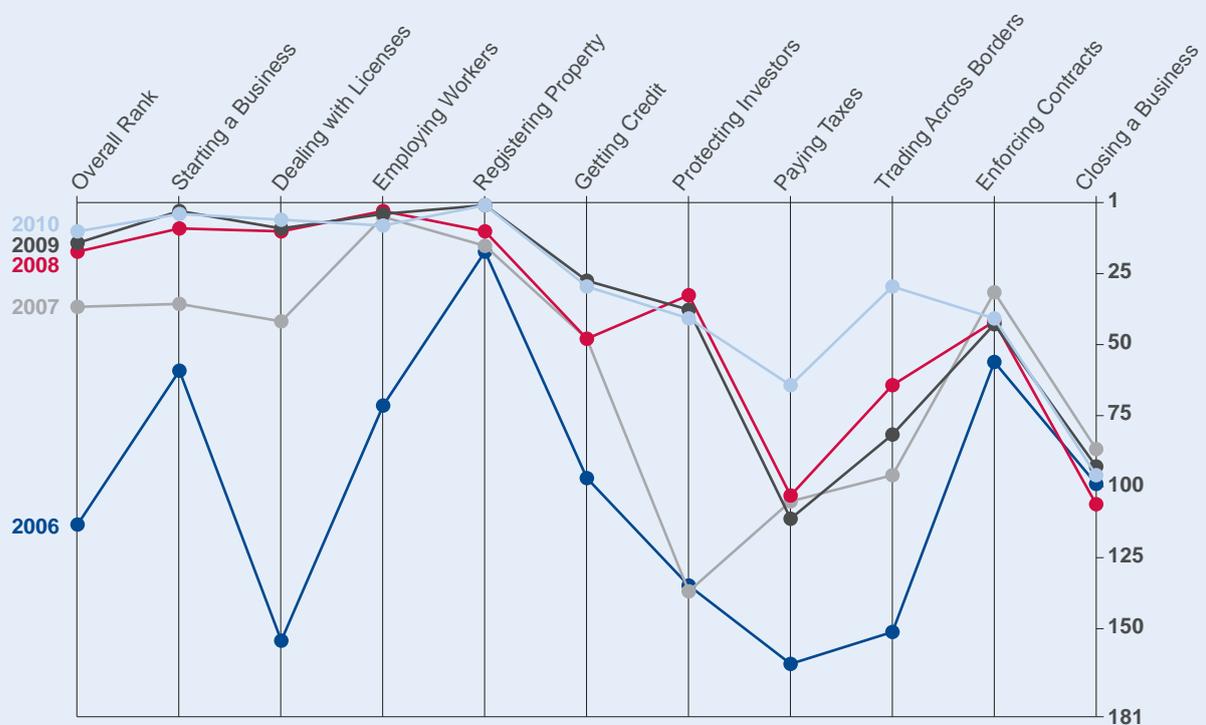




GEORGIA: OPENED FOR BUSINESS

GEORGIA BUSINESS CLIMATE REFORM FINAL REPORT

Georgia's Unprecedented Rise on World Bank Doing Business



Categories	2006 Rank	2007 Rank	2008 Rank	2009 Rank	2010 Rank
Overall Rank	112	37	18	15	11
Starting a Business	59	36	10	4	5
Dealing with Licenses	152	42	11	10	7
Employing Workers	71	6	4	5	9
Registering Property	18	16	11	2	2
Getting Credit	96	48	48	28	30
Protecting Investors	133	135	33	38	41
Paying Taxes	160	104	102	110	64
Trading across Borders	149	95	64	81	30
Enforcing Contracts	56	32	42	43	41
Closing a Business	98	86	105	92	95

SEPTEMBER 2009

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc.

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I. INTRODUCTION

Four years ago, USAID and the Government of Georgia (GOG) embarked on an innovative partnership that has led to transformational reforms in Georgia's business environment. Although the November 2003 Rose Revolution halted Georgia's slide into failed-state status, the country's business climate remained stagnant. When the Georgia Business Climate Reform (GBCR) project began in September 2005, USAID described the flagging business environment as follows: “In sum, underdeveloped laws, policies, and regulations; weak institutions; unclear property and company registration regimes; confusion and corruption in standards, licensing, inspections; and nontransparent and unevenly applied tax and customs procedures — together impose serious burdens on the business community and undermine the development of orderly market and financial systems while depriving the GOG of revenue. The problems are especially important for development of SMEs who lack the large staffing needed to deal with them in the absence of clear authorities, procedures, and centralized facilities.”¹

This final report documents delivery of contractually required results over the four-year life of the \$12.9 million GBCR project. As requested, the report is organized around the Task Order requirements, with achievements broken out by GOG counterpart. The Task Order provided: “The contractor will be responsible for accomplishing the following end-of-project results through the provision of long- and short-term technical assistance and training (short-term, in-country):

- Increased capacity and professionalism of administrative bodies connected with the government's management of business regulation
- Streamlined business and property registration procedures, and collateral systems developed
- Improvement in key framework commercial laws
- Simplified sensible, and transparent regulations and standards, as well as procedures for licenses, permits, and inspections
- As a longer-term goal within the activity, one-stop shop functioning for registrations, licensing, and permits
- Rationalized, orderly, even-handed, and user-friendly tax and customs procedures.”

The narrative that follows provides highlights of USAID achievements in each result area, broken down by counterpart. Each counterpart summary details a) where we started, b) key results achieved, and c) a “to do” list, which is composed of our recommendations for continued support for each counterpart that will build on and maximize the results achieved to date.

Annexes to the report include a table of activities that provides more detail about project initiatives, success stories, and GBCR's impacts and results over the last four years, including:

¹ (Georgia CLARITY TO, 9/20/05, p. 5.)

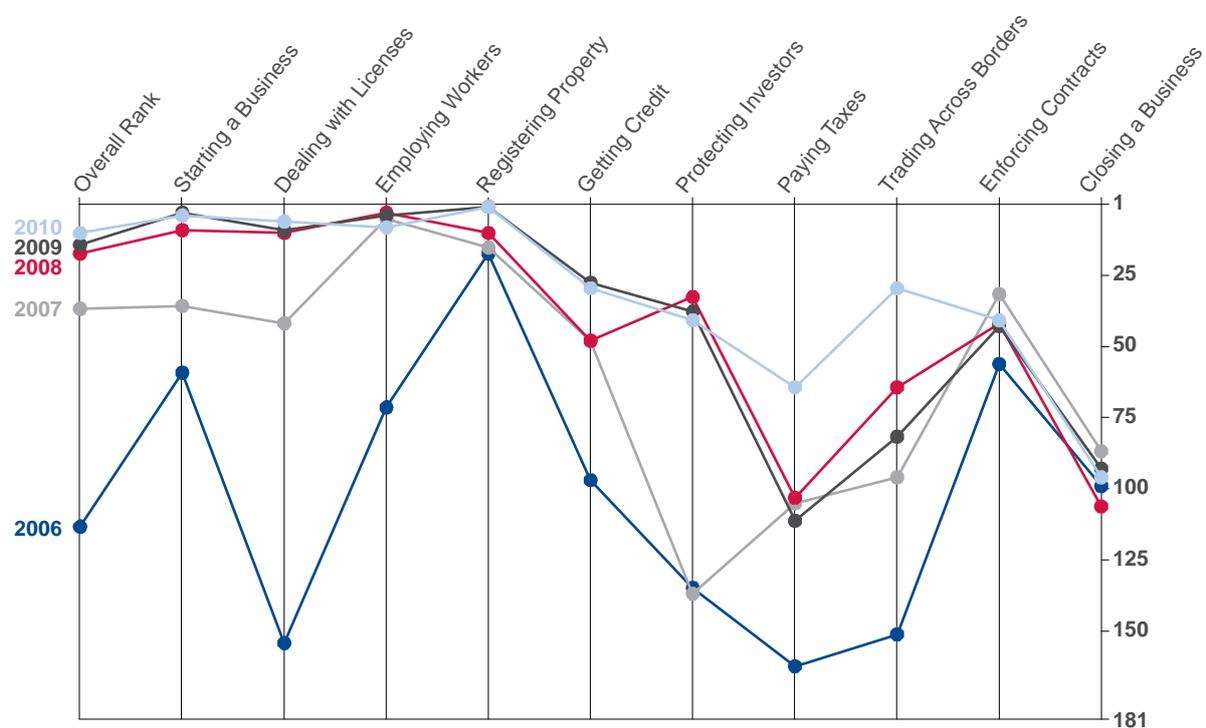
GBCR Monetized Benefits



- How GBCR supported Georgia’s rise from 112th on the World Bank *Doing Business* 2006 survey to 11th on the 2010 survey
- Total annual monetized benefits of more than \$743 million, which represents a return of USAID’s investment in GBCR of about \$57 to \$1
- The four-year project monitoring plan (PMP)

Tables, charts, and photographs interspersed in the report help illustrate the dramatic transformation of Georgia’s business climate achieved by the USAID-GOG partnership.

Georgia's Unprecedented Rise on World Bank *Doing Business*



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Perhaps the most telling indicator of what has been accomplished is the new status that Georgia has gained as an investment destination, after the broadest, deepest, fastest business climate reforms of any country in the last 50 years. In the midst of the global financial crisis, efficiency-seeking, export-oriented firms with high brand value are already planning their next strategic investments. They will choose Georgia if the government goes the last mile to address the three fundamental issues that investors are perceiving:

- Inadequate protection for property rights
- Suspect judicial independence and rule of law
- A strict system of tax and customs penalties, which appears to distort business decision-making and artificially encourage imports over local production

Extending reforms in those areas, combined with effectively telling Georgia's story to the strategic investors most likely to find Georgia attractive, can make the development dream a reality within five to eight years. General prosperity for the people, with all that entails — meaningful work, educational opportunities, and quality healthcare — is within reach.

II. INCREASED CAPACITY AND PROFESSIONALISM OF ADMINISTRATIVE BODIES

STATE REVENUE SERVICE – TAX AND CUSTOMS ADMINISTRATION

Where We Started

The former Tax and Customs Departments of the Ministry of Finance (MOF) lacked the most basic human resources, organizational, and IT capacity required to deliver effective and efficient tax and customs administration. Voluntary compliance was exceedingly difficult—even for businesses that might have wished to operate legally—for a variety of reasons:

- Policies and procedures were extremely weak, largely because of an ambiguous legal framework that conflicted with other legislation, resulting in arbitrary and inconsistent decision-making and many opportunities for rent-seeking.
- Many line tax and customs line officers were unprofessional and unqualified, disseminating grossly inaccurate information to taxpayers and traders and burdening them with non-compliant procedures.
- Allegations of corruption were widespread.
- The former Financial Police created great fear in the business community and among revenue officers.
- Few personnel had specialized skills, such as legal drafting, dispute resolution, and information communication management.
- The tax information system, confined to a single hard drive operating on unlicensed software, was largely insecure and was on the verge of collapse. Few tax officials even had access to it. The system was incapable of performing basic tax business processes well. The software applications that processed tax information were undocumented, and IT personnel were being wooed away by the private sector.
- All interactions with taxpayers and traders were paper-based and archives were poorly maintained, so finding prior filings was arduous, and no internal workflows or revenue reporting or management systems were operating.
- The lack of a legal basis for electronic information sharing between revenue officials and taxpayers and traders, banks, or any other authority, such as the National Agency for Public Registry (NAPR) or the Civil Registry. This problem reinforced reliance on paper-based systems and increased administrative and compliance burdens.
- Tax, customs, and financial police had separate IT departments and separate Web sites, inhibiting electronic data sharing among them and consistent information exchange with the public.
- Manual data entry of taxpayer filings into the information systems led to errors that were nearly impossible for taxpayers to correct.
- There was no mechanism for the private sector to provide feedback on the capacity and professionalism of tax and customs administration officials, or to suggest changes in the legal framework to reduce ambiguity.



