payments with

KRA 2.2 Milestones-Customs Department	
Projected 2007	Progress to date
Risk Management Introduced for Customs Clearance	<ul style="list-style-type: none"> • Gold List concept approved by GoG • Risk profiling developed • Proper valuation methodology being developed

Customs officials while being held accountable for compliance. Customs will verify compliance through post-clearance review and random physical examinations. Only importers with demonstrated compliance records and a yearly volume of 10 million Lari or 100 declarations submitted in a calendar year will be eligible for the program in the beginning. Importers must also submit the previous year’s findings of international auditors regarding their financial activities. It is envisioned that the Gold List will expand to include smaller volume importers as the Revenue Service’s capacity allows. An implementation plan has been developed and includes the following key elements to be performed next quarter: Approval of the Gold List regulations; installation of ASYCUDA World at all customs checkpoints; selection and training of the first Gold List members.

18. Risk Profiling and Criteria Developed

The SRS has developed ten risk profiles and it is expected that an additional ten will be developed before the implementation of ASYCUDA World in September. The current risk profiles provide a methodology for defining, measuring, analyzing, treating and controlling risks. Degrees of risk are assigned to each profile as well as specific criteria to be screened against customs declaration in identifying high risk importers such as previous violators and new importers and imports that might pose a threat to society such as tainted meats, counterfeit pharmaceuticals and contraband goods. The Project is also providing assistance on improving airport operational procedures. The recommendations include risk management based control and information exchange requirements with air companies. Almost 70 % of the recommendations were accepted. The leadership of the SRS will adopt the new procedures by September 2007.

19. Customs Valuation Procedures Improved

On June 14, 2000 Georgia became a member of the World Trade Organization. One requirement of membership is the determination of Customs Valuation based on the amended GATT. The preferred method of Customs Valuation is the Transaction Value which consists of the Price Actually Paid or Payable plus any selling commissions, royalties, assists, proceeds, and packing costs. In most cases, the Transaction Value is reflected on the invoice. The World Customs Organization estimates that 90% of the world’s international trade is based on Transaction Value. Georgian Customs, however, has been relying on price indexes and databases for a majority of their imports which causes consternation among the trading community in Georgia. The rationale for the use of

price databases has been the inability to rely on the accuracy of invoices presented by Georgian importers.

In May 2007, an intensive 2-day seminar was conducted by the Project to 20 Headquarters and Field Office Revenue Service personnel on the principles of WTO Customs Valuation. The purpose of the course was to thoroughly teach Customs Valuation according to the Georgian Code which is in compliance with WTO standards and to explore methods of value verification. The RS is relying heavily on value databases and foreign export declarations to substantiate value. While these methods are acceptable as an indicator of possible violations, they are an unacceptable means to revalue import shipments. The correct tactic is to work with importers to ensure the proper Customs Valuation of goods. The State Revenue Service has determined that goods originating from low risk countries, such as the United States and the European Union, are procured under transparent procedures, and will not be subject to revaluation in Georgia.

The RS has decided to expand the Transaction Value methodology to 416 large importers who are also registered with the Large Taxpayer Inspectorate, and thus subject to controls in determining whether declarations at the border are subsequently reflected in the companies' filing of internal tax declarations. Verifications of value will also be validated in post-clearance reviews. The Project will also be providing training seminars to importers and brokers on proper Customs Valuation methodology. The intent is to provide importers with sufficient knowledge to refute arbitrary revaluation of goods by Customs, deterring the use of unauthorized methods to determine the Customs value.

20. Electronic Filing of Tax Declarations

RS leadership has endorsed the decision of prior Tax Department management that VAT will be the first tax eligible for e-filing. A joint RS-Project implementation working group has developed business processes for e-filing that were approved by RS leadership. The working group's recommendation that tax agents be authorized to submit returns of behalf of their clients was rejected by the RS

KRA 2.2 Milestones-Tax Department	
Projected 2007	Progress to Date
New non-filer and non-payer business processes implemented	Recommendations regarding business processes have been submitted to the SRS
E-filing of tax declarations implemented	SRS leadership has approved an e-filing business process

leadership as legally ungrounded despite the widespread international practice of allowing this. A new simplified VAT tax declaration was designed with project support and was sent to the Ministry of Justice for legal review. The new simplified declaration eliminates the requirement that paper copies of all VAT invoices be filed. The RS with Project assistance has also drafted an order authorizing online submission of tax declarations. The Project has announced a tender for development of the software necessary to process e-filing of tax declaration. The RS has set October, 2007 as the target date for implementation of e-filing of VAT returns, with e-filing for other taxes to be rolled out in the months to follow. The vendor for developing the Tax Online Services System will be selected by the end of July when the development will commence. Making e-filing available will streamline tax filing and payment procedures and save significant resources in time and money both for the RS and taxpayers.

21. Revenue Service Offers More Online Services

Two new online services were added to the RS web portal with the Project's assistance to simplify doing business in Georgia. A searchable version of the new electronic Entrepreneurs Registry, procured with Project assistance, will provide public online access to information that was previously available only by obtaining a paper abstract. Users can search the registry by taxpayer identification or business identification numbers. The RS IT Department is working now to implement searching by the name of the business or of company officers, a feature that may take a month or two to develop. The new system has been previewed with NAPR, which says it provides all needed information to eliminate the current requirement for an abstract from the Registry to register business property transactions. NAPR registrars will now begin accessing the Registry online, eliminating one step and one day from Georgia's performance on the Registering Property indicator of the World Bank Doing Business Survey.

In addition, English-language headings are now available for foreign investors who wish to access their taxpayer account information online. This feature was added at the suggestion of the AmCham Investment Committee, which reported that foreign investors appreciated the online access previously implemented with Project assistance, but wanted to be able to directly access account information in English from their home offices abroad. Currently, the feature is limited to column headings and brief English parenthetical remarks identifying the consolidated status of various taxes. Explanations of transaction types, which is more complicated to implement in English, remains in Georgian, although translation of these items may be offered depending on priorities and interest by foreign investors.

22. Ministry of Finance Tax Appeal Reforms Underway

The Minister of Finance presented the Ministry's plan for reforming its tax and customs dispute resolution system, developed with the Project's assistance, to private sector representatives. After incorporating feedback from the business community, the plan will be implemented with the Project's assistance. The key reforms include: Amending the Tax Code to eliminate ambiguities and to allow issuance of official interpretations of the Tax Code that provide guidance to the private sector; splitting decision-making between making recommendations (professional staff) and acting on recommendations (senior officials); introducing a hearing officer level at the Ministry of Finance Appeals Board and a Dispute Resolution Unit within the SRS; publishing recommendations and decisions; and, implementing case management and tracking systems for statistical analysis and performance monitoring. The new administrative appeals system will expedite the dispute resolution process, enable the MoF to handle more cases faster, and improve the institutional credibility of the MoF appeals system.

23. Tax IT Capacity Continues Rapid Progress

The IT Department of the new Revenue Service continues to make rapid progress in implementing solutions that both reduce compliance burdens on taxpayers and increase enforcement capabilities. Recent developments supported with Project assistance include:

- Draft algorithms and formulas (methodology) that will enable the officials to prepare provisional assessments of VAT owed by non-filers have been prepared by Project consultants and submitted for review by the RS Methodology and IT Departments.

- Terms of Reference have been prepared for outsourcing development of a software module for managing non-payer cases. The new module will bring system and method to collection procedures and improve management oversight.
- Bids are being solicited for procurement of Oracle development tools (Oracle AS and IDS) that will permit implementation of a Risk Analysis and Audit Selection module, and permit migration of all tax application software to the new Oracle 10g database procured with Project assistance. Migration will result in a web-enabled, distributed system that will greatly improve performance and reduce system response times.

24. Coordination with Other Projects and Donors

The Project is collaborating with the EU Customs Project and AmCham to support a joint Business-RS Working Group to review and revise secondary customs legislation. The working group will launch its activities next quarter. The project is also working closely with USAID's small and medium enterprise project to publish a plain language customs guide that outlines new customs procedures for businesses. The plain language guide is expected to be finished next quarter.

KRA 2.3: Reduced and Simplified Business Registration, Licensing, Standards, and Inspection Regulations and Procedures Introduced

25. Health Ministry Streamlining Pharmaceutical Registration

Project recommendations for streamlining burdensome drug registration requirements, developed in collaboration with USAID's CoReform Project, have been accepted by the Ministry of Labor, Health and Social Affairs. If implemented, the recommendations will simplify registration of pharmaceuticals already approved by internationally recognized drug authorities, reducing time and expense for both the private sector and the government. They will also simplify transit of pharmaceuticals through Georgia, increasing the country's attractiveness as a regional distribution hub, and remove certain inefficiencies in drug sales point permitting. The State Minister requested Project assistance after complaints from pharmaceutical companies and healthcare providers that the current, inefficient system is driving up costs and compromising healthcare. An implementation working group has been formed with representatives of the Ministry, the Drug Agency, USAID CoReform, and the Project to incorporate the streamlining of drug registration into the Ministry's Drug Policy and to develop required amendments to the pharmaceuticals legislation. Related amendments on streamlining drugstore permitting and authorizing health care providers to dispense pharmaceuticals were also accepted, and will improve access to medicines, particularly in the regions.

26. Streamlining Assistance and Benchmarking Reform

The Project continues to work closely with the Office of the State Minister on Reforms Coordination to analyze Georgia's performance on each element of each of the ten categories measured by the World Bank, identifying areas where Georgia is weakest and suggesting reforms to facilitate doing business and increase Georgia's performance on the World Bank's 2008 survey. The Georgian government was not satisfied with being named the top reformer in the 2007 survey. Its goal is to move into the top 25 in the world

in ease of doing business. In order to assist the World Bank Doing Business team, the Project provided a summary of developments in Georgia that affect the survey. The Project has also provided analyses of the Failed States Index, the Heritage Foundation Index of Economic Freedom and the Networked Readiness Index.

27. Project Nominates GOG and SMRC for Governance Award

The Project’s nomination of the GoG and SMRC for the IBM Innovations Award in Transforming Government, administered by the Ash Institute at Harvard University’s John F. Kennedy School of Government was accepted, and the Project assisted the Office of the State Minister in completing the application process. The top five nominees will be selected and the winner of the \$100,000 prize will be announced at a ceremony in Washington D.C. in September 2007.

28. Coordination with Other Projects and Donors:

The project collaborated with the USAID CoReform project on streamlining drug registration procedures and with IFC’s Business Enabling Environment project in hosting a visit by officials from the Azerbaijan Ministry of Economy to share Georgian experience in reforming licensing and business registration systems.

C. IMPLEMENTATION CHALLENGES AND CONSTRAINTS

- Difficulties remain in retaining and recruiting experienced team members, particularly lawyers and economists. Most recently the Project lost an experienced economist to another donor project. He was offered considerably more money per year than the Project was able to pay. We also had trouble finding an experienced short term attorney to work on specific projects such as privatization and business closure because our daily rate is not competitive with the good law firms in the private sector. In addition, our employees’ purchasing power is being severely eroded by the weakening dollar and inflation. Our staff is experienced and highly professional; however, they are expressing concern about their eroding salaries.

D. IMPACTS AND PERFORMANCE MONITORING

The project conservatively estimates the total value of monetized benefits to selected stakeholders of GoG reforms carried out during the quarter with project support totaled \$16.91 million USD, Annexes 3-5. An outside reviewer estimated the annual benefits to the same stakeholders at \$17.12 million USD. Annex 2. Total monetized benefits from the inception of the project through the Seventh

Initiative	BCR Value	TBSC Value
New Georgian Governmental Network	\$6,800,000	\$6,910,000
Simplified Property Registration	\$6,710,000	\$6,650,000
Elimination of Excise Tax Certificate	\$3,400,000	\$3,560,000
Total	\$16,910,000	\$17,120,000

Quarter is \$249.37 million, against \$6.03 million in expenditures, which represents a return of at least \$41.35 for every dollar of USAID's investment.

The Project is continually tracking indicators and updating data in our Performance Monitoring Plan. Seventh Quarter results appear in Annex 6.

E. PROJECT QUARTERLY FINANCIALS

Detailed project financials are provided in Annex 7. The following table provides a summary overview.

GBCR Quarterly Financial Report - Summary - April-June 2007						
	Quarterly Costs Invoiced (April-June 07)	Project Invoiced to Date	Obligated Amount	Obligated Amount Remaining	Contract Budget	Contract Budget Remaining
Work Days Ordered	573,570	3,463,782			6,722,622	3,258,839
Materials and G&A	305,041	2,567,913			6,230,778	3,662,866
Total	878,611.37	6,031,695	7,380,771	1,349,076	12,953,400	6,921,705

Annex 1. Current Status of Work Plan Deliverables

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 00		Strategic Value: Initiatives are focused on improving the professionalism and proficiency of Customs Administration so that clearance procedures are convenient, efficient, and promote compliance.	9/30/2007			
C 01		Continue technical assistance for streamlining border clearance procedures.	9/30/2007	Ongoing		
C 01	C 01.1	Submit draft operating procedures to the Customs.	10/1/2006	Completed		Draft Customs Operating Procedures for clearance offices, checkpoints, seaports and airport.
C 01	C 01.2	Customs reviews and provides comments.	10/15/2006	Completed		BCR Review of comments to the proposed procedures.
C 01	C 01.3	Submit revised customs operating procedures to the Customs.	10/30/2006	Completed		Revised Customs Operating Procedures.
C 01	C 01.4	Assist Customs in implementing of proposed customs operating procedures.	5/31/2007	Delayed	Merger and change in Customs leadership delayed airport, clearance, and seaport procedures. Customs checkpoint procedure implemented in January. Draft airport and clearance procedures that incorporate some project recommendations under review. Seaport procedures will be taken up in July.	Adopted and Implemented Customs Operating Procedures.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 02		Support for creation of inter-agency Border Management Task Force to address delays caused by poor coordination.		Ongoing	A first meeting of the Border Management Task Force was held regarding opening new airport. New SRS management has other priorities.	Establishment of Inter-Agency Border Management Task Force.
C 03		Document reformed processes and present findings to the public.		Ongoing		
C 03	C 03.1	Conduct time measurement study to document reformed processes.	10/2/2006	Completed		Report on Time Measurement .
C 03	C 03.2	Present findings of the time measurement study to the stakeholders.	11/30/2006	Completed		Time Measurement Study Presentation.
C 03	C 03.3	Conduct follow up time measurement study to document reformed processes.			New SRS Chairman suggests Fall/ Winter 2007 as a target date to measure the impact of new reforms in time for annual report.	Follow up Time Measurement Study.
C 04		Continue assistance in implementing new Customs Code, including development of secondary regulations as requested by Customs.	9/30/2007	Completed		Although not included in the work plan, the project's recommendation that SRS establish a customs business advisory council was accepted. The project is working with the private sector task force and SRS on systematic review and revision of the customs secondary legislation.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 04	C 04.1	Develop and submit draft secondary regulations.	10/1/2006	Completed		Proposed secondary regulations on transits risk management, and (in cooperation with EU Customs project) simplified customs clearance procedures.
C 04	C 04.2	Assist Customs in organizing public-private dialogue on secondary customs regulations.	12/30/2006	Completed		Two sets of round tables, public-private dialog regarding new customs secondary regulations (11/25/06-11/26/06 and 12/2/06-12/3/06).
C 05		Assist Customs in implementing of Training for Customs employees in new Customs regime.	3/15/2007	Completed		
C 05	C 05.1	Training of Customs employees.	12/30/2006	Completed		First set of Trainings for 191 Customs employees on New Customs Legislation.
C 05	C 05.2	Training of Customs employees.	3/15/2007	Completed		Second set of Trainings for Customs employees on New Customs Legislation.
C 06		Public awareness.	9/30/2007			
C 06	C 06.1	Organize training for journalists on new customs legislation.	3/31/2007	Delayed	Customs Chairman terminated on eve of planned training, New SRS Chairman requests delay until he has tangible progress to report.	Media Workshop.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 06	C 06.2	Support Customs in printing materials on new customs legislation.	1/31/2007	Completed	1) BCR assisted writing and financed printing of booklets on new customs rules for physical persons crossing the border in English, Georgian, Russian, and Turkish. (Delayed by merger of Customs into SRS and change in leadership.) 2) USAID SME Project in coordination with BCR published brochures on new customs rules for truck drivers and hotline flyers.	Booklets and brochures on new customs rules.
C 07		Provide assistance in implementing risk based management, including creation of "Gold List" program.			SRS management identified September as the target for implementation of both Gold List and cargo selectivity. Slippage is probable, but we expect implementation this calendar year.	
C 07	C 07.1	Develop and submit to the Customs Authorities Customs Self-Assessment Program Handbook.	11/13/2006	Completed		Customs Self-Assessment Program Handbook.
C 07	C 07.2	Submit revised version of the Customs Self-Assessment Program Handbook based on Customs comments.	12/29/2006	Completed		Revised Customs Self-Assessment Program Handbook.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 07	C 07.3	Identify participants for pilot "Gold List" program for high volume/high value importers.	11/28/2006	Delayed	Customs Analytical Unit had made preliminary selection of potential participants and requested info about their compliance records from tax and financial police when leadership changes and merger intervened. Final selection will resume after agreement on final design and enactment of the governing regulation.	Identified pilot and potential future participants of the program.
C 07	C 07.4	Develop cargo selectivity criteria for risk management.	5/30/2007	Delayed	Initially delayed by former Customs Department, based on their decision to implement "Gold List" first and cargo selectivity only after Asycuda World is in place. SRS leadership has decided to introduce both simultaneously, and Analytical Unit has prepared eight risk profiles with corresponding cargo selectivity criteria. We expect eight more to be developed for implementation in Asycuda World.	
C 07	C 07.5	Provide assistance in implementing pilot Gold List program.	5/10/2007	Delayed	Merger, new management, and redesign of Gold List program has produced delays. New target is September, but later this year is more likely.	Customs Self Assessment Pilot Program implementation.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 07	C 07.6	Provide assistance in implementing risk based management.	6/14/2007		Merger, new management, and redesign of Gold List program has produced delays. New target is September, but later this year is more likely.	Expansion of the pilot Gold List program and application of risk management based cargo selectivity to small and medium enterprise importers.
C 07	C 07.7	Develop a presentation outline and provide a brief training session to the Customs team members on making effective presentations of Gold List program to business managers.	2/14/2007	Completed		Training session including role-playing practice exercises
C 07	C 07.8	Preparation of risk management training module.	2/10/2007	Completed		Risk management training module.
C 07	C 07.9	Conduct training on risk management for customs officers.	5/30/2007	Completed		19 representatives from Risk Management, Methodology, and Customs Control Departments received a one-week training.
C 07	C 7.10	In collaboration with USAID Public Administration Reform conduct general management training.	5/30/2007	Suspended	This activity, requested by former Customs leadership, is not a priority of SRS management.	Risk Analysis and Management training.
C 08		Assist Customs in implementing electronic submission of Customs declarations.	9/30/2007			
C 08	C 08.1	Assist Customs in drafting legal provisions on electronic submission of Customs declarations.	1/1/2007	Completed	Provisions of the Customs Code allowing e-filing of customs declarations came into effect January 1, 2007	Drafted provisions of the Customs Code allowing electronic submission of the customs declarations.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 08	C 08.2	Assist Customs in developing procedures for implementing electronic submission of Customs declarations.	7/31/2007			Proposed operating procedures for e-filing of customs declarations.
C 09		Complete development of the Customs Export/Import web guide.		In progress	Delayed by merger.	
C 09	C 09.1	Select vendor for development of the Customs Export/Import web guide.	12/31/2006	Completed		Announce RFP and vendor selected.
C 09	C 09.2	Present preliminary version of the Customs Export/Import web guide to Customs.	1/18/2007	Completed		Customs Export/Import guide management system and draft design.
C 09	C 09.3	Complete and present final version of the Customs Export/Import web guide to Customs.	4/30/2007	Delayed	SRS Head instructed Methodology, Risk Management, and Customs Control Departments to review content and function and present feedback.	Customs Export/Import web guide with import/export calculator.
C 11		Training on effective application of WTO Valuation Agreement principles.	7/3/2007	Completed		22 representatives from Customs Control, Methodology, Risk Management Departments received a three day course on WTO Valuation Agreement.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
C 12		Map and recommend improvements to import/export processes for specific types of products that are complicated to import (i.e. pharmaceuticals) and export (i.e. wine).		Ongoing	GoG has selected 1) wine export procedures, particularly for samples, because cumbersome procedures are complicating attempts to break into new markets; and 2) pharmaceuticals. Recommendation re imports of pharmaceuticals are included in R 01.	
C 12	C 12.1	Develop List of Licenses required for import/export operations.	4/30/2007	Completed		List of Licenses required for import/export operations.
C 12	C 12.2	Conduct analysis of existing import/export procedures and recommendations to improve import/export processes.	6/30/2007			Analysis of existing import/export procedures and recommendations to improve import/export processes.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
ED 0		<p>Strategic Value: An improved business climate and increased investment will result from enhancing capacity of Ministry to engage in economic policy planning and of GNIA to serve as focal point of public-private dialogue, provide comprehensive investor information, and act as a one-stop shop for licenses and permits.</p>	9/30/2007	Delayed	<p>Work plan progress is delayed by the appointment of a new Minister in late November 2006, and the departure of GNIA's Director. A new Director was appointed in April, and another new director in late May. The new, new director is eager to restructure and refocus GNIA on attracting FDI. The Minister has validated this approach. The project is working with him on an ad hoc basis to meet immediate needs such as refurbishing GNIA's website, developing sectoral overviews and the capacity to produce and update them, developing an organizational structure, query management systems, etc., a pilot FDI attraction program focusing on the Kutaisi-Poti corridor, and trying to help him integrate these near term efforts into a long-term strategic approach.</p>	
ED 1		<p>Continued technical assistance and material support to the GNIA Business Information Center as contemplated by the Year 1 work plan.</p>	4/12/2007	Completed		

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
ED 1	ED 1.1	Support BIC operations until GoG can assume full funding.	12/31/2006	Completed	Project provided extra month of support in January, to allow transition time for new leadership.	GoG assumed full funding of BIC beginning 1/1/07.
ED 1	ED 1.2	Develop training/capacity building program for BIC staff.	12/31/2006	Completed	GIPA provided special training in basics of public administration, micro and macro economics, public finance and tax policy, and business English.	GNIA/BIC members received training in aspects of public administration essential to their work.
ED 1	ED 1.3	Create a scope of work detailing the composition and functions of an advisory committee comprised of public and private sector representatives that will advise the BIC on ways to increase its effectiveness.	10/31/2007	Completed	MoU incorporating SOW signed between GNIA and five business associations to form Board of Advisors. GNIA's new director has been focused on other issues, so has not implemented.	SOW for GNIA Advisory Committee.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
ED 1	ED 1.4	Assist GNIA and the office of the State Minister on Reforms Coordination to develop internet-based tools to publish info about GoG initiatives, solicit private sector feedback, and report on it to GoG in a form useful to decision makers.	4/12/2007	In progress	RFPs were issued for: a) GNIA web database of investors, investment projects, and Georgian businesses. Completed but awaits attention of new GNIA Director and resources to populate it. b) four websites for trade-related agencies (Customs, SMRC, NAC, BIC), have been delayed by changes in leadership/personnel at BIC, Customs, and SMRC. The project also provided TA in the redesign of the GNIA website, the focal point of an \$8 million international investment attraction campaign.	Web tools online and in use.
ED 1	ED 1.5	Provide consultancy to GNIA aimed at developing strategy for positioning and promoting Georgian wine in the context of international competition.	1/31/2007	Completed	Project recommendations submitted, and US wholesaler identified that committed to market Georgian wine. Responsibility for follow-up has been assumed by USAID AgVantage project.	1. Seminar for Wine Producers; 2. Report and recommendations.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
ED 2		Provide strategic/competitiveness advisory services to MoED.	9/30/2007	Ongoing	1) FDI expert is working on intermittent assignment. He recommends Georgia develop a strategy, refocus on FDI product development, investor servicing, and move to targeted marketing. Initial pilot approved and is underway. GoG focus on Invest in Georgia forums diverts resources from more effective FDI attraction efforts. 2) Project is helping GNIA develop investor contact tracking system to assure efficient, timely follow-through with potential investors. 3) ST consultant is reviewing GNIA's legal framework and assisting new director's efforts to rationalize it, so GNIA has adequate legal foundation for investment promotion.	1) MoED implements mechanisms for benchmarking and selling competitive advantages and identifying and redressing competitive disadvantages. 2) Pilot FDI targeting exercise produces systems and methods for FDI attraction. 3) GNIA has adequate legal foundation for an investment promotion agency.
ED 3		Implement one-stop licensing and permitting and conditional licensing and permitting procedures for activities that require multiple licenses.	9/30/2007	Delayed	New GNIA director wants to implement this important investor service, but is delaying implementation until after agency is restructured and appropriate business processes are designed.	One-stop and conditional licensing actually implemented and available to investors.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
ED 4		Assist GNIA in improving design and content of investment brochure ("10 Reasons to Invest in Georgia") and developing professional quality sectoral overviews.	9/30/2007	In progress	"10 Reasons to Invest" update completed and applauded. Project also produced brochure on trade, transit, travel and invest in Georgia. ST consultant now in field to produce on two high priority sectoral overviews and to build local capacity to develop and update others.	1) Updated investment guide; 2) Standard Template; 3) 2 Professional quality sectoral overviews; 4) GNIA/MoED have capacity to produce and update sectoral overviews.
ED 5		Continue holding roundtables and/or focus groups with private sector to identify areas of concern and communicate findings and recommendations to appropriate government bodies.	9/30/2007	Ongoing	In the Sixth Quarter (2nd Quarter Y2), 303 persons participated in nine public-private dialogue events on topics ranging from transportation and tourism issues to changes in the new construction code. In the Fifth Quarter, 341 persons attended nine public-private dialogue events, including 7 at BIC, on topics ranging from customs, tax, construction, to property rights.	Regular public-private dialogue events on key reform issues.
N 0		Strategic Value: NAPR activities are designed to improve the operating environment for business and increase access to credit by reducing transaction costs and risks.	9/30/2007			