The automation of business and tax registration in Georgia has increased efficiency, reduced corruption, and improved customer service.

GBCR/AGNES MONTANARI

Key Results Achieved

The two best measures of improved capacity and professionalism are that petty corruption has been virtually eliminated, and that now businesses can comply voluntarily with revenue laws. GBCR provided technical assistance and legal drafting, procurement, and training support to the revenue administration organization, addressing its compliance issues through the following structural changes:

- The GOG merged the Tax Department, Customs Department, and the Financial Police into a unified State Revenue Service (SRS).
- The structural reorganization helped draw clear lines of responsibility between revenue policy, assumed by the MOF, and revenue administration, carried out by the SRS.
- The previously balkanized IT functions of these and other MOF departments and agencies were merged into a single MOF IT department.
- Centralizing IT functions at the MOF level has elevated the importance of IT solutions in revenue administration, facilitated the proliferation of e-services for taxpayers and traders, and integrated information sharing within the MOF and with outside agencies.

The capacity and professionalism of the MOF and SRS in revenue policy and administration has increased significantly, particularly at the mid-management level. Newly created, specialized units in areas such as risk analysis, audit, appeals, and collections provide opportunities for specialization. Now, a cadre of technically competent, specialized middle

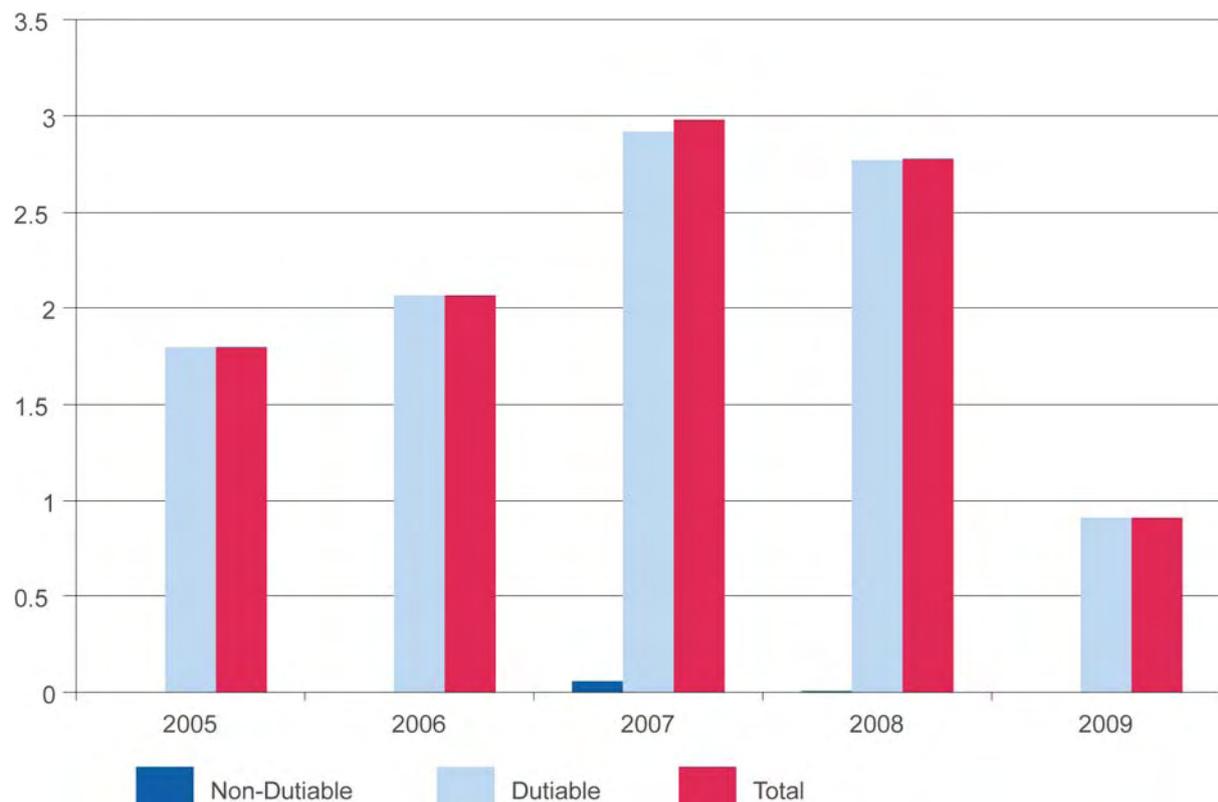
managers has emerged. These managers are increasingly trusted by senior management, and delegated with greater authority to streamline and rationalize business processes.

Extraordinary strides forward have been made in public-private dialogue. At the recommendation of and with support from GBCR, two public-private task forces on tax and customs issues have been convened under the aegis of AmCham Georgia. Tax and customs working groups survey businesses to discover the problems they are experiencing, identify the causes, and propose solutions that are incorporated into amendments to the tax and customs codes and secondary legislation. The MOF has recently created a formal Business Advisory Council to enhance the dialogue, and provide businesses with a mechanism for providing feedback to the MOF and SRS and identify capacity deficiencies.

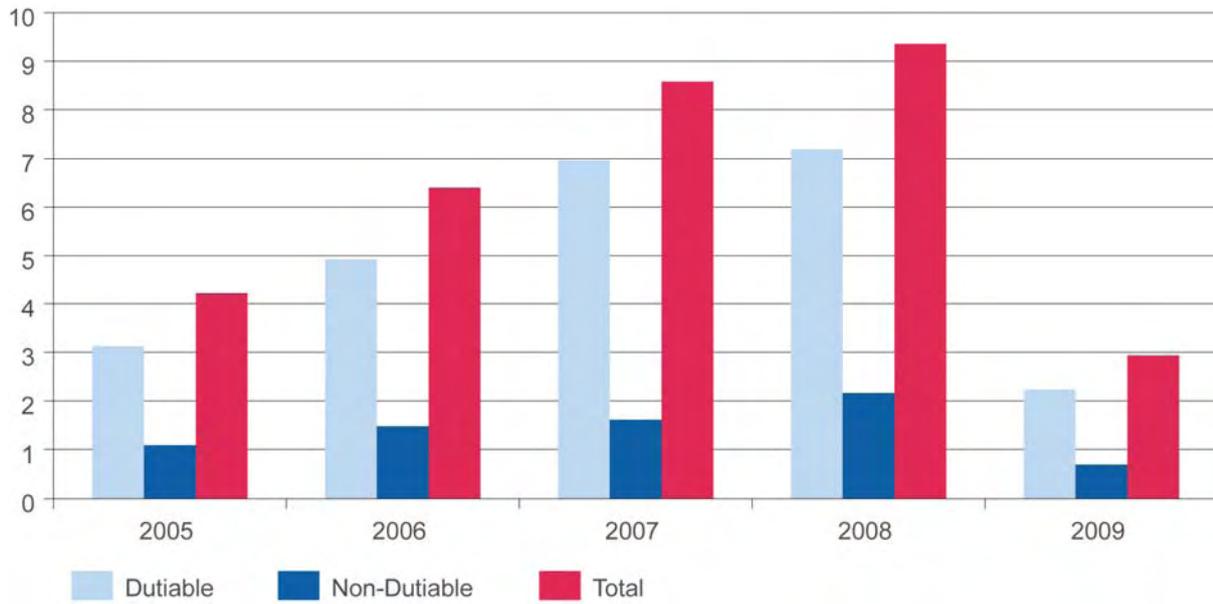
The legal frameworks for both tax and customs administration have been significantly improved via streamlining, simplification, and clarification and the introduction of procedures (see Section VII). These improvements to the laws and secondary legislation give revenue officials a transparent basis for revenue administration, and provide the private sector with much clearer guidance about what is required for compliance.

Huge strides forward have been made in MOF IT systems, which now have robust hardware and software solutions. Centralization of MOF IT functions in a single department enables electronic information exchange among tax, customs, and financial police and more largely with the MOF. This centralization enabled automated implementation of SRS business processes and workflow management in areas such as reporting and tax and customs appeals and provides for easier and uniform implementation of business processes and management decision-making.

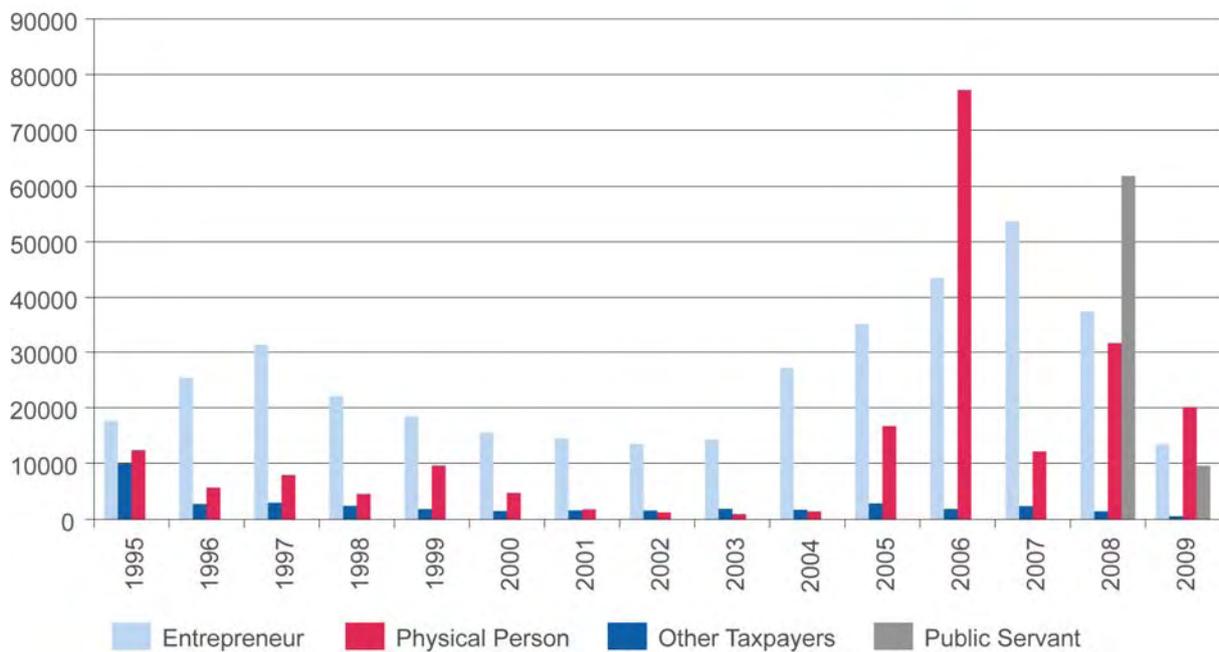
Value of Exported Goods (billions GEL) as of July 15, 2009



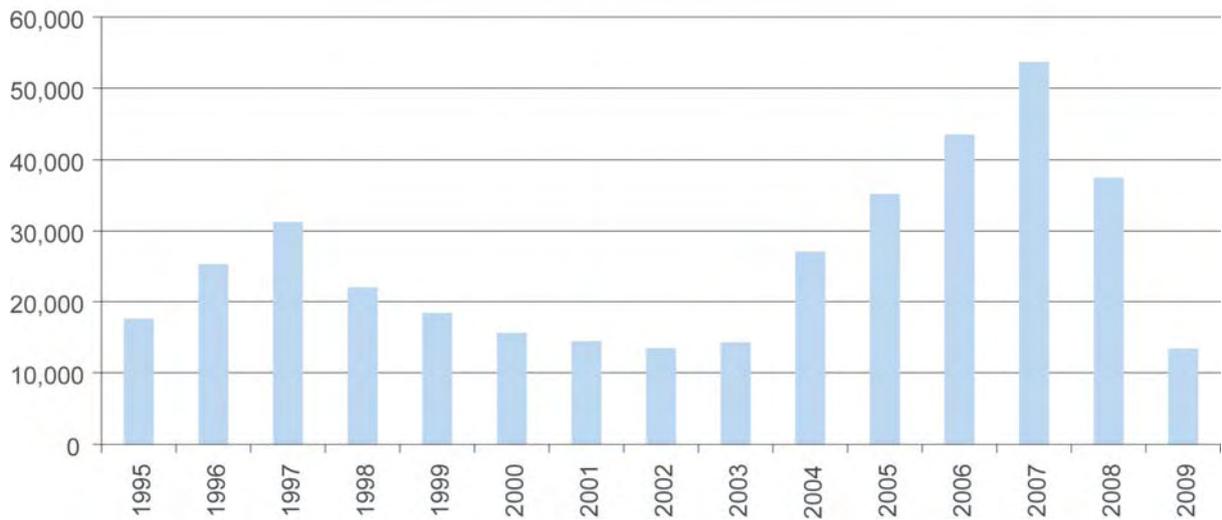
Value of Imported Goods (billions GEL) as of July 15, 2009



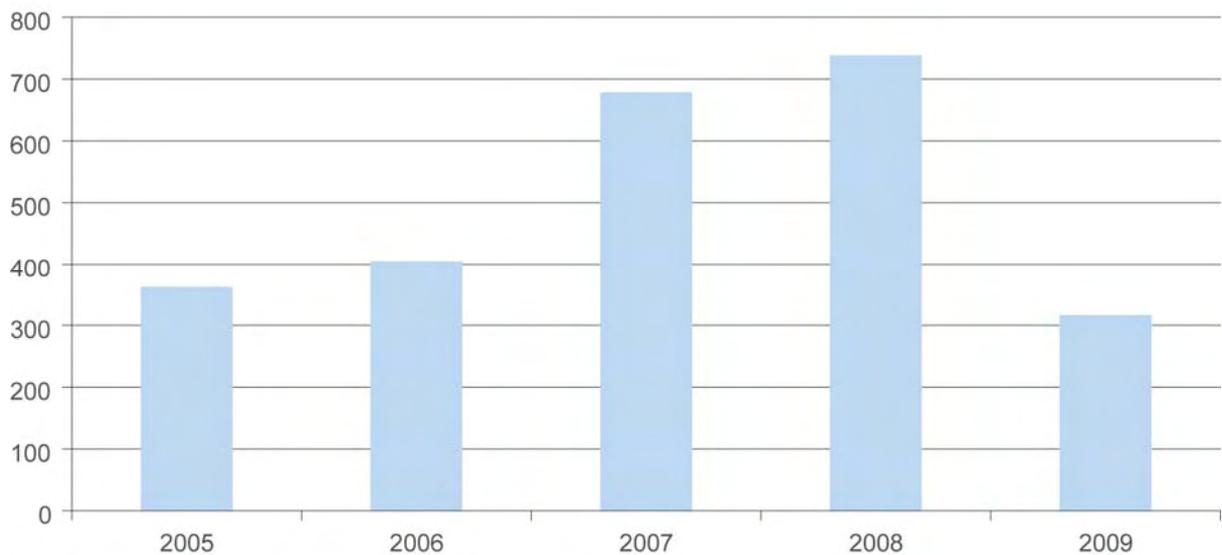
Newly Registered Taxpayers as of July 15, 2009



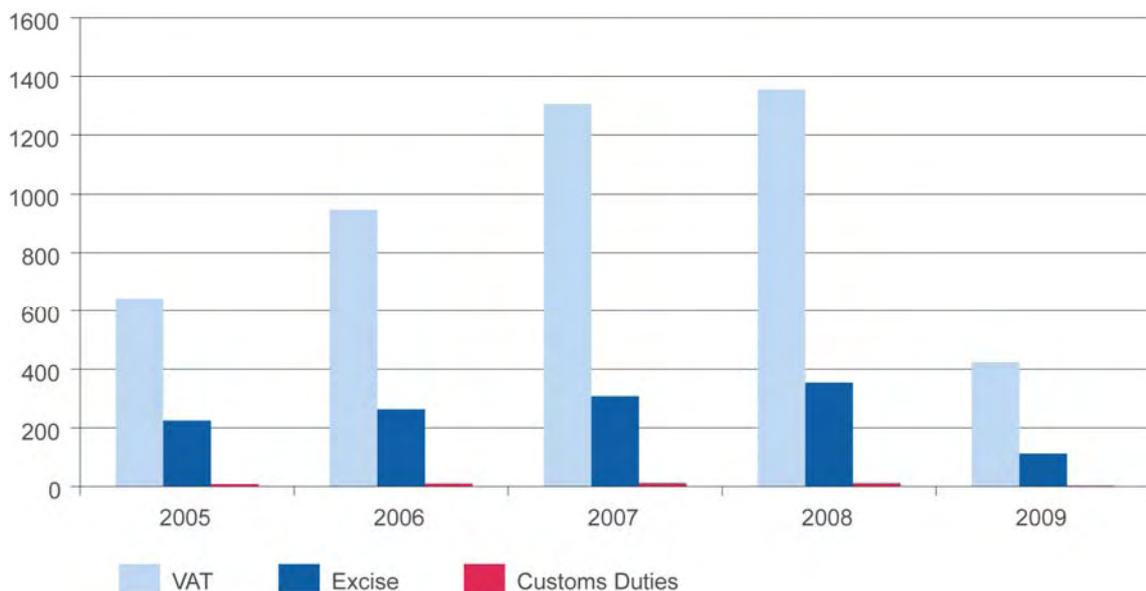
Number of Newly Registered Businesses as of July 15, 2009



Inland VAT Revenues (millions GEL) as of July 15, 2009



Customs Revenues (millions GEL) as of July 15, 2009



Amendments to the tax code and an MOF order provided a legal basis for electronic information sharing between the SRS, taxpayers, banks, and other authorities. Aggressive pursuit of improved IT implementations by the centralized MOF IT Department significantly increased revenue administration's accuracy in implementation of tax and customs processes, such as e-filing and tax liens, where data exchange beyond the SRS is required. SRS information is merged within the MOF Web site, providing a one-stop Web portal for the public that enables easy access to information on tax and customs legislation, procedures, forms, and other revenue-related issues; and offers electronic services such as the taxpayer/trader cards, property tax calculator, and e-filing of all tax returns.

To Do

While the pace of progress in tax administration has been extraordinary, much remains to be done. GBCR and other projects and donors have been pressing hard for several years to increase the professionalism of the line officers who deal directly with taxpayers and traders. MOF/SRS leadership has resisted, saying that they have other priorities. With the benefit of hindsight, they may have been right. Enormous progress has been made in legislative reforms, IT systems, and building technical competence of managers who started out knowing very little about tax and customs. Now these managers say professionalizing line officers is their highest priority. Key elements of such an initiative should include:

- Defining the business procedures line officials use, with instructions on how to carry them out
- Developing job descriptions for each position
- Implementing a comprehensive training program with qualified career trainers
- Defining training/knowledge prerequisites for each line position
- Creating career path and incentive systems that recognize and reward appropriate, customer-oriented conduct
- Focusing on key subject matter areas for training including audit, risk analysis, dispute resolution, valuation, design and documentation of business processes

While considerable progress has been made in introducing risk management in customs administration, implementation has lagged in tax administration. Risk-based audit selection is finally beginning, but risk management should be rolled out to other tax administration areas, such as collections and refunds processing.

MINISTRY OF ECONOMIC DEVELOPMENT – CONSTRUCTION

Where We Started

In 2005, the construction sector, which is overseen by the Ministry of Economic Development (MOED), was considered one of the most corrupt government sectors. Public opinion ranked only the traffic police and customs as more troubled. Public officials who worked within the Tbilisi and regional permitting offices were underpaid, lacked sufficient training, and had little knowledge of construction regulations and how to apply them to the permit applications that they reviewed. Coupled with the private sector's lack of knowledge

of the same regulations, this meant that corruption was rampant, and the costs of building legally in Georgia were extensive and unclear. Illegal construction throughout the country was common, if not the norm, compromising safety and standards.

Key Results Achieved

The dramatic improvements in the legal framework governing construction are described in Section IV. Three GBCR technical specialists located within the MOED directly supported the day-to-day growth of ministry officials. Training of 167 construction officials from throughout Georgia enhanced the public sector's knowledge of permitting regulations as well as project-supported construction reforms.

In cooperation with the USAID FORECAST project, GBCR implemented training of trainers for 18 employees of the Tbilisi Architecture Department to ensure that professional development opportunities will be available in the future. The trainers will provide instruction to regional permitting officials as well as the private sector.

GBCR also supported the MOED in making certain that the private sector had equal opportunities to build their understanding of construction permitting regulations. Seven



Previously characterized by compromised safety, lack of training, and underpaid employees, the construction sector was considered one of the most corrupt in the Georgian government. To ensure that changes in the Georgian construction code were implemented throughout the country, the GBCR project trained officials as well as a team of trainers.

GBCR/AGNES MONTANARI



The GBCR project helped the government build a network of construction trainers who continue to provide updated trainings to construction officials. The increased knowledge base has allowed the Georgian Ministry of Economic Development to continue to refine the construction code and increase the private sector's understanding of permitting regulations.