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1		Establish centralized, modern secured financing system for Georgia, building local capacity to decide what's best for Georgia, and to implement, maintain, and use the system effectively. Implement web-based, notice registry of claims against movable property, including technical assistance in drafting modern secured transactions/registry laws, and IT implementation support.	9/30/2009	In progress	At the request of the MoED and NAPR, the project has expanded its work in collaboration with USAID SME Support to incorporate leasing law and mortgage reforms into its work on secured finance, which originally was more narrowly focused on security interests in movable property and implementation of a pledge registry. These activities, formerly in Task R11, are now part of N1.	Modern secured financing system including implemented legislation and an operational registry is actively used by Georgia's lenders and creditors.
N 1	N 1.1	Detailed action plan prepared, submitted to, and approved by USAID and NAPR.	3/15/2007	Completed		Detailed action plan incorporated into project work plan.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2	Pre-implementation Phase Preparatory and Assessments - Purpose of this activity will be to allow local counterparts to make an informed decision as to the extent of the reform to be pursued. This activity is important for two main reasons: 1. to ensure the local counterparts understand and undertake commitments they are willing and able to fulfill subsequently, and 2. to ensure the development and implementation work (including the legal, IT, training timeline and costs) are targeted to the areas agreed for reform. The following information under this section lists the components included under item 1- Preparatory and Assessment.	5/4/2007	Completed		NAPR, and local counterparts understand all reform components and options and agree on a revised work plan.
N 1	N 1.2.01	Legal Reform - Creation of pledge - The local counterparts will determine the method of creating a ordinary pledge including all modern components of it. Since there are a number of possibilities, the project will present the possibilities and the implication of each, they will determine the most appropriate way for Georgia.	3/30/2007	Completed		NAPR, and local counterparts understand and agreed on reform component N1.1.01

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2.02	Legal Reform - Determining scope of transactions to be included - this component will involve analyzing and determining with the local counterparts (NAPR) all relevant commercial transactions for secured financing. It will involve step by step analysis of the significance and implications of including each of the relevant interests arising out of these transactions within the scope of the new law for the purpose of registrations and priorities.	3/23/2007	Completed		NAPR, and local counterparts understand and agreed on reform component N1.1.02
N 1	N 1.2.03	Legal Reform - Determining priority ranks among all creditors - this component is perhaps the most significant and complicated one as it involves deep policy considerations. The local counterpart will determine to what extent each creditor's right is to be compensated for when the debtor's obligations value exceeds his/her assets' value. The counterparts will be in a position to understand what the policy considerations and implications are in order to determine which priority scheme appropriate for the Georgian reform.	4/5/2007	Completed		NAPR, and local counterparts understand and agreed on reform component N1.1.03

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2.04	Legal Reform - Mortgage - the local counterparts will evaluate and examine in detail the implications of inclusions of mortgages in the new secured financing system. What is the reform necessary, public reaction, financial sector reaction, necessary steps to ensure smooth transition in terms of public awareness and administrative procedures (ensure old practice ends and mortgagees and registry institution nationwide follow the new procedure).	3/23/2007	Completed		NAPR, and local counterparts understand and agreed on reform component N1.1.04.
N 1	N 1.2.05	Legal Reform - Other components such as proceeds collateral, inventory financing, accessions, fixtures, future property small value property exemptions will be presented and determined whether should be considered as part of the law reform.	4/20/2007	Completed		NAPR, and local counterparts understand and agreed on reform component N1.1.05
N 1	N 1.2.06	Institutional Reform - Notice system - local counterparts will learn about the notion of notice system. What minimal information needs to be included, what is involved if modern approach is to follow. What the implication are of registering in a national public registry even before an agreement is signed.	4/13/2007	Completed		NAPR, and local counterparts understand and agreed on law reform component N1.1.06.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2.07	Institutional Reform -Institutional Registry Logistical Requirement - Local counterparts will learn about the logistics involved in the creation and maintenance of the modern registry. Here they will learn about the human and financial resources necessary, annual expenditure and running costs, income generated from the work of the registry will be estimated (based on the assessment what transaction are included). The local counterparts will be in a position to determine if the reform is possible and they will be able to run the new undertaking.	4/27/2007	Completed		NAPR, and local counterparts understand and agreed on law reform component N1.1.07.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2.08	Institutional Reform - End User Registration - An important component is the determination whether a self registration by the creditors (or other users) is appropriate. Will procedure of digital submission be acceptable, will the business community accept situation where debtor does not have to sign the registration request, what are the mechanisms to protect against fraud. Shall public institutions such as tax department, courts (in case of liens created by court decisions) and other institutions have the capacity to use this method? The local counterparts will determine if the burden of data entry can be delegated to the end public user or NAPR needs to participate in the process of data entry.	4/27/2007	Completed		NAPR, and local counterparts understand and agreed on law reform component N1.1.08.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.2.09	Enforcement Reform - Determining enforcement reform - the scope of the law will determine what transactions included in the reform so far as registration requirements are involved. This component here is particularly important as it will focus on the enforcement of each of these transactions. Since, the legal reform may apply as well to the enforcement of the transactions included (where necessary), the local counterparts will determine which to what extent they want to spend effort on reforming enforcement of each transaction included within the scope of the law.	4/27/2007	Completed		NAPR, and local counterparts understand and agreed on law reform component N1.1.09.
N 1	N 1.2.10	Old Claims and Transition period - in order to transform the existing system to a more modern one, there are a number of options for transition of old claims. The local counterparts will learn the various options to reduce legal liability on the part of the government, the special priorities and their implication on the public sector before, during and after the transition period and the long term positive effects. The local counterparts will learn what logistical implication one system has over the other and decide which law reform they would prefer.	5/4/2007	Completed		NAPR, and local counterparts understand and agreed on law reform component N1.1.10.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.3	Implementing Legal Reform - Reform to existing legislation will be conducted including amendments to existing legislation and establishment of new secured financing law.	9/30/2007	In progress	At the request of GoG and USAID, the project is attempting to complete by 7/30/07 the draft Secured Financing Law that was to have been completed by 9/30/07, according to the work plan. As a result, the package of related amendments will be delayed. See Item 1.3.02	Final draft package "modern Secured Financing Law and related legislation reform." (with commentary).
N 1	N 1.3.01	Examination of required reform in existing legislation - related legislation such as civil code, bankruptcy law, leasing law, enforcement law and tax law will be examined to identify needed reform.	5/30/2007	Completed		Project assists local counterparts in determining the specific legislation reform required.
N 1	N 1.3.02	Drafting Legislation Reform Draft 1- Work on drafting amendments to all existing legislation and proposed new secured financing law. The emphasis here will be put on the main local counterparts (NAPR) doing the drafting and providing commentary on the draft. This will be possible following activity number 1.1 where the local counterparts are familiar with all the major concepts important.	7/15/2007	In progress	This initiative has been revised at the request of the GoG and USAID to permit delivery of the draft Secured Financing Law by the end of July. The draft law will be finished first, followed by the amendments to related legislation.	First package draft - modern secured financing law and reform to existing legislation (with commentary).

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.3.03	Drafting Legislation Reform Draft 2 - First package draft is reviewed by selected local counterparts. All legislation will be examined. Further meetings with counterparts will be conducted and discussions on the main points of the reform will be conducted with the financial and legal sector representatives. NAPR with the assistance of the project will prepare a revised package of law reform.	9/15/2007			Second package draft - modern secured financing law and reform to existing legislation (with commentary).
N 1	N 1.3.04	Drafting Legislation Reform Final Draft - Second package draft is reviewed by selected local counterparts. All legislation will be examined. Further meetings with counterparts will be conducted and discussions on the main points of the reform will be conducted with the financial and legal sector representatives. NAPR with the assistance of the project will prepare a revised final package of law reform.	9/30/2007			Final package draft - modern secured financing law and reform to existing legislation (with commentary).