GBCR/AGNES MONTANARI

public-private dialogue events with private companies and NGOs were instituted, helping to build an effective counterweight to the public sector and reducing corruption through increased knowledge and understanding. GBCR also supported the development of an informational Web site (<http://tbilisi.gov.ge/architect/>) which provides up-to-date information on procedures and documents. This has helped ensure transparency within the MOED and further strengthened public and private sector capacity.

To Do

As MOED personnel continue to sharpen their skills and provide a more transparent, healthier environment for the construction sector, publicity and communication of new regulations will need particular focus. That outreach, along with continued training of officials, will ensure that newly adopted legislation and regulations are properly implemented throughout Georgia.

MINISTRY OF ECONOMIC DEVELOPMENT – GEORGIAN NATIONAL INVESTMENT AGENCY

Where We Started

Georgia is located strategically between Europe, Asia, and the Middle East, making it an attractive investment destination. From the ancient Silk Road to the present day oil and gas pipelines and transit links, Georgia has been at the center of trade and transportation for centuries. Georgia's recent business-focused reforms have made it an even more attractive location for foreign direct investment (FDI). However, when Georgia Business Climate Reform project began, the agency tasked with supporting investment promotion, the Georgian National Investment Agency (GNIA), under the direction of the MOED, was doing little to attract such investment.

The agency's personnel were inexperienced at FDI promotion and lacked the necessary skills to interact with potential investors. Senior management had no mandate to develop an overall strategy for guiding the organization in its assigned objectives, which were muddled. The agency's IT infrastructure was either non-existent or outdated, and limited information was accessible regarding sites for potential investment. Promotional information about Georgia as an investment destination was frequently poorly written or unattractive. GNIA lacked integral links with the private sector and potential partners and had little understanding of how to assess and assist key sectors of the Georgian economy.

Key Results Achieved

GNIA was not given a clear mandate to develop and implement an FDI strategy until the last six months of the project, and as a result, GBCR's contributions to the agency have been limited. The project is encouraged by the enthusiasm and eagerness with which the agency is beginning to develop and pursue a targeted FDI strategy, making use of many of the elements put in place earlier by GBCR. However, it is too late in the project cycle to see actual results in terms of FDI that can be attributed directly to the agency.

GBCR began its support to GNIA, then a new agency, with the goal of providing a one-stop-shop for investors that could serve as a targeted and well organized resource. The project supported the establishment of the Business Information Center (BIC), which was later merged into investor servicing operations within the agency, creating one central location for

investor assistance. Through targeted training in topics such as FDI promotion, basic economics, customer care, the role of property in investment promotion, and business English, the project enhanced the skills of GNIA personnel in meeting the needs of potential investors.

Through the provision of international and Georgian technical assistance, the project provided recommendations for modernizing GNIA's IT systems and helped the agency procure new equipment and update existing systems. A modern and interactive Web site for investor outreach (www.investingeorgia.org) was created.

Building on the same themes as the updated investor Web site, the project also supported the design and distribution of high quality promotional pamphlets and a professional video. To date GNIA has supported more than 900 requests for assistance through its offices, hotlines, and email address.

GBCR provided international expertise to assist the agency in developing an FDI attraction strategy, a functional organizational structure, and standard procedures for conducting sectoral research. A critical weakness was that GNIA had a good generic message to the outside world, but no product to deliver to interested investors. To address this problem, GBCR provided training to develop linkages with regional partners and supported the creation of a database of investment-ready properties.

To improve dialogue between GNIA and the private sector, GBCR assisted in sponsoring 18 public-private dialogue events. The project also helped support the wine industry, in collaboration with the USAID AgVantage project, to break into new markets in the United States and Europe through targeted wine promotion events and activities.

To Do

GNIA currently stands at a crossroads. With strong leadership and focus, and a clear mandate from the GOG, agency personnel now have the capacity and skills to attract critical foreign investment. The urgent pending question for Georgia and donors is whether GNIA will be free to identify and woo the leading firms now making their strategic investment decisions. The agency needs to be able to implement the newly designed FDI attraction strategy that targets efficiency-seeking, export-oriented, greenfield investment firms with high brand value, and develop stronger relationships with other state and regional bodies in order to better advocate for investor concerns.

GNIA also needs to build upon the initial investment property database and create a comprehensive system that allows its investors and staff easy access to information on investment sites, particularly greenfield sites, across the country. Efforts to build the capacity of staff and to create and distribute promotional materials must be ongoing. GNIA also needs to broaden and deepen its sectoral overviews so that it can better serve as a resource to guide potential investors. Lastly, GNIA needs to enhance its relationship with the private sector, ensuring that public-private dialogue is better institutionalized and used to improve the business climate.



The National Agency for Public Registry (NAPR) inherited paper-based, Soviet-era property registration archives that were unorganized and inaccessible to officials and citizens. USAID's Georgia Business Climate Reform project helped NAPR transform into an IT-based service, with electronic centralized registration and online property registration records.

GBCR/STAFF

NATIONAL AGENCY FOR PUBLIC REGISTRY

Where We Started

When GBCR began its efforts to create a world-class property registration system, in collaboration with NAPR, there were serious gaps in nearly every part of the agency. In particular, the ability of staff to accomplish the goals of NAPR was limited. With low salaries, staff had little incentive or motivation to perform well, and as a result, corruption was rampant, entrenched, and expected in NAPR. This was exacerbated by a paper-based registration system that increased the likelihood of corruption and placed excessive administrative burdens on both the private and public sectors. NAPR was beginning to develop a prototype centralized registration database using outdated, unlicensed software.

Key Results Achieved

Through technical assistance, including direct capacity-building support, international and Georgian expertise, legislative drafting support, and direct procurement assistance, GBCR was able to provide a multidirectional approach to strengthening NAPR. The project helped transform NAPR into an IT-based agency with the capability to complete electronic centralized registration and provide online access to property registration records. GBCR provided technical design for a record digitalization initiative that was funded by GTZ and an archiving initiative to protect Soviet-era paper records and provide easier access to NAPR registrars. Project support helped NAPR dramatically cut costs and become a functional and

profitable agency. Today, NAPR's property registration system is ranked second in the world on the annual World Bank Doing Business Survey, and its IT department develops solutions that are implemented by other GOG agencies. NAPR's ability to generate income meant that it could recruit and maintain highly qualified staff through increased salaries. The project also helped NAPR introduce staff performance monitoring systems so that benchmarks and guidelines are available for all personnel.

Perhaps even more impressive than its IT leadership within the GOG is NAPR's emergence as a thought leader. A receptive environment coupled with extensive training and mentoring in addressing the conceptual and design issues key to creating a robust secured lending environment has succeeded in developing critical, innovative thinking. NAPR lawyers and officials are now able to independently advocate for reforms in government and before parliament that build on existing capacity and improve the lending environment.

To Do

NAPR has achieved such a dramatic shift very little remains to be accomplished in building the capacity of its staff or systems. Instead, the agency should remain focused on addressing continual improvement, ensuring that its IT systems and human resource policies are flexible, dynamic, and can adjust to the changing needs of Georgia.

E-GOVERNANCE COMMISSION

Where We Started

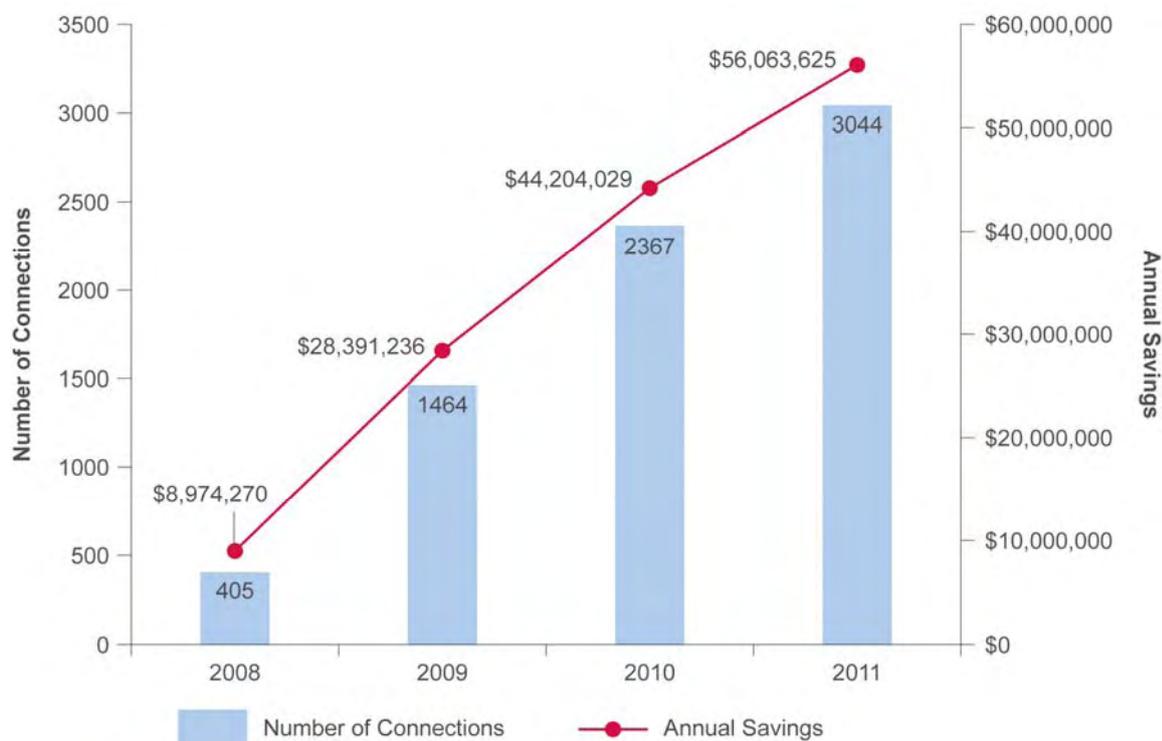
As Georgia began to streamline processes and modernize legislation to promote a healthy environment for business, IT — and in particular, e-governance — became a cross-cutting and essential part of GBCR and government reform efforts. As individual government ministries worked to develop the capacity of their own organizations, IT and automation often became their primary focus. In an effort to promote quick solutions to internal needs, government ministries built data silos that often did not share common standards, information, structure, or vision. Government ministries' lack of internal communication or interaction with the IT private sector meant that lessons learned and best practices were not shared. Also, government IT systems were accessible usually only in Tbilisi, as connectivity to regional cities was limited or nonexistent. Government automation was limited as a result, and reforms were not felt outside of the capital.

Key Results Achieved

To address the lack of regional access to government systems, the project supported the development and implementation of the Georgian Government Network (GGN). Through project assistance in developing the tender and evaluation criteria for the private sector contract, GGN is connecting 500 government offices, 2,300 public schools, and 2,200 notaries in every region of the country.

To address strategic policy challenges, GBCR first collaborated with the government to establish a body that could serve as a central location for interaction between the private sector and the government's IT leaders. The E-Governance Commission, chaired by the prime minister, created a platform to launch numerous initiatives. To build the capacity of members, the project supported study tours to Estonia and Latvia, where best practices were learned from European e-government leaders.