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.3.05	Assistance During the Legislative Procedure - the project will assist the local counterparts during the procedure of the package law reform in the Government and parliament procedure. It will provide upon request, opinion paper, any presentation and will appear in meetings as necessary. This activity has proven important in other jurisdiction as the decision makers become more supportive as they understand better the secured financing reform.	9/30/2007			Project assists local counterparts during the parliamentary procedure.
N 1	N 1.4	Implementing Georgian National Secured Financing Registry (Simulator and real registry) - A computerized registry system simulator will be established to facilitate recording and searching of all types of rights held by credit grantors and some other property right holders as agreed with the local counterparts.	2/28/2008			National Georgian Secured Financing Simulator throughout Georgia.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.4.01	Determining the specifics of the national registry system and producing it - together with the local counterparts the specifics of the registry features will be determined and produced. These may include among other features; form of reports, e-documents or paper documents, administrative financial reports, user method of fee payments, accounting procedures, required reports to financial control bodies, administrative and control of registry employees, security level and back up procedures, system handling of e-tokens (should they be used) of NAPR an of the shelf software will be acquired based on the specifications or produced by NAPR programmers, customization of system to Georgian language, type of accounts and handling of request for opening accounts (some platform licenses will be necessary to purchase).	2/28/2008		The project anticipates that a study tour, probably to Bosnia, will be included as part of this element.	Project assists NAPR to determine and produce all items in N1.3.01.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.4.02	Preparation and establishment of security back up policies and procedures - An important aspect of the work of the registry involves the security and back up procedure of data inserted and saved on the database. This aspect will be new to the local counterparts as they work for the first time with procedure which involves the entire registration procedure to be done by the end user. This part will include, method of identification of the user and back up on internal and external media. Finally, storage and archive procedure will be established.	8/30/2007			Project assists NAPR to prepare and establish all items in N1.3.02.
N 1	N 1.4.03	Payment Procedure - The project together with NAPR will establish a new administrative method of pre-payment of fees. The effort will focus on fee payments procedure to relay on pre deposits by registry clients not directly at NAPR premises but to a NAPR or treasury bank account. NAPR will establish direct work flow with the bank and treasury account with reporting Bank-NAPR done electronically.	9/30/2007			Project assists NAPR to determine and establish payment procedure as provided in item N1.3.03.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.4.04	Procuring Registry Hardware and Software - equipment and software platform will have to be procured and installed. The equipment should be such that it provides security for on-line operation. It may also be used and can also operate in local network. Specifications and procurement will be done in cooperation with NAPR (possibility with the use of e-tokens).	9/28/2007			Project assists NAPR to determine what hardware and software is necessary and help procure it. (from US if cheaper) all items in N1.3.04.
N 1	N 1.4.05	Testing of Entire Registry System - the project will establish a system to test the operation of the system under pressure, back up performance, disaster recovery and regular work flow. Testing will be made over a period of time in collaborating with NAPR.	2/28/2008			Project assists NAPR to test and establish final product as provided in item N1.3.05.
N 1	N 1.4.06	Services for the Public - Assisting NAPR establishing net of private service providers to the public. This will include procedures, functions and customer services they will have to provide.	4/30/2008			Project assists NAPR to determine and produce all items in N1.3.06.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.4.07	Drafting of Secured Financing Regulations - in order to provide for the operation of the computerized registry, administrative regulations will have to be drafted in collaboration with NAPR. These regulations may be a separate draft or may be incorporated into existing administrative regulations.	4/30/2008			A Final Draft Secured Financing Regulations.
N 1	N 1.4.08	Employees Guide - The project will assist NAPR in preparing a guide for the employees who work with the new registry. This guide may be a new or may be incorporated into existing rules at NAPR.	4/30/2008			Project together with NAPR prepares relevant instructions and work procedures as provided in item N1.3.08.
N 1	N 1.4.09	Client guide - this guide will be designed to assist financial institutions, lawyers and other users of the system, in understanding the operation of the new system and how to interact with it.	4/30/2008			Project together with NAPR prepares relevant instructions and work procedures for end clients as provided in item N1.3.09.
N 1	N 1.4.10	Official Inauguration - official ceremony of the opening of the new secured financing registry when the law comes into effect - project will assist NAPR to prepare and execute.	5/31/2008			Project assists NAPR in preparing the inauguration as provided in item N1.3.10.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.5	Implementing - Training - Training of legal community, registry staff and the financial community must be provided before, during and after the transition period (initial period of operation of the new secured financing system). Training to public service providers.	9/30/2009			All interested parties are provided with training and are ready for beginning of work with the National Georgian Registry.
N 1	N 1.5.01	Preparation of database for simulator - a full data base of moot debtors, creditor, and property will be established to be used in the simulator. All data will be in Georgian.	2/28/2008			Project will establish the database base for use during the simulator.
N 1	N 1.5.02	Simulator hands on Training Sessions - the project will provide introductory training sessions on the use of the simulator, what it represents and how to use it before advancing credit as risk management tool. The sessions will involve representatives from the private sector (financial institutions) and public sector interested parties (government tax department primarily) who will obtain hands on training and subsequently will be able to use the simulator.	2/28/2008			Project provides 4 training sessions for private and public sector.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.5.03	<p>Simulator Training Support - the project will provide support during the simulator period via interaction on line with the users. The training support will include interaction through the simulator web site, observation of work flow and commenting to clients and if necessary more meetings with users towards the beginning of the operation of the real registry. Simulator will be available thought 2009 and will be used for further presentations and workshops.</p>	9/30/2009			Project provides full time support during the simulator as well up to 4 more training sessions.
N 1	N 1.5.04	<p>Financial Sector Training Sessions on the Law - the project will provide training sessions to the financial organizations including, banks, micro credit organizations, leasing companies and sellers on credit. The training will be divided based on the type of creditors involved so to emphasis for each group the legal aspects important to the particular group, such as priorities, registration amendments and search requirements, enforcement, important provisions to be included in the contracts and presentations of arguments in court cases. Training sessions will be timed so to be provided also during the time the registry system is operational.</p>	10/29/2007			Project will provide 4 Training sessions to financial sector.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.5.05	Judiciary Training Sessions - Training will be provided to the judiciary. The training will involve the potential use of the registry by the court system and the cases where court may order the registry specific actions, the training on the legal aspects of the a new secured financing law, new enforcement procedures, the importance of court judgments for the work of the registry and the enforcement officers. The method will be case studies to allow active participations of the participants. Training sessions will be timed so to be provided also during the time the registry system is operational.	9/30/2009			Project will provide 3 training sessions to the judiciary.
N 1	N 1.5.06	NAPR registry staff - Training - project will provide training to staff of the new registry on the new procedures, maintenance of the new database, client services, adjusting to on-line customer service rather than service in person, representation of registry in disputes, management of e-tokens, management of user accounts, work with new payment procedure with designated bank account and one or two training trips to jurisdictions with similar systems (including notice based mortgage registration	3/31/2008			Registry staff fully trained on operation of the registry and ready to operate it independently.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
		procedure), second trip will be provided should the need arise.				
N 1	N 1.5.07	Enforcement Officers Training Sessions - workshops to enforcement officers. Training sessions will be timed so to be provided also during the time the registry system is operational.	9/30/2009			Project will provide 3 training sessions to the judiciary.
N 1	N 1.5.08	Providing Workshops at Law School - The project will provide lectures for upper year law students with demonstration of the work of the new law and registry. The project will also provide written material to be included in curriculum of universities for specific course on secured financing or as part of related courses such as contract law, land law, commercial transactions or similar.	9/30/2009			Project will provide 4 one day seminar for law schools up year students and will prepare material to be used in law school future courses.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.5.09	Real Cases and Enforcement Procedures - The project will continue to monitor cases that come to the court in the context of priority disputes among creditors and enforcement. Assistance will be provided to the judiciary and enforcement agencies in understanding the practical implementation of the law. An effort will be made to target courts and enforcement agencies where relevant cases or enforcement proceedings are introduced.	9/30/2009			Project will be available for any opinion it may be asked to provide on cases decided by the courts.
N 1	N 1.6	Implementing - Public Awareness Campaign - Public awareness campaign through the media will take place sometime before the system starts its operation to ensure the public is familiar with the new system and the ways it can take advantage of it. Project will assist NAPR in constructing material for effective public awareness.	9/30/2009			Project will provide consultancy for NAPR on how to create and execute public awareness.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 1	N 1.7	Monitoring & Impact Assessment - Following the establishment of the system a monitoring and impact assessment activity would be established. Every four months surveys will be conducted through questionnaires to users of the systems and statistical reports with recommendations for further improvements of the system will be produced based on the result of the surveys.	9/30/2009			Periodic (every three months) statistical reports and recommendations for further improvements as of the date the registry starts its operations.
N 2		Reduce registration risks for lenders and buyers that arise from tax liens and court liens, by amending legislation, changing current registration practices, and public awareness campaign to educate stakeholders.	9/30/2007	Suspended	These issues will now be undertaken as part of Task N 1.	Year 2, Qtr. 1: Project helped Tax Dept. automate tax lien process, reducing error rate, administrative costs, and risks to registry users.
N 3		Eliminate mandatory, redundant requirement that documents related to property transactions be notarized before submission to NAPR for registration.	4/1/2007	Completed	Amendments to Civil Code enacted in December will take effect in March, eliminating mandatory notarization for property transactions.	Registry users able to submit property transaction documents directly to NAPR, reducing transaction costs and delay risks.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
N 4		Material support and technical assistance to NAPR in enhancing IT system, e-services, and electronic processing of registry functions at regional and central offices.		In progress	The Project is providing ongoing support for IT improvements to reduce transaction costs and risks, helping to increase access to credit.	Year 2, Qtr. 1: a) Licensed Oracle 10g database software procured; b) NAPR IT staff trained in Oracle and Linux; c) preparation of long-term IT Strategy Document begins, which will provide framework for future procurements.
R 00		Strategic Value: Initiatives with the State Minister on Reforms Coordination will focus on business climate reforms that impact World Bank's Doing Business Survey. Other significant initiatives are ongoing in the areas of construction and electronic commerce/governance. The State Minister has also requested that the Project retain flexibility to address urgent priorities as they arise.	9/30/2007			Georgia ranks in the top 25 on the World Bank's Doing Business Survey.
R 01		Assist GoG in clarifying regulatory frameworks of three regulatory regimes of importance to the business climate.	9/30/2007	Ongoing		Recommendations on eliminating redundant, obsolete regulations, filling gaps, and streamlining in three selected priority areas.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 01	R 1.1	Identify three priority areas.		Ongoing	Privatization has been chosen as first subject area and an action plan approved. Interviews are underway for a ST Georgia attorney to undertake the task. By agreement with SMRC, activity will be carried out one regime at a time instead of three simultaneously.	
R 01	R 1.2	Develop an action plan for each identified area.	4/15/2007	Completed		Action Plan delivered to SMRC.
R 01	R 1.3	Compile periodic reports listing regulations affecting the business environment which need to be abolished, amended or duly registered in the registry of statutory acts.		Ongoing		Reports with the list of regulations to be abolished, amended or registered delivered to GOG for consideration.
R 01	R 1.4	Follow up work with the targeted ministries to ensure the decisions made by the Government Commission are implemented.		Ongoing		Implementation Report delivered to GOG.
R 01	R 1.5	As Project recommendations are implemented, complete monitoring and impact assessment.		Ongoing	Submitted Quarterly.	Impact assessment delivered to USAID and GoG.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 02		Technical support to Government Committee for "Georgian Governmental Network".	6/30/2007	Completed	This item was completed when GoG selected MagtiCom as the winner of a tender to build a national network to link all government agencies. The project is continuing to provide assistance in drafting the MoU between GoG and MagtiCom, which was not originally contemplated. The special government commission established under the leadership of SMRC to handle the tender may now be tasked with elaborating a conceptual framework for implementing e-government. Project consultants have been asked to participate in this new task which will be added to the work plan when details are clarified.	Vendor selected to connect Government offices throughout Georgia on a national wide area network that includes IP telephony and video conferencing.
R 02	R 2.1	Define action plan for project assistance.	3/8/2007	Completed		SOW and tender requirements delivered to GOG.
R 02	R 2.2	Prepare draft TOR and requirements.	3/20/2007	Completed		Draft of the TOR and requirements.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 02	R 2.3	Assist in preparation of RFP and selecting vendor.	4/30/2007	Completed		RFP published and vendor selected.
R 02	R 2.4	Develop recommendations for monitoring and evaluation of services provided by the nominated company.	4/11/2007	Completed		Recommendations delivered to GOG.
R 03		Ongoing monitoring and impact assessment of implemented reforms.		Ongoing	\$232.46 million in annual economic impacts from actually implemented reforms have accrued through March 31, 2007.	Quarterly assessments of annual economic impact of actually implemented reforms.
R 03	R 3.1	Monitoring and impact assessment of implemented reforms.		Ongoing		Monetized impact assessment memoranda delivered.
R 03	R 3.2	Quarterly impact assessment of implemented reforms.		Ongoing	Submitted Quarterly. Economic impact of reforms implemented during the 6th Quarter totaled \$73.2 million, including \$65.8 million in increased tax revenues attributable to project activities.	Quarterly Impact assessment delivered.
R 04		Support next year's regulatory environment assessment and publishing GOG white paper on business climate status, achievements, priorities.			Unclear whether this remains a GoG priority. Considerable effort has been devoted to assessing and improving Georgia's performance on World Bank Doing Business indicators which are a part of the RIA.	

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 05		Draft and implement an effective e-signature law and implementing regulations, selecting 1-4 pilot, high impact transactions and assist GoG to introduce online government to business transactions.	9/30/2007	In progress	After circulation within government, draft law has been approved by five Parliamentary committees and its first hearing by a plenary session of Parliament.	E-signature law enacted and 1-4 high impact e-government transactions implemented.
R 05	R 5.1	Assist SMRC Office to draft law on e-signature.	12/31/2006	Completed		Draft law elaborated and delivered to SMRC.
R 05	R 5.2	Review of the draft law by ST international e-signature specialist.	3/1/2005	Completed		Comments and recommendations on the draft law delivered to SMRC and incorporated into revised draft.
R 05	R 5.3	Identify 1-4 pilot implementation projects.	2/1/2007	Completed	Original pilot implementations identified were e-filing of VAT declarations, customs declarations, and pledge registry. New pilots include online business registry, e-issuance of certificates of origin.	3 e-government pilots identified.
R 05	R 5.4	Assist SMRC office to identify prospective e-signature service providers and organize round-table to discuss the new opportunities to do business.	6/30/2007	Delayed	Original target 4/30/07, but delayed by GoG until after draft law submitted to Parliament. Now scheduled for first half of June.	Roundtable with prospective e-signature service providers.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 05	R 5.5	Support GoG agencies to implement new business processes, including training of staff and public awareness campaign.		Ongoing	Implementation of pilot e-government initiatives separately reported: N 1--NAPR Pledge Registry; C 08--customs declarations; T 6--VAT returns; R 16-certificates of origin; T 7-business registry abstracts	
R 05	R 5.6	Assist the National Accreditation Agency to draft technical regulation for accreditation of e-signature service providers; Identify the need for other implementing regulations.	8/31/2007	Ongoing	International models identified and submitted to NAC. Actual drafting will begin after the E-Signature law is passed.	
R 05	R 5.7	As regulations are adopted, produce process maps.	9/30/2007			
R 06		Ongoing training for GoG officials on the new legislative and regulatory regimes, and plain language publications documenting new procedures that are implemented.		Ongoing	Ongoing. 1) Trainings held for construction permitting officials from Imereti Region (26), Tbilisi (23), and Mtsketa-Tianeti and Kvemo Kartli (22). 2) Content for Construction Permits plain language publication developed in cooperation with SME Support project, which published booklet. 3) Providing construction content for SME sponsored website.	Training plans and materials delivered to appropriate Government counterparts as necessary to support other project activities.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 07		New Building Code that includes key technical standards for building design enacted by GoG.	12/31/2007	Ongoing	At the request of the MoED, the project's construction team drafted a regulation governing building setbacks, heights, abutting walls, etc., that is now awaiting the Minister's signature. This is a value-added activity that was not included in the Year 2 Work Plan.	Draft Building Code submitted to MoED and SMRC.
R 07	R 7.01	Identify a base set of standards from which Georgian technical standards will derive (IBC, Euro Codes, etc.).	11/1/2006	Completed	IBC recommended by project and adopted by GoG.	Base standard chosen.
R 07	R 7.02	Presentation of findings to MoED to let them choose the basic set of standards.	1/31/2007	Completed	MoED accepted project recommendation to use IBC as base.	Presentation delivered to the MoED.
R 07	R 7.03	Identify those parts of IBC that should be adapted first, taking into account most problematic and important local issues.	3/20/2007	Completed		Action plan submitted for approval to MoED and SMRC.
R 07	R 7.04	Presentation of IBC to scientific institutions and industry associations to identify their readiness to participate in drafting process.	3/30/2007	Completed		Roundtable.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 07	R 7.05	Form working subgroups consisting of representatives of relevant stakeholders.	4/13/2007	In progress	Representatives identified from relevant construction disciplines who have agreed to participate on standards that concern them. Individual subgroups will convene as work begins on a particular standard. The first will be on soils and foundations.	
R 07	R 7.06	Translate relevant parts of IBC in close cooperation with Working Group on Construction Technical Standards.	11/1/2007	In progress	Soils and foundations is now being translated.	
R 07	R 7.07	Adapt standards so they are practical for use in Georgia.	11/15/2007			
R 07	R 7.08	Seek wider comment from government agencies and construction industry.	12/1/2007			
R 07	R 7.09	Finalize standards in light of comments.	12/20/2007			
R 07	R 7.10	Submit final draft construction technical standards to the GoG.	12/31/2004			

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 08		New Construction Code enacted.	9/30/2007	In progress	New Construction Code enacted into law.	New Construction Code enacted.
R 08	R 08.2	Vet draft code with private sector stakeholders.		Ongoing	Six Public-private Dialogue events held as of 3/31/07.	Public-private Dialogue events.
R 08	R 8.1	Complete first draft.	12/15/2006	Completed		Draft Code.
R 08	R 8.3	Revise draft to incorporate private sector feedback.	3/31/2007	Completed		Revised draft.
R 08	R 8.4	Submit draft Code to GoG.	4/15/2007	Delayed	Delayed by GoG. Deputy SMRC advises that Project has done its work and continued delay in submitting draft is due to tactical and political concerns.	Comments received from GoG.
R 08	R 8.5	Revise draft Code based on GoG comments.	6/15/2007	Delayed		Revised draft submitted to Parliament.
R 08	R 8.6	Parliament enacts draft Code.	9/30/2007	Completed		Construction Code enacted.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 09		Revise bankruptcy law and assist in its effective implementation through pilot projet that trains bankruptcy professionals while privatizing insolvent SOEs.	9/30/2007		Bankruptcy law enacted with significant deviations from international norms. Pilot implementation project discontinued.	Bankruptcy law enacted. Pilot implementation project trains trustees while privatizing insolvent SOEs.
R 09	R 09.02	Review of the revised draft law .	3/15/2007	Completed	By agreement with USAID and EBRD, project supported EBRD recommendations.	Comments and recommendations on revised draft delivered to SMRC.
R 09	R 09.03	Elaborate Bankruptcy Law Pilot Implementation Program 30 days after the Law is passed by the Parliament.		Suspended	Pilot implementation project discontinued.	Action Plan delivered to MoED.
R 09	R 9.01	Review and comment on draft bankruptcy.	12/31/2007	Completed	The draft law was significantly revised following our recommendations. We believe significant problems remain.	Comments and recommendations on initial draft law delivered to SMRC.
R 10		Streamline non-bankruptcy business closure procedures.		Suspended	This activity, a project and private sector priority, was delayed for lack of a GoG champion, SMRC in early May authorized project to undertake this activity under Item R 16. The project has mapped the current process, generated preliminary recommendations, and is developing an action plan for reform.	Streamlined administrative winding down procedures for closing businesses outside of bankruptcy.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 11		<p>Collaborate with USAID SME Support project to improve access to credit.</p> <ul style="list-style-type: none"> • Revise enforcement laws and procedures; • Eliminate gaps in the registration process that create uncertainty for lenders and buyers; • Improve timeliness and accuracy of filing of tax and judgment liens; • Enact financial leasing law. 		Suspended	<p>At the request of NAPR and MoED, the scope of Task N 1 has been expanded to include these activities as part of comprehensive secured financing reforms. In the past, 1) Automated tax lien generation has improved the accuracy and timeliness of tax lien filing. 2) SMRC and MPs are working on draft mortgage enforcement amendments that fix some flaws and create others. The project is actively lobbying for changes.</p>	<p>Efficient enforcement laws and procedures; collateral registration gaps eliminated; timeliness and accuracy of filing of tax and judgment liens improved; financial leasing law enacted.</p>
R 12		<p>In collaboration with USAID CoReform draft the recommendations for healthcare licensing and accreditation reform.</p>		Completed	<p>Ministry of Labor, Health and Social Affairs approved the draft Concept Paper developed through a cooperative effort with USAID CoReform. Concept delivered to SMRC. Government issued decree mandating essential standards for hospital licensing, which incorporates 90% of critical standards recommended in the Concept Paper.</p>	<p>Recommendations for regulatory streamlining of medical licensing processes submitted to GOG.</p>

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 13		Capacity building for Georgian Accreditation Center, including training on modern standards, protocols and compliance with the European Conformity Assessment System.		Suspended	E-signature related matters will proceed after enactment of an e-signature law. The activity has been suspended pending clarification of resources and priorities.	
R 13	R 13.01	As needed provide assistance in drafting legislative amendments to facilitate international recognition of Georgian conformity assessment system.		Suspended		Draft legislative amendments and analysis submitted to appropriate GOG counterparts as requested.
R 13	R 13.02	Support GAC in building capacity for accreditation of personnel certification bodies with special focus on certification of construction professionals.		Suspended		Materials and implementation plan delivered to GAC.
R 13	R 13.03	Support GAC in building capacity for laboratory accreditation, including translation of materials and training.		Suspended		Materials and implementation plan delivered to GAC.
R 13	R 13.04	Assist GAC in developing an action plan for achieving partner status in the European Accreditation.		Suspended		Action Plan delivered to appropriate GOG counterparts.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 13	R 13.05	Private sector roundtable meetings to increase awareness of accreditation and conformity assessment systems and to encourage development of private conformity assessment and certification bodies (with focus on construction, agriculture, healthcare, electronic signatures).		Suspended		Round table meetings held.
R 14		Develop alternative payment methods, such as fee stamps, mobile phone transfers, etc. to replace current bank-based system for paying GoG fees.		Delayed	We are not sure document stamps are an appropriate solution. Best solution may be to subcontract in-agency payment system as NAPR has done. During the quarter, the project met with Standard Bank, which is planning to implement mobile phone banking, and provided information to MagtiCom, which is considering it.	
R 14	R 14.01	Analyze alternative payment methods for paying GOG fees and develop recommendations.		Ongoing	Initial analysis of introducing fee stamps for paying GOG fees delivered to SMRC. Project is exploring mobile phone banking options.	Recommendations for introducing alternative payment methods delivered to SMRC.
R 14	R 14.02	When recommendations for introducing alternative payment methods for paying GOG fees are accepted by SMRC and appropriate counterparts, assist in drafting of implementation plan, which will include pilot project at NAPR.		Ongoing		Provide draft implementation plan as requested by SMRC.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 14	R 14.03	Support implementation of the pilot project at NAPR.		Completed	NAPR has contracted with subsidiary of Bank of Georgia to handle fee payments at NAPR offices.	Training plans, materials and other support provided to appropriate Government counterparts.
R 15		Support SMRC to benchmark reform priorities and recommendations utilizing internationally recognized business climate indices such as the World Bank's Doing Business Survey, the Fraser Foundation's Economic Freedom Index, the Heritage Foundation's Economic Freedom Index, World Economic Forum's Global Competitiveness Report.		Ongoing		
R 15	R 15.01	Benchmark reform priorities against top performers in business climate indices.		Ongoing	Project has provided analyses of: 9 of 10 indicators on the Doing Business Survey; Failed States Index; Heritage Foundation Index of Economic Freedom, Networked Readiness Index,	Benchmarking results and recommendations delivered to SMRC.
R 15	R 15.02	Map different factors of internationally recognized indices and follow changes in methodologies to support SMRC in identifying high impact reform areas.		Ongoing	Matrix prepared, and is updates as indices change their methodologies.	Matrix and recommendations on reform priorities.
R 15	R 15.03	Hold roundtable meeting with local contributors to the World Bank's Doing Business survey to discuss reforms that have been implemented and ensure that all reforms are considered for the next survey.	2/28/2007	Suspended	IFC and GoG agreed to delete this activity because of risk that it might create unwarranted perceptions.	Roundtable held.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
R 16		As requested by Reforms, assess effectiveness of identified laws or regulations, provide streamlining recommendations and review and comment on proposed new laws or regulations.		Ongoing	Ongoing. With approval of SMRC, project has: 1. Provided recommendations on streamlining import and registration of pharmaceuticals and drug store permitting submitted, and GoG task force is working on implementation. 2. SMRC has accepted project regulation to remove all requirements for paper business registry abstract from licensing, permitting, procurement requirements. Project is identifying all requirements and proposing amendments to eliminate them. (See Item T 7). 3) SMRC has authorized the project to pursue streamlined business closure procedures, previously R 10, under this activity. A project and private sector priority, this item was delayed for lack of a GoG championThe project has mapped the current process, generated preliminary recommendations, and is developing an action plan for reform. 4. At the request MoED, the project provided research on streamliing issuance of certificates of origin,	Draft recommendations, analysis and legislative amendments submitted to SMRC as requested.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
					recommending self-declaration and e-filing.	

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
SRS 01		Provide IT support for the new Revenue Service information management system that would support needs of the new agency and permit information sharing.		Ongoing		
SRS 01	SRS 1.1	Provide IT training for the Tax and Customs Bodies.	1/31/2007	Completed		<p>Training for IT staff of customs and tax bodies in following areas:</p> <ul style="list-style-type: none"> • Oracle web-form development • Oracle report development • Linux administration • Linux performance administration
SRS 01	SRS 1.2	Purchase licensed Oracle RDBMS 10g software.	1/31/2007	Completed		Purchased Oracle RDBMS 10G Licenses for NAPR (for existing operational software), Customs (for existing operational software) and Tax (for ASYCUDA World) agencies.
SRS 01	SRS 1.3	Propose general description of Information Technology components for New Revenue Service.	1/26/2007	Completed		General description of Information Technology components for the New Revenue Service.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
SRS 01	SRS 1.4	Assist SRS in determining organizational structure of the SRS IT Division.	5/31/2007	Completed		Paper presenting the organizational structure of the IT division along with description of the role and responsibilities and skills requirements for each position within the Division.
SRS 01	SRS 1.5	Assist SRS in development and implementation of Integrated SRS IS.	5/31/2007	Completed		A paper on high-level plan for development and implementation of Integrated SRS IS.
SRS 02		Assist MoF in raising public awareness of ongoing reforms such as in tax and customs administration, appeals, and state budgeting issues.	12/31/2007	Ongoing	This activity has been refocused at the request of MoF to embrace all MoF reforms. The project is identifying a media consultant to work with the MoF on design a weekly TV program. Project-MoF cofunding of the program is anticipated.	Weekly TV program designed that will highlight reforms.
T 00		Strategic Value: All activities are focused on supporting GoG's goal of moving Tax Administration to voluntary compliance rather than enforced collection by a) improving the collections function, and b) reducing compliance costs.	9/30/2007			
T 1		Continue with implementation of new non-payer, non-filer, and stop-filer business processes and operating procedures.				

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 1	T 1.1	Assist Tax authorities in developing new business processes for non-payers and non-filers and relevant IT specifications.	12/20/2006	Completed	Business processes were implemented for VAT sand will be extended to other taxes.	Report of New non-payer and non-filer business processes and technical specifications for the IT System.
T 1	T 1.2	Assist Tax authorities in developing methodology on provisional assessment.	3/31/2007	In progress	Draft methodology has been presented to SRS. Head has delayed implementation to focus on Gold List and e-filing.	Proposed changes to the tax regulations and draft methodology on provisional assessment.
T 1	T 1.3	Develop standard form and provide IT support for the fling of the tax payment extension.	5/31/2007	Completed	Implementation complete.	Standard form for filing extension; software for filing extension applications and granted extensions register.
T 1	T 1.4	Assist Tax Authorities in non-filer case management.	3/31/2007	Completed		Recommendations on software for non-filer case management system.
T 1	T 1.5	Assist development of IT software to support implementation of new non-filer and non-payer new business processes.	5/31/2007	In progress	Project is procuring software for non-payers, to be completed in September. SRS IT is developing non-filer software in house, with project support.	Software for non-payer and non-filer business processes.
T 2		Complete a review of refund business process and propose improvements or redesign the business process.	12/31/2007	Suspended	This is not currently a priority of SRS. Our counterparts are too busy with other issues we are working on to focus on this.	
T 2	T 2.1	Describe current business processes on tax refunds and propose improvements or new business process.	6/1/2007	Completed		Description of the current process.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 2	T 2.2	Draft standard form for refunds; design and develop electronic refund requests register.	6/30/2007	Suspended		Refund request standard form and requirements to the software and database design.
T 3		Phase 2: Provide assistance to the MoF in improving administrative appeals system and procedures.	9/30/2007	In progress	This activity has been revised. The initial task was to work on tax appeals. An initial set of recommendations was completed on time, and largely accepted by the MoF. One recommendation, to implement advisory opinions, is now broken out as a new activity, T4. The MoF subsequently requested additional TA in improving its entire admin appeals system, both at the SRS and MoF levels. We have provided a strategy and recommendations that the MoF has vetted with the private sector, and plan to bring our advisor back again to develop an action plan for implementation that incorporates private sector feedback. That will then be incorporated into our work plan.	
T 3	T 3.1	Develop recommendations to improve tax appeals system.	12/14/2006	Completed		Proposed recommendations to improve tax appeals system.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 3	T 3.2	Introduce standard forms for appeal and appeal notice and develop and maintain electronic appeals register.	11/2/2006	Completed		Standard appeals forms and plan for software development and implementation to maintain electronic appeals register.
T 4		Assist the Tax Department and MoF in introducing advisory opinions.	5/31/2007	On hold	GoG on hold pending revisions to Tax Code. The activity will be implemented as part of T3.	
T 4	T 4.1	Draft changes to the Tax Code allowing advisory opinions.	12/14/2006	Completed	Completed and Submitted to the MoF.	Proposed changes to the Tax Code allowing advisory opinions.
T 4	T 4.2	Develop detailed guidelines for issuance of advisory opinions.	3/31/2007	Completed		Guidelines for issuance of the advisory opinions.
T 5		Continue IT support for short and long term improvements to the Tax Administration information management system.		Ongoing		SAF: electronic filing software.
T 5	T 5.1	Provide assistance in improving tax enforcement mechanism against bank accounts and other property of the tax payer.	3/31/2007	Delayed	Tax lien process automated. SRS merger and leadership changes delayed progress after initial discussions among Tax Dept., NBG, and Project. Recently, discussions have resumed.	Reports on improved bank accounts attachment (INCASO) and improved tax liens processes.
T 5	T 5.2	Provide support to the Tax Authorities to develop software components to maintain registers of different documents, their distribution, and persistent data from documents reported by the taxpayer.	4/1/2007	Completed		Additional software modules for entire Tax Information System.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 5	T 5.3	Provide support to the Tax Authorities to develop software component to analyze VAT invoices filed by taxpayers.	4/1/2007	Completed		Additional software modules for entire Tax Information System.
T 5	T 5.4	Provide support to Tax Authorities to develop reports for entire Tax Information System on: a. VAT invoices issued by non VAT payers b. Invoices (VAT & special) submitted with 45 days delay	4/1/2007	Completed		Additional reports for entire Tax Information System.
T 5	T 5.5	Provide support to the Tax Authorities to develop unification of software components for processing VAT invoices and transferring invoice information from one to another tax inspectorate, when taxpayer changes its tax office.	4/1/2007	Completed		Additional software modules for entire Tax Information System.
T 6		Assist the Tax Authorities in implementing electronic filing of tax returns.				
T 6	T 6.1	Draft changes to the Tax Code enabling e-filing of tax returns.	1/1/2007	Completed	Provisions of the Tax Code allowing e-filing of tax returns came into effect January 1, 2007.	Drafted changes to the Tax Code allowing e-communication between taxpayer and tax authorities.
T 6	T 6.2	Assist Tax authorities in selecting pilot taxes for e-filing.	12/31/2007	Completed	Completed and submitted to the Tax Authorities and MoF.	A high-level plan for development and implementation of online services for e-filing of returns, with recommendations for which taxes to implement first..