Development of Georgian Government Network



These study tours, and subsequent technical assistance from Estonia, allowed the E-Governance Commission to research, design, and support the passage and implementation of an e-signature law in Georgia. Together with the private sector, the commission began to design an e-government strategy that included development of a unified data exchange to allow similar data to be exchanged across relevant ministries and with the private sector, information security, and other agencies. A law creating a new Center for Information Exchange under the Ministry of Justice is now pending in parliament. Lastly, recognizing the need to celebrate the achievements of Georgia and other neighboring countries in e-governance, the project supported the first annual Georgia IT Innovation (GITI) Event in October 2008, with more than 200 participants from 10 countries. GITI provided an opportunity for the development of connections between neighboring countries' IT leaders, recognition for successful IT innovations, and identified unfunded but creative and inventive IT proposals, including the unified data exchange concept.

To Do

The GOG has made great strides implementing e-solutions in a number of agencies. Overall development is hampered, however, because of the lack of a system for exchange of information between agencies and with the private sector. Support for the GOG's new strategy to create a system of unified data exchange, strong information security policies, digital equity, etc., can be the catalyst for Georgia's continued business climate reforms and spur growth of e-commerce in Georgia. Support for the new Center for Information Exchange will ensure that continued implementation of e-government across government ministries, follows best practices, and promotes Georgia's information and communication technologies sector development.

III. STREAMLINED BUSINESS AND PROPERTY REGISTRATION PROCEDURES AND COLLATERAL SYSTEMS DEVELOPED

MINISTRY OF FINANCE AND STATE REVENUE SERVICE – BUSINESS REGISTRATION

Where We Started

Responsibility for business registration had just been transferred from the courts to the former MOF Tax Department when GBCR started in October 2005. This important step transformed business registration from a judicial to an administrative procedure. However, starting a business still required both business and tax registration — two separate processes, in two different locations, requiring two (largely redundant) application procedures, resulting in the issuance of two unique identification numbers to every business. A weak legal framework for business registration meant a laborious process of 21 days requiring eight documents, notarization, payment of minimum capital, and fabrication of an official company seal. As a result, the rate of business registrations for a country of Georgia’s size was low.

Upon transfer of business registration to the SRS and unification with tax administration, the SRS lacked the institutional capacity required to deliver streamlined business registration. Line officers were unprofessional, unqualified, and inexperienced in registering businesses, resulting in guidance and implementation that were often arbitrary, burdensome, and unpleasant. The SRS relied upon an unstable and largely insecure IT system that used illegal software and was incapable of performing basic business processes well. The entire registration process was paper-based. Archives from the courts, including more than 50,000 registrations, were received in boxes full of poorly organized documents. No electronic services were available and no electronic registration data was kept internally, let alone available to other agencies or the public.

Key Results Achieved

As a result of reforms supported by GBCR, the unified business and tax registration process has been significantly streamlined. The process now requires only three days, according to the World Bank Doing Business methodology, and less than two hours according to newly registered businesses. A prospective business owner needs simply to bring to the tax inspectorate a completed application form. Amendments to the law on entrepreneurs have eliminated requirements for minimum capital, notarization, and an official seal. As a result, Georgia witnessed a boom in the number of businesses registered: from 222,421 on October 1, 2005 to 370,902 by May 31, 2009 — an increase of 67 percent.

Increases in Georgian Taxpayer Registrations and Revenues

TOTAL TAXPAYERS REGISTERED			
Registration Type	As of 1/10/05	As of 5/31/09	Percent Change
Entrepreneurs	222,421	370,902	67
Physical Persons	61,098	344,678	464
Others (NGOs, etc)	26,703	32,529	22
Total Registrations	310,222	748,109	141

NUMBER OF SUBMITTED TAX RETURNS IN 2005-2009			
Types of Tax	As of May 2005	As of May 2009	Percent Change
VAT	5,676	20,047	253
Excise Tax	294	289	-2
Reverse Charge to Non-Residents	90	439	388
Profit Tax	171	1,222	615
Income Tax	556	4,475	705
Withholding Tax	23,711	39,684	67
Property Tax	249	5,627	2160
Total	30,747	71,783	133

With legal and regulatory streamlining, the SRS developed its institutional ability to handle business registrations. Line officers were trained in customer service and improved business registration procedures. The SRS also implemented project recommendations on IT performance optimization and security measures, and both the SRS and GBCR procured hardware and licenses for software, which ultimately enabled an electronic business registry. The project digitized all prior paper-based registrations so that the e-registry is now completely current, listing all registered businesses in Georgia. The online business registry allows for the printing of electronic abstracts that have the same legal enforceability as paper documents.



Through project assistance, the Tbilisi Tax Service Center is now organized, well staffed, and easily accessed by Georgians who are undertaking the unified business and tax registration process.

GBCR/AGNES MONTANARI

To Do

Additional work can be done in business registration to enhance the online registry and business registration process, as well as continue developing SRS human resource capacity to deliver quality business registration services. Upon implementation of the e-signature law by an e-signature service provider, business registration could be completed entirely online. The online registry could be improved with the addition of a history feature that would include an e-document record of ownership and include the identification number of the business's authorized representative. Personnel working on business registration should have human resource standards such as job descriptions, knowledge prerequisites, incentive systems that reward customer-oriented conduct, and professional development paths as well as training opportunities to enable them to accurately implement the latest business registration tools and procedures.

NATIONAL AGENCY FOR PUBLIC REGISTRY – PROPERTY REGISTRATION

Where We Started

Georgia's property registration system, administered by NAPR, was a paper-based, decentralized system distributed among 67 regional offices. In-person visits to local offices were required to register or obtain information on immovable property. Registry and cadastral information was often inaccurate. Registering property required six separate steps and took nearly two months, including searching through poorly organized archives of Soviet-era documents that were, in Tbilisi, at a distance from NAPR offices. Frequently, applicants were required to provide NAPR with documents that it already possessed, notarization was required to finalize property transactions, and abstracts from the public registry required signatures and stamps from NAPR.

Multiple and sometimes conflicting regulations governed the objectives, procedures, and oversight of the agency. This allowed for multiple interpretations and applications, which, when coupled with the decentralized structure of the agency, created an atmosphere for corruption. NAPR also made little effort to communicate and share information with agencies responsible for related data, such as the business and civil registries. This further perpetuated the frequency of inaccurate data and also required duplication of work, costs, and time.

Former law provided that tax liens and court judgment liens were effective from the moment they were issued, not from their registration. The gap period between issuance and registration left lenders and buyers vulnerable to "hidden liens" that were impossible to discover and would take precedence over their interests.

Key Results Achieved

Georgia is now ranked second on the "Registering Property" indicator of the World Bank's *Doing Business* 2009 survey. GBCR provided significant technical assistance to NAPR and procured equipment and software. Foreign and Georgian experts assisted NAPR in streamlining its legislative framework to be clear, concise, and provide little room for interpretation.

"With the support of the BCR project, NAPR was transformed from an inefficient organization, without defined procedures and with no automation, into an electronically based, customer-oriented agency. Reforms driven by world experience made NAPR the electronic agency of the year in 2008 and propelled Georgia into second place in the Registering Property category of the World Bank Doing Business 2009."

— Mr. Jaba Ebanoidze,
deputy minister of justice

Amendments also eliminated the risks for lenders and buyers from hidden tax and court liens by changing the law to require that such liens take effect only upon registration with NAPR.

The procurement of registry software and a modern data server allowed NAPR to replace its ineffective, decentralized structure with a centralized, electronic, and web-based property registry system. All 64 regional NAPR offices (three regional offices in the South Ossetia region were consolidated with the Gori office after the August 2008 conflict with Russia) are now linked to a unified electronic property registration database over the Georgian Government Network. This interactive system allows applicants and NAPR personnel as well as other government agencies to receive up to date information on the status of applications.

NAPR has also outsourced many interactions with citizens to a network of more than 400 “authorized users,” including bank branches, notaries, law firms, and real estate companies that process applications for registration with NAPR registrars online. The network of NAPR regional offices and authorized users provides one-step, one-stop service that includes SMS and email notification when registration is complete. The new online system helps ensure transparency, since information about property transactions is available online and easily accessible to everyone. An online cadastral mapping system, first implemented in Tbilisi, and now expanding to Georgia’s regions, allows users unparalleled access to information about particular parcels and their neighbors, including cadastral maps and property abstracts.

Further, newly created IT system links between NAPR, tax authorities, and the Civil Registry were created which reduced the need for duplicate information and work and improved the accuracy of all data in the linked systems. For example, when a NAPR registrar enters a



Soviet-era records of the National Agency for Public Registry have been organized and are being entered into a centralized, electronic, and web-based property registry system. The agency expects to complete digitalization of all archival paper records by the end of 2010.

GBCR/AGNES MONTANARI

buyer's citizen or business identification number, name and address information is automatically filled in from the civil registry and business registry databases. Similarly, NAPR registrars are able to access the business registry online, eliminating the requirement that applicants wishing to register property transactions must deliver to NAPR notarized copies of abstracts from the MOF registry.

Project technical assistance enabled NAPR to relocate and reorganize the Tbilisi archives of Soviet-era records at NAPR's offices. GBCR also designed and provided technical specifications for a system to digitize the paper archives, with material support provided by other donors. Digitalization is about half completed in Tbilisi, has been completed in Gardabani, Mtskheta, and Gori regions and is underway in other regions. NAPR expects to complete digitalization of all archival paper records by the end of 2010.

GBCR also assisted the agency in streamlining the number of steps and procedures required to register property. By abolishing the need for notarization and creating an IT-based system for NAPR that allowed the agency to quickly access information about applicants, the number of documents required for a property registration transaction was reduced from six to two. Fees for registration were clearly documented in new legislation and were not dependent on the value of the transaction. Mandatory notarization, with fees based on transaction value, was also eliminated.

These measures significantly reduced the time and expense required. With GBCR streamlining assistance, now applicants require one day and one visit at most to register their property.



Through USAID assistance, the National Agency for Public Registry has transformed itself into a world-class property registration agency. Automated, streamlined, transparent, and customer-friendly services have allowed the agency to become a self-sustainable government entity.

GBCR/AGNES MONTANARI

To Do

NAPR has transformed itself in four short years. The agency's new focus must shift to maintaining its world class designation ensuring that it is always providing efficient and transparent services to applicants. The agency also needs to finish cadastral mapping activities outside of Tbilisi, and complete digitalization of paper-based archives.

NATIONAL AGENCY FOR PUBLIC REGISTRY – COLLATERAL REGISTRY

Where We Started

Lenders in Georgia rely almost exclusively on immovable property (land and buildings) as collateral for loans to businesses and consumers. Only about 5,000 pledges (security interests in movable or intangible property) have ever been registered by NAPR. SMEs, which are less likely to have sufficient immovable property, are adversely affected. SMEs have less access to credit because they are unable to secure loans with the types of movable and intangible property they possess, such as machinery and equipment, inventory, and accounts receivable. Lenders' reluctance to secure loans with movable property was a rational decision. Because former legislation made the act of registration purely voluntary, with no consequence for not registering a pledge, lenders could never be sure that another lender had not already taken a prior security interest in the same collateral. Another problem was that the paper-based registration system was localized, in actuality, a system of 67 different regional registries. A key feature of movable property is that it can move. Thus, if a debtor gave movable property as security for a loan in one region, a lender in another region would have no way of discovering that fact.

Key Results Achieved

Through technical assistance, hands on drafting of legislation for capacity building, and training, the project supported NAPR in the passage and implementation of the new public registry law. Legislative changes now require pledges and financial leases to be registered in order to provide notice to third parties of the existence of the creditors' and lessors' interests. The new legislation also ensured that the priority of pledges as well as tax and court liens is based on registration date, with the first to register having priority. A modern, Web-based registry that allows free public searches and allows lenders and lessees to register their claims online, from their own offices, has just been rolled out. Through project assistance, NAPR also hosted several public-private dialogue events that explained the reforms and new systems to be showcased and provided a forum for feedback. The events also enabled NAPR to discuss innovative plans to ensure that they met the private sector's needs.

To Do

As NAPR continues to support a fully operational pledge registry system, more legislation is required to modernize other areas of secured financing such as other types of collateral, enforcement, and leasing. Although the infrastructure to support a modern, secured lending regime is now in place, uptake could be hastened by providing lenders with training on how to make loans based on movable and intangible property. More direct support for such secured lending in the form of development credit authority enhancements could also help SMEs receive the benefits of Georgia's enhanced secured finance regime more quickly.

IV. IMPROVEMENTS IN KEY “FRAMEWORK” COMMERCIAL LAWS

MINISTRY OF ECONOMIC DEVELOPMENT - CONSTRUCTION

Where We Started

Looking out from the rolling green hills surrounding the city of Tbilisi, one sees multiple areas of new construction. From east to west, cranes rise high above architecture that dates from centuries ago. This boom helps erase memories of the challenges that the construction sector faced. Just four years ago, 18 separate and conflicting normative acts governed the sector. These acts allowed multiple interpretations of permit issuance, state supervision, and fit-for-use certification. The World Bank *Doing Business* survey ranked Georgia 152nd in “Dealing with Licenses/Construction Permits,” with 29 separate procedures taking 282 days and requiring 144.6 percent of income per capita to obtain a building permit when the project started in October 2005. Further constraints limiting the sector included legislation that protected the use of state monopolies in construction as well as technical standards derived from the outdated Soviet-era SNIPs (a Russian acronym for construction norms and rules) that did not follow international best practices. If mistakes were made in the maze of inspections and permits, penalties were unfairly punitive, and drove many throughout Georgia into illegal and unsupervised construction.

Key Results Achieved

Through international and Georgian technical assistance, linkages with the International Code Council, and targeted training, GBCR served as a catalyst to the Ministry of Economic Development, helping it enhance and transform the Georgian construction sector.

Georgian Construction Sector Development

Indicator	2005	2006	2007	2008
Number of square meters under issued building permits in Tbilisi (million sq. meters)	1.0	1.1	1.5	2.4
Total Sales (million GEL)	778.8	1125.3	1604.6	-
Value added (million GEL)	245.9	401.4	630.6	-
Number of employed persons	38,560	46,681	52,572	-
The average salaries per employed persons (GEL)	292.3	391.0	495.1	723.0

Particular focus was paid to updating, modifying, and when needed drafting new legislation to govern the construction sector. Georgia now ranks 7th on “Dealing with Licenses/Construction Permits” of the World Bank *Doing Business* survey. This new legal framework provides clearer regulations on construction permits and institutes a risk-based approach to permit issuance which reduces requirements for simple projects but still allows for oversight of complex projects. Project supported improvements in legislation dramatically streamlined permit issuance. Now only 12 procedures are required, the process takes only 113 days, and costs just 20.3 percent of income per capita. Technical assistance and guidance by GBCR influenced ministerial and presidential decisions that eliminated state monopolies in construction and provided a simple administrative procedure to legalize illegal construction when compliant with building standards.

A zoning regulation drafted by GBCR can be used by municipalities to create urban development standards. To introduce international best practices, the International Building Code (IBC) was translated and six chapters to date have been adapted for Georgia and registered as national standards through a project-supported relationship with the International Code Council (ICC).

To Do

The process of modernizing the legal structure that governs the construction sector is not complete. Further clarity and improvements to normative acts will ensure that interpretation and application remains consistent across the country. The current relationship with ICC should be enhanced and an ICC chapter opened in Georgia. National standards should continue to be introduced and adapted to local needs from the IBC and the effective implementation of the IBC should allow for the development of professional certifications of construction specialists based on these codes.

MINISTRY OF ECONOMIC DEVELOPMENT – GEORGIAN NATIONAL INVESTMENT AGENCY

Where We Started

As the Georgian government moved toward improving the legal framework and environment for business, it became apparent that an entity to support investment promotion had not been clearly identified in legislation. Such an entity would need to act as the one-stop-shop for foreign investors, providing a transparent and consistent system to assist in guiding investors in identifying opportunities in Georgia and navigating the procedures for licensing and permitting.

Key Results Achieved

Through direct support in drafting legislation and international and Georgian technical assistance, GBCR aided in passing the Law on State Promotion of Investments which designated GNIA as the agency responsible for supporting investors and the timely monitoring of license and permit applications.

To Do

The Law on State Promotion of Investments has not been effective in practice because of several problems that should be addressed in future programming. First, GNIA has been hobbled by lack of a clear mandate to identify, attract, and service foreign investors. This seems to be changing under new leadership at MOED. Second, internal and external political crises and frequent changes in leadership at the ministry and GNIA have contributed to institutional confusion. Finally, to reach its potential, GNIA needs clear and concrete business processes and procedures, and with respect to its role under the Law on State Promotion of Investments in particular.

NATIONAL AGENCY FOR PUBLIC REGISTRY

Where We Started

Secured finance in Georgia suffered under a confusing patchwork of laws and regulations that failed to provide lenders with simple, risk-free processes to create and enforce secured loans. Tax and civil law treatment of financial leasing (a form of secured finance) hindered development in

“Based on the proposals made by USAID’s Business Climate Reform project, GNIA has trained a professional and efficient staff, and developed a proactive investment attraction strategy. We still guide our daily activities based on recommendations made by the BCR project, and would like to express our greatest appreciation for all the work that the BCR project has done.”

— Ms. Nino Baratashvili,
head of Georgian National
Investment Agency

the leasing industry. NAPR, the agency responsible for operating the registries for registering transactions in immovable property and collateral claims in both movable and immovable property, was covered by multiple pieces of legislation. This situation allowed for multiple interpretations, reducing transparency. Risks to lenders included:

- Inaccurate, non-transparent, and slow registration of mortgages in the paper-based registry for immovable property.
- Tax and court liens that arose at the time they were issued, not registered, exposed lenders and buyers to the risk of hidden liens that would supersede their own rights.
- Slow, expensive, and uncertain enforcement of collateral rights.
- Uncertainty about creditors having prior security interests in the same collateral because of voluntary registration of pledges. The pledge registry of claims to security interests in movable and intangible property actually consisted of 67 regional archives, with no central registry.

The inadequate legal framework stunted the growth of secured financing in Georgia. High risk produced high interest rates, over-collateralization, and short loan terms. With the exception of vehicle loans, lending secured by movable and intangible property was almost non-existent. Small and medium enterprises in particular suffered from the lack of access to credit caused by the inadequate legislative framework.

Key Results Achieved

Through technical assistance, hands on drafting of legislation, capacity building, and training, the project supported NAPR in passing and implementing the new public registry law. This piece of legislation provides clarity on the objectives and procedures that govern NAPR. The law also incorporates prior legislative amendments that created the foundation for a modern, state-of-the-art registry for rights in immovable property (described in Section VI) and eliminates the risk of hidden tax and court liens by requiring registration as a precondition for creating such liens.

The new law also creates the foundation for a modern system of secured finance that uses movable and intangible property as collateral. It requires that registration of pledges and leases be compulsory, which allows creditors to know with certainty whether the collateral offered for a loan is already subject to a claim. Based on this new legal framework, NAPR is rolling out a nationwide, online pledge registry in August, as discussed in Section VI.

As this report is being finalized, a series of amendments to the tax code that eliminates barriers to leasing is pending in parliament and a leasing task force that includes industry representatives and representatives of GBCR and the SME Support Project is developing amendments to civil legislation that will enhance the sector's competitiveness.

To Do

Stakeholder education about the new pledge registry and how to incorporate its use in making loans secured by movable and intangible property could help hasten uptake and broaden access to credit, particularly for SMEs. In addition, the framework legislation needs to provide for more efficient enforcement mechanisms; custom treatment for special types of collateral such as accounts receivable, inventory, crops, etc.; and the system of priorities needs to be fine-tuned, including adding purchase money security interests. Finally, to the extent the project is unable to see through to the end amendments to the tax code and civil legislation that will make leasing competitive, follow-through should be provided.

E-GOVERNANCE COMMISSION

Where We Started

As agencies like NAPR, the MOF, and the civil registry each surged ahead with IT automation activities, new possibilities for providing e-services across agencies appeared. However, it became apparent that the legal framework did not support the needs of government's e-governance goals. The legislative framework provided no authority for government and citizens to communicate electronically, electronic documents were not recognized as official, and there was no framework within which government IT agencies could cooperate to share best practices and create a rational environment for development of e-government services.

Key Results Achieved

Tax and property registration laws were amended to specifically allow tax authorities and NAPR to communicate with citizens directly, and to recognize e-documents as the legal equivalent of paper documents. These amendments paved the way for NAPR's introduction of e-abstracts of property registrations, MOF's implementation of the NAPR system to introduce e-abstracts of the Business Registry, and electronic filing of all tax returns. GBCR's Law on Electronic Signature and Electronic Documents was enacted by parliament, and the project's regulation for accreditation of e-signature service providers was approved by government. Once e-signature providers begin operating in the Georgian market, these measures will stimulate development of e-commerce and e-governance. As GOG IT leaders from different agencies tried to link up their databases they confronted a number of problems. Each connection required agencies to individually program an interface to connect with each partner. Under the umbrella of the E-Governance Commission, formed to allow them to share best practices and jointly address common issues, GOG IT leaders asked GBCR to procure a project proposal to create a unified data exchange system that would create a software middle layer that each agency could attach to, eliminating the requirement of individually programming each connection.

The GOG approved the idea, and asked for the project's assistance in preparing a law on the Center for Information Exchange to create a legal entity of public law under the jurisdiction of the Ministry of Justice. The law, now making its way through parliament, makes the new center responsible for developing unified data exchange, forming government-wide data standards, outlining an information security policy, overseeing e-signature service providers, promoting of digital equity to ensure that poorer Georgians and remote areas are able to benefit from the IT revolution, and enhancing cyber security capacity.