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 6	T 6.3	Assist Tax authorities in implementing of e-submission of various tax applications and taxpayer's notices.		Ongoing	Other priorities delay full engagement of SRS on this initiative. However, 1) English version of online taxpayer account information working. 2) Project provided specs for online submission of appeals.	A high-level plan for development and implementation of online services for e-submission of different applications / taxpayer's notices.
T 6	T 6.4	Assist Tax authorities in implementing electronic filing for tax selected as first pilot.	10/30/2007	In progress	Working group established. VAT chosen as first tax. Business process to obtain credentials developed Work underway for VAT electronic form.	E-filing implementation.
T 6	T 6.4.1	Assist Revenue Service in establishing working group on e-filing	5/15/2007	Completed	The Working Group on e-filing comprised of representatives of Service, Methodology and IT Departments and chaired by Deputy Head of SRS was established.	Working group established
T 6	T 6.4.2	Provide assistance on development of business process to obtain credentials.	5/30/2007	Completed	SRS Leadership approved project recommendations on business process to obtain e-filing credentials and authorization	Business process to obtain e-filing credentials and authorization
T 6	T 6.4.3	Provide support to SRS to simplify VAT return form	6/30/2007	Completed	Project's recommendation on simplified VAT return form were accepted with minor alterations made. We expect new form to be adopted for e-filers by August.	Simplified VAT return form

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 6	T 6.4.4	Provide assistance on development of draft regulation on e-filing of tax returns.	6/30/2007	Completed	Project assisted SRS Methodology Department in developing proposed regulation on e-filing of tax returns. The draft regulation was submitted to the Ministry of Finance and is expected to be adopted by August.	Draft e-filing regulation
T 6	T 6.4.5	Provide support in procurement of software on e-filing.	9/30/2007	In progress	Project has announced RFP on development of e-filing software.	Software on e-filing
T 6	T 6.4.6	Support Revenue Service in developing a user manual on e-filing	9/30/2007	In progress		User manual on e-filing
T 6	T 6.4.7	Provide assistance on pilot implementation of e-filing	10/30/2007	In progress		E-filing implemented for large taxpayers
T 7		Assist the Tax Department in making business registry publicly available online.	9/30/2007	In progress		Business Registry publicly accessible online
T 7	T 7.1	Assist the Tax Department in implementing a digitized database of registered companies in Georgia.	4/30/2007	Completed	57,000+ paper archives entered into new SRS electronic business registry, and available to SRS officials. GoG amended Law on Entrepreneurs to require abstracts to be issued on demand, eliminating 63,000 visits a month to tax inspectorates.	All business registrations in one central electronic database.

Task Number	Sub TN	Initiative	Due Date	Status	Description	Deliverable
T 7	T 7.2	Assist Revenue Service in developing IT specifications for online business registry.	7/31/2007	In progress	Project assisted Revenue Service in drafting IT requirements for online business registry in cooperation with NAPR. The system is ready to be implemented as soon as approval is received from the methodology Department. Full public access is expected by the end of July.	IT specifications for online business registry

Annex 2. Paul Clark's Review of Seventh Quarter Monetary Benefits Calculations



44 Leselidze St., Meidan Palace
Tbilisi 0108, Georgia P.O. Box 27

Tel: (+995-32) 75-10-44 Fax: (+995-32) 75-10-45

Date: July 31, 2007

To: Olin McGill, COP

Re: Opinion on Economic Impacts Documented In Three Memoranda Prepared By the
Business Climate Reform Project

Dear Olin:

You asked me to offer my professional opinion on the economic impacts set forth in three memoranda prepared by your staff.

To the end, the overall economic impacts (benefits) estimated in the memoranda are reasonable and defensible. Given the situation in Georgia today, the order of magnitude of the benefits are clearly not overstated. The analytic methods used to estimate the benefits are sound although I do mention a improvements that could be made. The input assumptions appear generally correct although I have not independently verified the precise numbers used. Consequently the estimated benefits are reasonable. Details on each memorandum are described below.

Originally I was given several memos in addition to the three that are included in this Opinion. These additional memos related to a number of other regulatory changes that have been or are in the process of being implemented. It is best that final versions of these memos are not included in this Opinion as the methods used to calculate economic impact had some methodological weaknesses. However, based on what was in the preliminary memos and extrapolating to the likely economic impact, once the methodological issues are resolved, those other regulatory changes will increase the overall economic impact of BCRP well beyond what is included in the three memos included this opinion.

I base my opinion on 20 years experience as a financial and business process expert in North America and Central and Southeast Europe. My educational background includes two degrees in engineering from Stanford University and an MBA in Finance with Honors from the University of Chicago Graduate School of Business. My consulting clients have included the Treasurer of Exxon Corporation, the Management Board of Lufthansa German Airlines and senior managers and boards of directors of many other Fortune 500 companies, as well as dozens of small and medium sized companies in the US and Europe, including Georgia. I have implemented and managed a number of economic development

projects for USAID and the World Bank in Poland, Ukraine, Bosnia and Georgia. I have worked in Tbilisi for seven years so I am intimately familiar with the situation in Georgia today.

Monetary Benefits of Simplified Immovable Property Registration Process

<u>Economic Impact</u>
Current: 6.71 million USD
Revised: 6.65 million USD
Difference: 57,000 USD less

NAPR has recently implemented several changes to streamline the property registration process. This has reduced 1) the number of steps required of the parties to the transaction from six to two, and 2) the number of days required to complete the registration from nine to two. In addition, NAPR has eliminated the requirement that a document confirming the authority of the person presenting documents for registration be submitted along with other registration documents.

The memo discusses three types of economic impacts that will accrue from these regulatory changes. The method BCRP has used to estimate each economic impact is sound and the total economic impact is reasonable in the context of the comments that follow. Each type of economic impact is discussed separately below.

New Private Sector Business Opportunity. Regulations now permit anyone to submit registration papers to NAPR so long as proof of the identity of the parties to the transaction is provided. This permits third parties to provide new services to the parties to the transaction (e.g., couriers can now delivery registration papers to NAPR in bulk). These new services were simply not possible before the change in regulations.

The memo discusses the number of new services performed and the average fees charged. The methodology used to calculate the new revenue for the third parties is reasonable (i.e., quantity x price). I have not independently verified the number of new services performed or the average fee, but if those values are correct then the calculated new revenue to the third parties is correct as well. Therefore, the claimed revenue as an economic impact is defensible.

One should note, however, that the new revenue received by service providers (e.g., couriers) is also a new cash cost for the parties to the transaction. In this sense the regulatory change has permitted a transfer of revenue/cost between different private sector entities. However, this is not a zero-sum game; even given the transfer of revenue/cost there is a real benefit to the economy as a whole as described in the following paragraph.

The fact that the parties to the transaction *do use* the new services suggests that the new cash cost for using the service providers is less than the internal costs the parties would bear if they delivered registration documents to NAPR themselves. That is, net-net the parties to the transaction save money by using the service providers rather than by

performing the same function themselves (as was largely the case before the regulatory change). This net-net cost reduction is understandable given the economies of scale that are now possible with bulk delivery of documents to NAPR compared to the old practice of a single visit for every registration.

To the end, there is a very concrete, but unknown economic benefit from the economies of scale permitted by the regulatory change beyond the revenue/cost transfer discussed above. The following paragraph describes some initial conceptual thinking about this economic benefit. Further work is needed in this area.

The new economies of scale permitted by the regulatory change means that the need for work of some type has eliminated from the Georgian economy. One may argue about whether there was value-added in the work that was eliminated or not, but the fact is that some work has been eliminated. The benefit to the economy of eliminating (unnecessary) work is either 1) useful work that could not be performed in the past due to staff limitations is now possible, 2) citizens (employees) have more leisure time, 3) employees are made redundant and are laid off or 4) all of the above. These are genuine impacts on the entire economy, though their magnitude cannot be determined from the provided assumptions.

Elimination Of Four Secondary Registration Steps. The secondary property registration process used to require six visits outside the office for parties to the transaction. With changed regulations, only two visits outside the office are needed. The elimination of four visits reduces the time and effort needed for the secondary registration process.

The method BCRP uses to estimate the value of the saved time and effort is reasonable. They estimate the amount of time each visit requires, then multiply that by an hourly rate for staff and then add the cost of transportation. This cost for one visit for one secondary registration is then multiplied by the number of steps saved (four) and the number of secondary registrations each year. I have not independently verified the time, hourly rate or transportation assumptions but they seem reasonable. Therefore the claimed benefit is defensible.

BCRP may have underestimated the economic impact of this change because payroll taxes and accommodation costs for (newly) redundant employees were perhaps not included. I cannot be certain of this because the memo is not clear on the point. This is a symptom of what is discussed in the next paragraphs.

This same calculation is used often by BCRP (i.e., time for some function X cost per staff hour + transportation). I have noticed that different values are used for the time, cost and transportation costs in different memos. I have also noticed that sometimes staff cost is expressed in using an hourly rate and at other times using a monthly wage. I recommend that BCRP standardize the method used to estimate these savings.

In the future, economic impacts should be estimated on the basis of Full Time Equivalents (FTE's) that are impacted by a particular regulatory change. In Georgia, one FTE equals about 1,800 hours of work each year.² BCRP should develop a Standard FTE Cost that includes wages, payroll taxes and accommodation costs. The Standard FTE Cost will vary by the type of employee (e.g., a "Governmental Clerk" will have a lower Standard FTE Cost than a "Company Director" or "Chief Accountant"). Probably five Standard FTE Costs for different position types will be sufficient.

BCRP should also establish a Standard Transportation Cost. If a particular regulatory change reduces or increases the number of visits outside an employee's office then a Standard Transportation Cost should be multiplied by the number of trips eliminated. The Standard Transportation Cost should be a blending of costs of using one's own car and a taxi.

Using Standard FTE Costs and Standard Transportation Costs will simplify calculations and the understanding of economic impact memos. This Standard Cost approach will require some preparatory work by BCRP to establish the standard costs.

BCRP should further consider what actually happens when work is eliminated. There are several possible results. One is that there are no cost savings; staff just has more free time at the company. Another is that costs are saved by reducing staff levels. A third is that costs remain constant but new value-adding work is done instead; that is, eliminating low-value-added work that is required by an (unnecessary) regulation permits the addition of new high-value-added work. The size of the difference between the value-added by the new work and the value-added by the eliminated work will be different in each case.

Eliminate Document Confirming Authority To Present Documents. In the past, the individual delivering documents to NAPR needed to have a notarized document confirming his or her authority to delivery the documents. That requirement was eliminated; now only proof of the identity of the parties to the transaction is required. This change eliminates one visit to a notary by the person authorizing the delivery and the person making the delivery to NAPR. This saves both staff time and a notary fee.

The method BCRP uses to estimate the value of the time and notary fee saved is reasonable. The memo estimates the amount of time each visit requires then multiplies that by an hourly rate for staff and then adds the cost of transportation. This cost for one visit is then multiplied by the estimated number of visits each year. I have not independently verified the time, hourly rate or transportation assumptions but they seem reasonable. Therefore the claimed benefit is defensible.

² This is a rough estimate and should be verified. However, holiday and vacation levels are high in Georgia so assuming 45 weeks of work each year is reasonable at this moment.

In the future I recommend that the Standard FTE Cost approach discussed previously be used to calculate impacts of this type.

There does seem to be one minor error in the number of primary and secondary registrations used for this calculation. Early in the memo it says that in 2006 there were 114,348 primary and 103,167 secondary registrations for a total of 217,515 registrations. For estimating the economic impact of eliminating the document confirming the authority to present documents the memo mistakenly uses a total of 253,112 registrations. This minor discrepancy reduces the estimated economic impact by about 57,000 USD.

Economic Impact Related To Abolishment Of Excise Tax Certificate Requirement

<u>Economic Impact</u>
Current: 3.40 million USD
Revised: 3.56 million USD
Difference: 160,0000 USD more

Until recently every import and export of excise goods required the submission of a special excise registration certificate for each import, export or transit shipment. This requirement was recently eliminated so that import, export and transit shipments can now be made without the special excise registration certificate. The memo discusses two economic impacts; each is discussed below.

Cost Savings To Business. The BCRP memo estimates the economic impact of this change by taking the number of import and export shipments each year and then multiplying that by the cost to business of obtaining one special excise registration certificate. The cost to business of one certificate is estimated as the staff time used times an hourly rate plus transportation costs. I have not independently verified the time, hourly rate or transportation assumptions but they seem reasonable. Therefore the claimed benefit is defensible.