To Do

Although several Georgian and foreign firms were expressing interest in providing e-signatures in Georgia as this report was prepared, no firm had yet entered the market. Identifying an e-signature service provider, possibly with a government procurement of e-signatures for GOG officials, is a key next step in developing e-commerce and e-governance. The new Center for Information Exchange will need technical and material assistance, both in developing its institutional capacity to pursue its mission, and to achieve its objective of creating a system of unified data exchange in Georgia.

OFFICE OF THE STATE MINISTER ON REFORMS COORDINATION AND THE STATE CHANCELLERY

Where We Started

In 2004, as Georgia began the daunting process of reform, the Office of the State Minister on Reforms Coordination (SMORC) was established to serve as the central coordination point for all

reforms instituted across the government. Within days after USAID launched GBCR with a mandate to support the GOG’s reform priorities, former Prime Minister Zurab Noghaideli signed a government decree naming Kakha Bendookidze, the state minister, as the GOG’s official voice in conveying its reform priorities to the project. The decree also created a project steering committee of deputy minister-level officials from across government agencies concerned with the business environment.

When SMORC and GBCR first began collaborating, weaknesses and gaps were found in nearly every legally sanctioned interaction between businesses and the government. The environment for businesses was unfriendly, burdensome, and unnecessarily punitive. From opening a business to registering property, to closing and filing for bankruptcy, Georgian businesses consistently met road blocks. On average it took 21 days to open a business and as much as three years to close a business or file for bankruptcy. The lengthy time period and high expense associated with almost every common business transaction meant that Georgia ranked 112th, near the bottom third of countries on the World Bank Doing Business 2006 Survey, which was released in September 2005.

Regulations were also unfairly complex for foreign investors, including requirements that all documents be legalized in Georgia before they were considered valid. This requirement, coupled with poor protection for minority shareholders, meant that Georgia frequently lost investment opportunities to countries with friendlier commercial environments.

Key Results Achieved

By embracing the concept of “working government hours”—noon to midnight or later—and aggressively embracing its mandate to support the GOG’s reform priorities, project team members rapidly become a valued resource for SMORC, and participated actively in setting the reform agenda and designing specific reforms.

A skilled pool of short-term technical consultants led by a dynamic team of Georgian professionals supported SMORC in revolutionizing the environment for business in three short years. By the end of the third year, the government determined that the need for SMORC no longer existed, and that ministries could lead their own reform work. SMORC was eliminated as an independent agency, though key members joined the State Chancellery, which continued to receive project support through its fourth and final year.

"BCR was the best designed and implemented project of technical assistance we have had in Georgia. The project cooperated with the GOG to cut red tape and simplify regulation. This was real cooperation, and the key factor was that BCR's agenda was part of bigger agenda to improve the business climate in Georgia. Our teams were working together, and that makes it very different and successful."

— *Mr. Kakha Bendukidze, former state minister on reforms coordination, former head of BCR Steering Committee*

Reforms led by SMORC and supported by GBCR propelled Georgia to 11th place in the 2010 World Bank *Doing Business* survey. This jump of 101 places in four years was driven in part by reforms to the laws governing opening/closing of businesses, property registration, and protection for investors and shareholders. Streamlining procedures, cutting out steps, and clearly defining processes in the law on entrepreneurs dramatically reduced the time and expense required to open or close a business. By abolishing the requirement for notarized documents in business and property registration in the same legislation, SMORC and GBCR were also able to reduce the financial burden on businesses. Adopting The Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents made it cheaper and more efficient to certify foreign

documents through apostille. This action, in tandem with changes to the Law on Securities Markets and Law on Promotion of Investments, allowed for better protection of shareholders and more certainty in investment.

Despite initial reluctance, SMORC came to appreciate the need to communicate its actions and reforms to the Georgian population. GBCR supported eight public-private dialogue events with more than 200 participants that allowed SMORC and the Georgian public to exchange on the reasons for and results of reforms.

Project collaboration with SMORC and counterpart ministries and agencies produced several other important improvements to the commercial law framework. These specific achievements — enactment of the e-signature law, drastic improvements to the property registration system, removal of excise taxes on wine, and participation in Georgia’s strategy for future e-governance — are covered here in their respective sections.

To Do

SMORC’s function of focusing on Georgia’s business climate as a whole, and its ability to target next generation reforms on the next biggest obstacles to business, has unfortunately not been replaced. After SMORC was dismantled, each ministry and agency seems to focus on its own specific mandate. Perhaps USAID could support the Ministry of Economic Development (responsible for investment attraction, export promotion, and small business growth) to develop its capacity to take a broad view of the business environment and advocate more powerfully within government for reforms that promote economic growth and jobs creation.

GBCR was not able to complete two important commercial law reforms initiated by SMORC.

- Much progress has been made in developing a draft financial code that consolidates regulation of banking and non-banking financial institutions into a single, harmonized law. It will replace all of nine and parts of five laws, creating an integrated regulatory framework that applies a rational, risk-based approach. The draft needs to be completed and approved by the GOG for submission to parliament.
- A draft law on drugs and pharmaceutical activity is currently pending in parliament. If passed and implemented this law, drafted with assistance of GBCR and USAID’s CoReform Project, will allow registration of drugs in Georgia that have already been approved by entities such as the U.S. Food and Drug Administration or the EU European Medicines Evaluation Agency, thereby reducing the cost and increasing the availability of modern pharmaceuticals in Georgia. The draft law also contains provisions that will improve access to pharmaceuticals in remote regions, including streamlined drugstore permitting requirements and authority for health care providers to dispense medications.

“USAID designed the project to support the government’s reform priorities, and Chemonics has done that very well. They have an excellent and flexible team that’s always available, even on short notice. We have very good dialogue; they advise, we decide, and then they help us to implement more effectively. I have worked with many projects, but this is exemplary, especially in terms of cooperation. We are like one team, because we share visions and values.”

— *Mr. Vakhtang “Vato” Lejava,*
former deputy state minister of
reforms coordination,
former deputy minister of
economic development,
current chief advisor
to the prime minister

V. SIMPLIFIED, SENSIBLE, AND TRANSPARENT REGULATIONS AND STANDARDS, AS WELL AS PROCEDURES FOR LICENSES, PERMITS, AND INSPECTIONS

Related DB Indicators	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010	Net Rank (initial period – present period)
Ease of Doing Business	112	37	18	15	11	+101
Starting a Business	59	36	10	4	5	+54
Procedure	8	7	5	3	3	
Time	21	16	11	3	3	
Cost	13.7	10.9	9.5	4	3.7	
Minimum Capital	46.8	3.7	0	0	0	
Dealing with Licenses/Construction Permits	152	42	11	10	7	+145
Procedure (no.)	29	17	12	12	10	
Time (day)	282	137	113	113	98	
Cost (% of income per capita)	144.6	71.7	28.9	20.3	21.6	
Registering Property	18	16	11	2	2	+16
Procedure	6	6	5	2	2	
Time	9	9	5	3	3	
Cost	.6	.5	.1	0	0	
Getting Credit	96	48	48	28	30	+66
Strength of Legal Rights	7	6	5	6	6	
Depth of Credit Info	0	3	4	6	6	
Public Registry Coverage	0	0	0	0	0	
Private Bureau Coverage	0	0	0.2	4.5	12.2	
Protecting Investors	133	135	33	38	41	+92
Extent of Disclosure	4	4	8	8	8	
Extent of Director Liability	4	4	6	6	6	
Ease of Shareholder Suits	4	4	4	4	4	
Strength of Investor Protection	4	4	6	6	6	
Paying Taxes	160	104	102	110	64	+96
Payments	49	35	29	30	18	
Time	448	423	387	387	387	
Total Tax Rate	49.7	37.8	38.6	38.6	15.3	
Trading Across Borders	149	35	64	81	30	+119
Documents to Export	9	8	8	8	4	
Time to Export	54	13	12	12	10	
Cost to Export	-	1370	1105	1380	1270	
Documents to Import	15	11	7	7	4	
Time to Import	52	15	14	14	13	
Cost to Import	-	1370	1105	1340	1250	
Closing a Business	98	86	105	92	95	+3
Time	3	3.3	3.3	3.3	3.3	
Cost	4	4	4	4	4	
Recovery Rate	20.8	27.5	22.8	27.9	27.9	

Summary, Achievements Related to DB Indicators, Lessons Learned

Summary

The project supported the Government of Georgia's business climate reform priorities, which include tax and customs administration, property registration, secured finance, company law, investment and export promotion, and construction.

Achievements

- Georgia had more *Doing Business* reforms over the five years covered by the DB 2006-DB 2009 surveys than any other country. Of 23 reforms recognized by the World Bank, the project supported 18 in 8 of the 10 *Doing Business* categories.
- Annual monetized benefits to public and private sectors of measurable impacts of project initiatives are estimated at \$744 million LOP, a

return on USAID's investment of \$57 to \$1. Benefits include reduced compliance and administrative costs and increased efficiency.

- Customs reforms include replacing 100 percent physical inspections with risk management; reducing the number of documents required for import and export to 3 and 2 (respectively); and implementing the "Gold List" program for high-value/high-volume, low-risk traders. Average time to clear goods plunged from several days to less than two hours. Reducing time to export boosted exports by \$286 million.
- Streamlining and automating property registration created true one-stop-shop property registration.
- Automating business registry and unifying business and tax registration cut time to start a business to less than two hours.
- The project-supported design for government procurement of nationwide IT network is linking government offices, notaries, and schools.
- E-services were introduced for taxpayers, including Internet access to accounts and e-filing of all tax returns and appeals.

Lessons Learned

- **USAID/GOG project design produced collaborative prioritization.** USAID and the GOG agreement on project design and mandate – to support the GOG's business climate reform priorities – produced a collaborative environment. Priorities were set together, eventually including private sector input.
- **Ruthless transactional efficiency produces dramatic increases in transactional volumes.** In each instance in which the time and cost of a transaction was reduced, the volume of transactions increased.
- **Petty corruption can be attacked as a technical issue.** Streamlining reduces opportunities for corruption. Automation increases the risk of discovery. In combination, they have helped virtually eliminate petty corruption in Georgia.
- **Aggressive incrementalism reduces time required for far-reaching reforms.** Georgia rose from 152nd to 7th on the *Doing Business* "Dealing with Licenses/Construction Permits" indicator by amending its regulations more than 20 times in less than four years. The project's experience in this and other technical areas is that each incremental change made the next easier.

STATE REVENUE SERVICE – CUSTOMS ADMINISTRATION

Where We Started

At the start of the project, the regulations, standards, and procedures to obtain customs permits were anything but simplified, sensible, and transparent. Phytosanitary and veterinary permits were needed for products that are without risk and not subject to such controls in developed countries. Permits were required for several customs regimes, including inward processing relief, outward processing relief, customs warehouses, and shipping of goods within a customs territory. Obtaining a permit required numerous visits, to several different government agencies, and/or several offices within one agency. In the absence of clear procedures, officials made them up. For example, to obtain a permit to operate a customs warehouse, an applicant had to visit numerous offices at the Customs Department. So many offices were involved because each of them had to approve some procedures or documents. Procedures were unclear, duplicative, time-consuming, and expensive, with numerous opportunities for corruption.