In the future I recommend that the Standard FTE Cost approach discussed previously be used to calculate impacts of this type.

BCRP may have underestimated the economic impact because it has not included transit shipments in the calculations. The effect could be rather large because it is possible that each transit shipment actually required two certificates (one for the initial import plus one for the export).

FTE Savings To Government. The memo uses the usual approach of estimating the time required to process each special excise registration certificate, then multiplies that time by the number of certificates and then multiplies that by an hourly staff cost. The method is reasonable and but the arithmetic used is wrong and understates the actual cost savings.

If the analysis was based on FTE's eliminated (the Standard FTE Cost approach) the savings grows from the 61,000 GEL shown in the memo to 330,000 GEL.³ This raises the economic impact by about 160,000 USD.

³ (176,310 certificates) X (20 minutes processing time per certificate) = 58,770 staff hours.
(58,770 staff hours) / (1,800 staff hours per FTE) = 32,65 FTEs saved.

Economic Impact Related To Establishment Of Georgian Governmental Network (GGN)

<u>Economic Impact</u> Current: 6.80 million USD Revised: 6.91 million USD Difference: 113,000 USD more

The Government recently selected a mobile communication company (MagtiCom) to build an information communications technology network (the GGN) that will introduce nationwide internet access for both the public and private sectors. For government, the GGN will both reduce past communication costs and enable a wide range of new e-Government initiatives.

This is a large and new undertaking and the potential economic impacts are only starting to be identified. The BCRP memo discusses only two areas of economic impact with others to be discussed in the future. The two areas included in the memo are telephone communications and internet services. In both cases the methodology used and the assumptions made are reasonable. Consequently the economic impacts described are defensible.

Telephone Communications. The GGN will provide domestic and foreign telephone communications to the Government at significantly discounted prices. To estimate the overall economic impact, the BCRP memo takes spending on telephone communications for a single Governmental unit (the Office of the State Minister on Reforms Coordination) and divides it by the number of employees in the unit. This gives a telephone cost per employee of 960 GEL per year.⁴ That single-employee-cost is then multiplied by the total number of employees in administrative areas of the Government to estimate total Governmental spending on telephone communications. The memo indicates that the GGN discount will be 70%; this is the economic impact of the GGN for telephone communications.

The methodology, assumptions and results are reasonable with one caveat: it is likely that telephone usage by employees in the Office of the State Minister on Reforms Coordination is somewhat greater than usage by employees in many other Governmental units (e.g., domestic veterinary control office). Consequently the estimation method would tend to overstate the economic impact. However, it is also likely that telephone usage will generally increase throughout the Government over time. Taken together, the economic impact maybe somewhat overstated today but it is not overestimated for the future.

The memo does not discuss the significant economic impact that will arise from Governmental employees (now) being able to more easily and inexpensively speak with each others and members of the public.

Internet Communications. The GGN will include internet access for Governmental employees throughout Georgia. The methodology used by the BCRP memo to estimate

$(500 \text{ GEL per month wage} + 33\% \text{ payroll taxes} + 200 \text{ GEL per month accommodation cost}) \times (12 \text{ months per year}) = 10,200 \text{ GEL per FTE}$
 $(32.65 \text{ FTE saved}) \times (10,200 \text{ GEL per FTE}) = 330,030 \text{ GEL saved}$

⁴ This is an example of an accommodation cost that has been discussed in these opinions in the past. I have always estimated accommodation cost at 200 GEL per month per employee. It appears that (only) telephone costs are 40% of that amount. It is entirely possible that the 200 GEL accommodation cost has been underestimated in the past.

the economic impact is similar to the situation with telephone communications. The Governmental unit used as the sample is the Ministry of Health. Its total spending on internet communications is divided by the number of employees in the Ministry. This single-employee cost⁵ is then multiplied by the total number of Governmental employees to estimate current spending on internet communications. The memo indicates that the GGN discount for internet communications will be 70%; this is the economic impact of the GGN for internet communications.

It appears that an error in the memo underestimates the economic impact by about 95,000 USD. This comes from mistakenly taking a USD figure (135,000 USD) as a GEL figure (135,000 GEL). The difference is about 70% of the 135,000 or 95,000 USD.

The memo speaks of cost savings. It does not discuss the much greater economic impact that e-Government will generally accrue. This should be investigated in the future.

Thank you for the opportunity to contribute to your project by reviewing these memoranda. Please contact me if you have any questions.

Sincerely,



Paul R. Clark
President

Tbilisi Business Service Center

⁵ Another element of accommodation cost..

Annex 3. Annual GoG Communications Cost Savings from GGN



Date: June 24, 2007

To: Olin McGill, COP

From: David Gvenetadze, Economist
Iona Nakashidze, Economist

CC: Nato Beruashvili, Fiscal Reform Team Leader
Irakli Gvenetadze, Information Systems Manager

Re: Economic impact related to establishment of Georgian Governmental Network (GGN)

Summary:

The Government of Georgia has selected mobile phone company MagtiCom as the winner of a GoG tender to build an information communications technology (ICT) network that will introduce nationwide internet access for both public and private sectors. MagtiCom will also provide GoG agencies with 70% savings in the cost of internet and mobile and landline telephone communications. MagtiCom will invest about \$6 million of its own money to develop the system, which will introduce a number of new technologies to Georgia. MagtiCom will be the exclusive provider of all ICT services to the GoG, which will help it to recoup its investment as private sector demand for the new services builds. The new network will link 52 regions in the first year. Currently internet services are only available in eight. Benefits to the GoG include:

- All GoG offices will be linked by a modern, high-speed ICT network;
- Internet and local mobile and landline telephone costs will be reduced by over 70%;
- International phone calls will be discounted 20%; and,
- MagtiCom will provide fee-based IT support services for GoG regional offices.

This memo focuses only on the monetary benefits to the GoG arising from the savings generated by the 70% reduction in the cost of internet and local mobile and landline communications. In the future, the Project will attempt to quantify other monetary benefits that will accrue to public and private sectors. The calculations below are merely suggestive, because the Project was not able to obtain accurate figures of current GoG usage costs for internet and local mobile and landline telephone costs. Accordingly, we have generalized from the figures for internet costs from the Ministry of Health and local mobile and landline telephone communications from the Office of the State Minister on Reforms Coordination.

Calculations:

1. Local telephone communications

The Office of the State Minister on Reforms Coordination has about 25 employees and spends about 24,000 GEL annually for both local mobile and local landline communications. The GGN will reduce this cost by 70% to 7,200 GEL. Dividing the annual savings of \$16,800 by the number of employees produces a per employee savings of 672 GEL annually. Multiplying this per employee savings times 17,000 GoG employees results in an annual savings of about 11,424,000 GEL annually.

2. Internet communications

About 3,000 employees work at the Ministry of Health and all its subsidiaries. Total employment of all Ministries and Central Governmental Offices in Georgia is about 17,000 people. The Ministry spends about \$34,000 annually on internet services. The GGN will reduce this expense by at least 70%, to \$10,200 annually, a savings of \$23,800 per year. Dividing this savings among the Ministry's 3,000 employees produces an annual savings of 7.9 GEL per employee per year. Multiplying this per employee savings times 17,000 GoG employees results in an annual savings of about \$135,000 GEL annually.

Total annual savings to the GOG arising from the 70% reduction in internet and local mobile and landline communications will be 11,559,000 GEL or about \$6.8 million annually.

Annex 4. Monetized Benefits of NAPR Reforms



Date: June 26, 2007
To: Olin McGill, COP
From: David Gvenetadze, Economist
Ioana Nakashidze

Re: Monetary Benefits of Simplified Immovable Property Registration Process

Summary:

Recently implemented reforms at NAPR resulted in significant cost savings for clients as well as a revenue increase for intermediate agents/businesses (such as banks, real property agencies and notary offices). The memo aims to quantify some of the monetary benefits the reforms have generated for stakeholders.

Reforms:

The monetized benefits of two sets of reforms by NAPR are analyzed in this memo:

1. Streamlining of the registration process has reduced the number of steps required from six to two, and the number of days required from nine to two. Specific measures taken include:
 - a. Project support to the Revenue Service in creating an online Entrepreneurs' Registry will eliminate the requirement that applicants for registration submit a paper copy of an abstract, because NAPR registrars are checking the online registry directly.
 - b. Elimination of mandatory notarization of certain documents reduced two steps
 - c. Registration fees can now be paid at NAPR, eliminating the need for a separate trip to a commercial bank.
2. NAPR has taken several steps to create opportunities for private sector firms to provide registration services for applicants for property registration. Most recently, NAPR has eliminated the requirement that a document confirming the authority of person presenting documents for registration be submitted along with other registration documents. Now, registration documents are accepted from whoever presents them, as long as proof of the identity of the parties to the transaction is also presented. This enables couriers to deliver documents from banks, realty companies and notaries in bulk. It nicely complements a prior NAPR reform that allows applications for registration to be submitted electronically, followed by submission of the paper documents.

These changes have made it possible for private companies to participate in the property registration process as intermediates. Private companies found this

opportunity attractive and they started actively to be involved in the registration process. The opportunity generates new incomes for the private sector.

This memo quantifies the annual monetary benefits of three aspects of the reform:

1. Revenue opportunities for private firms that are now able to participate in the registration process;
2. Monetized benefits of the time and cost savings resulting from reducing the number of steps required for registration from six to two; and,
3. Monetized benefits of the time and cost savings resulting from eliminating the document confirming authority of persons presenting documents for registration.

Summary of Monetized Benefits of NAPR Reforms	
Save 413,129 visits annually for clients	Bring 54,403 new clients for private sector
\$4.4 million saving annually for clients	\$2.4 million additional income annually for private sector

Calculations:

1. Revenue opportunities for private firms that are now able to participate in the registration process

The calculation is based on the service fees charged by one of the largest firms taking advantage of the new opportunities NAPR has created for the private sector to provide registration services, the Immovable Property Registration Service Centre (IPRSC).

Currently about 25% of all registrations are processed by intermediary companies like IPRSC, including banks, lawyers, real estate agencies and notary offices.

In 2006, about 114,348 primary registrations took place annually. About 25 % or 28,587 are made through the intermediation of the private sector. The fee is 100 GEL for this service, and the total annual revenue of the companies is 2,858,700 GEL.

In 2006, about 103,267 secondary registrations took place annually. About 25 % or 25,816 are made through the intermediation of the private sector. The fee is 50 GEL for this service, and the total annual revenue of the companies is 1,290,800 GEL.

Based on the above, NAPR reforms have created opportunities for private sector firms participating in registration process to generate additional annual revenues of 4,149,500 GEL or \$ 2.4 million.

Note: This estimate is conservative for two reasons:

1. The total number of primary and secondary registration has been increasing steadily each year.
2. The opportunity for private sector firms to participate has only been available for several months. As the opportunity becomes more widely known, it is

likely that more than 25% of transactions will be registered by private sector firms.

2. Monetized benefits of the time and cost savings resulting from reducing the number of steps required for registration from six to two

The number of procedural steps requiring visits to government agencies or banks for the secondary registration of property was reduced from six to two. Annually 103,267 secondary registrations took place in 2006. Clients lose about three hours for each visit; or 12 hours total for the four eliminated visits. Clients also spend about 10 GEL during each visit for transportation costs. In total, clients will save about 4,130,680 GEL on transportation cost and about 2,478,408 GEL in saved man hours (based on the average salary in Georgia, two GEL per hour). Thus the total annual saving on the reduction of steps from six to two will be 6,609,088 GEL or about \$3.9 million.

3. Monetized benefits of the time and cost savings resulting from eliminating the document confirming authority of persons presenting documents for registration.

The document confirming the authority of the person presenting documents for registration has been eliminated. For clients, this will eliminate one visit to the notary office as well as will save on fees previously paid for notary service.

The document confirming the authority of the person presenting the documents was required when someone other than the parties submitted the documents to NAPR for both primary and secondary registrations. As noted above, about 25% of all transactions are now handled through private sector firms.

253,112 registrations X 25% X 3 hours X 2 GEL/ hour = 379,668 GEL saved in registrant's time.

253,112 registrations X 25% X 5 GEL notary fee = 316,390 GEL saved in notary fees.

Total annual monetary benefit of eliminating the document confirming authority to present documents for registration will be 696,058 GEL or about \$410,000.

The total annual monetary benefit of the recent reforms at NAPR will be \$6.71 million.

Annex 5. Monetized Benefits of Eliminating Excise Tax Certificates



USAID
FROM THE AMERICAN PEOPLE

**BUSINESS CLIMATE
REFORM**

Date: July 02, 2007

To: Olin McGill, COP

From: David Gvenetadze, Economist

Re: Economic impact related to abolishment of excise tax certificate requirement

Summary

Ministry of Finance Order #784, effective August 1, 2007, eliminates the requirement that a special excise registration certificate be obtained for all shipments for import, export or transit of all excise goods. The burdensome requirement was discovered to be hampering Georgia's attempts to increase wine exports by two USAID's Business Climate Reform and AgVantage projects, which were collaborating on helping Georgian wine makers break into the US market. They persuaded a major US wine distributor to budget funds to market Georgian wines to the US outlets it serves. When samples started trickling in in two-bottle lots with much delay, the projects discovered winemakers were hampered in sending larger volumes of samples in single lots by the burden of obtaining registration certificates and certificates of origin. A task force consisting of representatives from Georgia's Wine and Vine Bureau, the Revenue Service, and Project consultants, recommended eliminating the excise certificates. This memo monetizes the savings in time and costs to public and private sectors.

Calculations

The Revenue Service reports that:

- About 48,580 export and 450,255 import declarations were filed in 2006;
- About 20% of export declarations and about 37% of import declarations were for excise goods;
- The excise stamp certificate was required for each excise good import/export declaration; and,
- It takes two visits to the Excise Stamp Inspectorate

Elimination of the excise stamp certificate will save:

- Exporters and importers time to obtain the certificates; and,
- Revenue Service time to process the certificates.

Savings from Abolition of Excise Tax Certificate		
About 19,432 visits annually for exporters	About 333,188 visits annually for importers	58,770 hour working time for Excise Stamp Inspectorate personnel
About \$3.3 million for exporters and importers		About \$36.1 thousand for GoG

Calculation

Based on the data provided by the Revenue Service, 9,716 export and 166,594 import declarations, 176,310 declarations in total, were filed for excise goods in 2006. The same number of excise tax certificates was issued because each shipment of excise goods requires one. Savings in transportation costs of 20 GEL for two visits plus 12 GEL (two hours' salary of employees/accountants)⁶, totals 32 GEL for each declaration. Total saving for 176,310 declarations will be 5,641,920 GEL annually.

Excise Stamp Inspectorate personnel will save about 20 minute to process each application or 58,770 hours annually. Based on the Inspectorate's personnel average salary per month of 500 GEL, the saving for the organization will be 60,700 GEL annually.

Total saving will be 5.7 million GEL or \$3.4 million annually.

⁶ The figure is based on the '2005 Wage and Non-Cash Benefits Survey' conducted by Tbilisi Business Service Center. The data is based on the salaries of accountant professionals from the identified 50th percentiles.

Annex 6. Performance Monitoring Plan Base Indicators

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
1.	Quarterly	Monetized benefit of GoG reforms supported by the Project ⁸	0 FY	<p>127.75 million USD FY</p> <p>159.25 million USD CY</p> <p>Monetized benefit resulted from the project reform proposals that were implemented by 12/31/06:</p> <ul style="list-style-type: none"> • Streamlining of Law on Notaries – \$21.8 million annually; • New Customs Code and Regulations – \$5.6 million annually; • Setting up web portal for taxpayers payment accounts - \$3 million annually; • Streamlining procedures to obtain the special form for exporters - \$1 million annually <p>Simplification of excise tax payment system – \$105,500 annually.</p>	<p>Monetized benefit resulted from the project reform proposals that were implemented during 6th quarter:</p> <ul style="list-style-type: none"> • Reforming of Non-filers of Tax Returns Management System - \$40 million; • Increased Total Tax Revenues Stipulated by Increased Taxpayers Registrations - \$25.8 million; • Streamlining of Construction Permit Procedures - \$7.3 million; • Reform of tax liens database – \$0.11 million <p>Total calculated monetized benefit resulted from the implemented project recommendations and initiatives equals \$73.2 million for the 6th quarter and \$232.45 million since project inception.</p>	<p>Monetized benefit resulted from the project reform proposals that were implemented during 7th quarter:</p> <ul style="list-style-type: none"> • Establishment of Georgian Governmental Network (GGN) - \$9.5 million • Simplified immovable property registration process - \$6.8 million • Abolishment excise tax certificate requirement - \$3.4 million • Streamlining of construction permit procedures - \$3.3 million • Setting up web portal for export-import information - \$1.9 million annually. <p>Total calculated monetized benefit resulted from the implemented project recommendations and initiatives equals \$24.9 million for the 7th quarter and \$257.3 million since project inception.</p>	50 million USD FY
2.	Annually	Country rating in WB's Doing Business Survey	112	37	Non applicable	Non applicable	25

⁷ For CY 1st January 2006, for FY 1st October 2005

⁸ The calculation is based on the special methodology elaborated by the USAID Business Climate Reform.

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
3.	Annually	Global Competitiveness Index	86	85	Non applicable	Non applicable	50
4.	Annually	Country rating in the Heritage Foundation's Economic Freedom Index	52	35	Non applicable	Non applicable	30
5.	Quarterly	Number of private enterprises registered ⁹	36,705 CY	41,000 CY	13,135	28,588	44,413 CY
6.	Annually	Number of jobs ¹⁰	1,744,000 CY	1,747,000 CY	Non applicable	Non applicable	1,923,000 CY
7.	Semi-annually	Gross corporate operational profit as a percentage of GDP ¹¹	34 % CY	51 % (as of 10/01/2006)	Non applicable		36 % CY
8.	Semi-annually	Value of exports ¹²	866.74 million USD CY 2005	993 million USD CY	Non applicable	438 million USD (Status for 06/01/2007)	\$ 1,145 million CY
9.	Semi-annually	Value of imports ¹³	2,490 million USD CY 2005	3,681 million USD	Non applicable	1,852 million USD (Status for 06/01/2007)	\$ 3,293 million CY
10.	Annually	Number of days needed to implement export	54	13	Non applicable	Non applicable	12
11.	Annually	Number of days needed to implement import	52	15	Non applicable	Non applicable	12
12.	Quarterly	Number of businesses assisted by BIC ¹⁴	0 FY	219 FY 294 CY	170		500 FY
13.	Semi-annually	Satisfaction of businesses assisted by BIC ¹⁵	0 FY	1.8 FY 1.6 CY	1.1		1.6

⁹ The data was provided by the Tax Department.

¹⁰ The data was provided by the Statistics Department.

¹¹ The data is based on the calculations provided by GEPLAC in its quarterly journal GET.

¹² The data was provided by the Statistics Department.

¹³ The data was provided by the Statistics Department.

¹⁴ The data is collected by the project and BIC staff.

¹⁵ The data is collected by the project and BIC staff; each business is asked to rank their satisfaction with their interaction with the BIC on a scale of -2 to +2 (very poor to very good). The indicator will be the average value of the scores for a reasonably sized sample from each reporting period.

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
14.	Semi-annually	One stop window established at GNEIPA ¹⁶	0 FY	(1) BIC exists (i.e. fully staffed, fully equipped office space); (partially) (2) information packages are designed; (partially); (3) information packages are made available to potential investors upon request (i.e. hard copy); (5) value-added services offered to committed investors. FY	Non applicable	(1) BIC exists (i.e. fully staffed, fully equipped office space); (partially) (2) information packages are designed; (partially); (3) information packages are made available to potential investors upon request (i.e. hard copy); (5) value-added services offered to committed investors	
15.	Quarterly	Quality of public-private dialogue as viewed by stakeholders ¹⁷	0 FY	0.8 FY 1.1 CY	1.0		1.0 FY
16.	Quarterly	Number of public-private policy discussions ¹⁸	0 FY	14 FY 23 CY	9	12	20 FY
17.	Quarterly	Number of legal, regulatory, procedural changes produced by public-private policy discussions ¹⁹	0 FY	2 FY 5 CY	TBD	2	50 FY
18.	Annually	Trade Openness Index ²⁰	52.7 % CY	60 % CY	Non applicable	Non applicable	58 % CY

¹⁶ The data is collected by the project and BIC staff.

¹⁷ The data is collected by the project and BIC staff.

¹⁸ The data is collected by the project and BIC staff.

¹⁹ This indicator should be reexamined. In two cases – unified business and tax registration -- private sector was involved in formulating the policy from the outset, and who proposed what can't be disaggregated. In case of Customs Code, AmCham, supported by the project, responded to GoG-initiated draft and tracked 142 recommendations that were incorporated.

²⁰ The data was provided by the Statistics Department.

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
19.	Quarterly	Number of members of administrative bodies trained ²¹	0 FY	523 FY 807 CY	394	504	900 FY
20.	Quarterly	Number of electronically-searchable NAPR records ²²	0 CY	5,950 FY 19,000 CY	TBD		15,000 FY
21.	Quarterly	Number of electronically-searchable business registrations ²³	0 CY	47,000 CY	53,000	55,000	55,000 CY
22.	Annually	Tax revenue as a percentage of GDP ²⁴	15.8 % CY	22.7 %	Non applicable	Non applicable	17.5 % CY
23.	Annually	Customs duty as a percentage of GDP ²⁵	8.5% CY	9.6 % CY	Non applicable	Non applicable	9.5 % CY
24.	Quarterly	Number of filings in pledge registry ²⁶	1,300 CY	2,507 CY	TBD	336	2,000 (25 % growth rate)
25.	Quarterly	Number of inquiries to the pledge registry ²⁷	7,200 CY	6,700 CY	TBD	5,600	10,300 CY
26.	Quarterly	Number of mandatory property registrations ²⁸	175,768 CY	253,115 CY	85,000	250,000	253,000 CY

²¹ The data is collected by the Project staff.

²² The data was provided by the NAPR.

²³ The data was provided by the NAPR.

²⁴ The data was provided by the Statistics Department.

²⁵ The data was provided by the Customs Department.

²⁶ The data was provided by the NAPR.

²⁷ The data was provided by the NAPR.

²⁸ The data was provided by the NAPR.

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
27.	Semi-annually	Satisfaction of clients with their interactions with NAPR ²⁹	0 FY	N/A	Non applicable	1.1	1.2 CY
28.	Annually	Average customs clearance time at selected border crossings	Unidentified CY	N/A	Non applicable	Non applicable	TBD with SRS Leadership
29.	Annually	Average terminal time	Unidentified CY	N/A	Non applicable	Non applicable	TBD with SRS Leadership
30.	Annually	Average time from Poti to Red Bridge	Unidentified CY	N/A	Non applicable	Non applicable	TBD with SRS Leadership
31.	Annually	Number of businesses filing tax returns ³⁰	80,000 CY	91,000 CY	Non applicable	Non applicable	95,000 CY
32.	Semi-annually	Satisfaction of tax paying businesses with interactions with Tax Department ³¹	unidentified	1.0 CY	Non applicable	1.0	1.2 CY
33.	Semi-annually	Average time to start a business as reported by private sector ³²	18 days FY	13 days FY N/A	Non applicable	8 days	10 days CY

²⁹ The score is calculated by the special methodology defined in the indicator's reference sheet; each client will be asked to rank their satisfaction of their interaction with NAPR on a scale of -2 to +2 (very poor to very good). The indicator will be the average value of the scores for a reasonably sized sample from each reporting period.

³⁰ The data was provided by the Tax Department;

³¹ The data is collected by the project; each business is asked to rank their satisfaction with their interaction with the BIC on a scale of -2 to +2 (very poor to very good). The indicator will be the average value of the scores for a reasonably sized sample from each reporting period. The score is calculated by the special methodology defined in the indicator's reference sheet;

³² The data is based on the results identified from the focus group;

No	Period	Indicators	Baselines ⁷	Actual for 2006	Actual as of 03/31/07	Actual as of 06/30/07	2007 Targets
34.	Semi-annually	Average time to obtain a licenses and certificates in GoG selected sectors ³³	Construction 282 days Veterinary and Sanitary – 5 days; Medicine – 1 month. FY	252 days FY Construction 252 days Veterinary and Sanitary – 5 days; Medicine – 1 month.	Non applicable	116 days	Construction 202 days FY
35.	Semi-annually	Satisfaction of businesses with their registration experience ³⁴	0 FY	1.2 CY	Non applicable	1.2	1.2 FY

³³ The data was collected by the project Staff;

³⁴ The data is collected by the project; each business is asked to rank their satisfaction with their interaction with the BIC on a scale of -2 to +2 (very poor to very good). The indicator will be the average value of the scores for a reasonably sized sample from each reporting period.

Annex 8. Training and Capacity Building Activities, April-June 2007

Date	Counterparts	Subject	Participants	Total	Male	Female
04/30/07	Department of Urbanization and Construction; Main Architectural Inspection	Presentation of last version of draft construction code and those changes in the current legislation which were caused by construction code	Chief architects and state supervisors of Imereti region	26	23	3
05/03/07	MoED/GNIA	FDI training on globalization and localization processes and foreign direct investment, image building, strategic marketing	Representatives of GNIA/BIC and MoED analytical group	25	14	11
05/08/07	MoED/GNIA	FDI training on investment property database development and strategy	Representatives of GNIA/BIC and MoED analytical group	17	7	10
05/21-25/07	RS,BIC	Risk Management Training	RS employees	20	14	6
05/28-30/07	RS,BIC	Customs Valuation Training	RS employees	22	13	9
Total:				110	71	39

Annex 9. Public-private Dialogue Events, April-June 2007

Date	Counterparts	Subject	Participants	Total
04/21/07	MoF	Project presentation to the Minister of Finance on recommendations for improving the Georgian Ministry of Finance's Dispute Resolution System, and private sector response	MoF, RS	20
05/21/07	MoF, AmCham	Mof Minister's Presentation to the business society on MoF Appeal's Reform	FGB and AmCham , USAID, US Treasury, MoF, EU Customs Project	50
06/29/07	MoED, SMRC	Roundtable for potential e-signature providers	Most of Georgian banks and IT companies, FGB, AmCham	15
Total				85