Key Results Achieved

Regulations, standards, and procedures for obtaining customs permits have been significantly simplified with drafting and training assistance from GBCR. Phytosanitary and veterinary permits are now required only for products that present risk, as in developed countries. Permits have been abolished for inward processing relief and outward processing relief. The different types of customs warehouse permits have now been merged into one. Finally, a single window has been introduced for all customs permitting. Now all applicants for any customs permit only have to visit one office.

To Do

Opportunities remain to improve the effectiveness and efficiency of the procedure for obtaining customs permits. Increasing the capacity to conduct physical inspections at the borders could eliminate permit requirements for importing phytosanitary products. Technical and safety requirements for customs warehouse permits can be further simplified and



The creation of a single window for permitting at the Georgia Customs Department office has increased transparency in the customs service, streamlined procedures for importing and exporting goods, and improved relationships between public officials and the private sector.

GBCR/AGNES MONTANARI

streamlined. Finally, the introduction of electronic information exchange between agencies can increase efficiency in issuing customs permits. For example, linking the Ministry of Agriculture with the SRS would enable customs officers to validate agricultural permits online, saving the importer an unnecessary round-trip to Tbilisi to obtain a paper copy of the permit.

STATE REVENUE SERVICE – TAX ADMINISTRATION

Where We Started

The SRS did not exist as a single entity. The Tax Department, Customs Department, and Financial Police shared responsibility for inspections related to revenue enforcement. Little communication and coordination among these agencies took place. No maximum quota for inspection existed and procedures to implement inspections were obscure. As a result, a business was often inspected by all three agencies multiple times during the course of a year. In addition, a weak tax legal framework, unprofessional personnel, and other institutional deficiencies, created an intense and costly burden on businesses and a situation rampant with opportunities for corruption.

Key Results Achieved

With the establishment of the SRS, GBCR worked closely with tax authorities to develop institutional capacity to implement inspections effectively and in compliance with the improved tax legislation described in Section VII. Based on project recommendations, the tax

code was amended to provide that a business can be subjected to a maximum of one tax audit per year. The SRS instituted a specialized, centralized Audit Department with specially trained personnel to handle all tax audits. The project also worked closely with the SRS and EU Tax Projects to develop and pilot an automated risk-based audit selection system. The system uses risk criteria to select which business to audit and when to audit, rather than relying on subjective decisions by government officials. The impossible goal of auditing 100 percent of companies has been abandoned. The SRS has improved IT security, optimized performance, and procured new hardware to support the roll-out of the audit selection software, developed by GBCR, beyond the pilot phase.

To Do

With institutional capacity in place and the successful piloting of risk-based audits, the SRS is primed for the roll-out of risk-based audit selection across Georgia. The plan is for risk-based audits to be implemented in the coming year, replacing procedures for auditing 100 percent of businesses. As a result, the SRS can focus its new, more professional resources where they are most needed, and businesses can focus on compliance, using improved tax legislation that makes compliance easier. The roll-out will provide opportunities to enhance the audit methodology, procedures, and software. Opportunities will also exist to adapt risk profiles to the changing business environment and to build SRS' capacity to administer risk-based audit selection.

A final key change that needs to happen is for tax authorities to give up relying on penalties to raise revenue. The current system of strict penalties attempts to enforce an exactitude that businesses simply cannot comply with. Penalties are imposed more heavily when revenue performance declines. We believe that economic growth and jobs creation are being sacrificed for short-term revenue gains.

VI. ONE-STOP SHOPS FUNCTIONING FOR REGISTRATION, LICENSING, AND PERMITS

Where We Started

When GBCR started in October 2005, almost every transaction with government was a paper chase for businesses. Whether applying for a construction permit, registering property or collateral, starting a business, or trading across borders, entrepreneurs were forced in almost every case to go from one agency to another, collecting paper to be presented to the government official ultimately authorized to say yes. The project entailed working with counterparts to greatly simplify regulations and procedures for a variety of core business transactions and laid the groundwork for true one-stop shops. Georgia's future now, though, lies in "no-stop" shops—online transactions between business and government that eliminate the need for citizens and government to meet face to face. The considerable progress made in many areas is making Georgia a world leader in transactional efficiency.

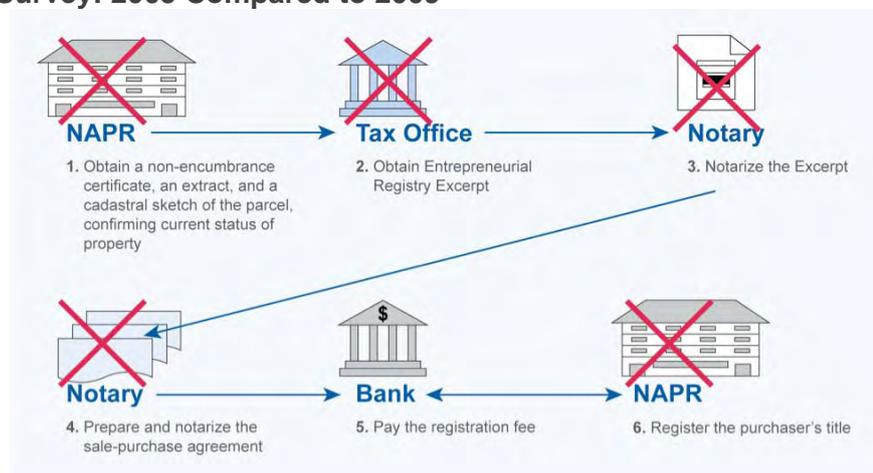
Key Results Achieved

Ministry of Economic Development – construction. In 2005, one-stop shops for permit issuance in Georgia did not exist. Multiple agencies were involved in the issuance of building permits. Undue burden was placed on the applicant in order to ensure the legal issuance of building permits, or else risk unfairly punitive fines or opt to erect illegal construction. Improvements to the legal framework which governed the construction sector, outlined in Section IV, streamlined the permitting process from 29 steps now to 12. Perhaps most important, the burden was switched. It is now the government's responsibility to produce the information it already has. The issuing agency, not the applicant, is responsible for gathering documents from other government institutions. This removes unnecessary financial and administrative burdens on the applicant and institutes a one-stop-shop principle.

NAPR – property registration. Georgia had made important strides, on paper, in streamlining property registration when the project started. But in practice, the process of registering property was antiquated, costly, corrupt, and complicated. Applicants had no idea what to expect when they entered a NAPR office to register property. Their application could take as long as two months and require at a minimum six separate steps. Fees were not transparently established and could be based on transaction size, value, or the whim of NAPR officials. Receiving a

property abstract could take as much as seven days. Through improvements in the IT framework, capacity building of agency officials, and the commercial laws governing the agency, GBCR helped NAPR transform its most basic function, property registration,

Registering Property in Georgia on World Bank *Doing Business* Survey: 2005 Compared to 2009



into a one-stop shop. Registration now takes just one procedure and less than one day. Applicants can go to any of NAPR's current 64 regional offices or to more than 400 authorized users to register. Fees for registration are determined transparently, based upon legislation. And today, citizens can obtain abstracts documenting the status of their real property from NAPR online in e-form, without ever having to leave their homes.

NAPR – collateral registry. During August 2009, NAPR rolled out a web-based, state-of-art registry for secured interests in movable property that moves beyond the one-stop shop principle. No stops are required. Lenders will be able to register their interests in the movable and intangible property of their borrowers directly, from their own offices, after first searching to make sure that no other lender already has the property as collateral.

Ministry of Finance - business registry. Starting a business required both business and tax registration—two separate processes, in two different locations, requiring two (largely redundant) application procedures, and resulting in the issuance of two unique identification numbers for every business. The laborious process took about 21 days and required eight documents, notarization, payment of minimum capital, creation of a company seal, and various payments along the way. Today, a prospective business owner simply needs to bring to his local tax inspectorate a completed application form. Less than two hours later, which includes a trip across the street or around the corner to the nearest bank branch to pay a single application fee, the applicant emerges with business registration in hand. Still, a two- to three-day wait is required until MOF business registrars and the applicant's bank exchange paperwork authorizing the new business to use its bank account. However, new businesses whose accounts are with ProCredit Bank, are able to operate almost immediately, because of a pilot online information exchange program between the MOF and the bank that is now being rolled out to other banks.

To Do

Support for the proposed new GOG Center for Information Exchange, discussed in Section II, provides the fastest route to proliferating one-stop or no-stop transactions between business and government. When fully implemented, unified data exchange will create an internet-based portal through which Georgian businesses and citizens can conduct most of their transactions with government. Facilitating such information exchange will also create numerous opportunities for new business ventures to process and provide value-added information services.



Project-supported legislative changes have streamlined business and tax registration. Now Georgians can register at one window, in one day, and receive one unified business and tax identification number.

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VII. RATIONALIZED, ORDERLY, EVEN-HANDED, AND USER-FRIENDLY TAX AND CUSTOMS PROCEDURES

STATE REVENUE SERVICE – TAX ADMINISTRATION

Where We Started

At the time of GBCR start-up, tax administration was arbitrary, disorganized, non-transparent, and extremely unfriendly. The State Revenue Service did not exist as a single, unified entity. Instead, the separate bodies of Tax Administration, Customs Administration, and Financial Police were individually responsible for tax and customs administration and enforcement. The three agencies acted on overlapping mandates from completely separate authorities, which provided irregular communication and coordination. These factors plus a complicated and conflicting tax legal framework, and onerous tax reporting procedures made it virtually impossible for any business operating in Georgia to be tax compliant. Voluntary tax compliance was at 40 percent; most revenues were collected as a result of enforcement.

All taxpayers were required to submit physical copies of value-added tax (VAT) invoices—a costly, cumbersome practice for both taxpayer and administration. To receive refunds, tax payers had to undergo a tax audit, which included tax, customs, and financial police conducting an unlimited number of tax examinations and control procedures. In reality, most taxpayers did not receive refunds because of the complicated, risky, and expensive procedures and the SRS' reluctance to pay out.

Although Georgia's double taxation treaties were widely touted in the pursuit of foreign investment, businesses were unable to benefit from the treaties in practice. Unlike in developed countries, businesses in Georgia were required to apply in advance to lower-level tax inspectors for benefits from double taxation treaties. Because the lower-level inspectors had limited understanding of how the treaties applied, they were afraid to approve benefits for fear of being arrested if they allowed revenues to go uncollected. As a result, FDI and trade growth were inhibited.

Taxpayers were harshly penalized even for honest mistakes because tax penalties were not applied rationally or transparently and taxpayers had no opportunity to voluntarily disclose errors. The tax code had no clause that allowed businesses to deduct for damage or loss in case of war or natural disaster. Tax administration did not rely on electronic data exchange, whether among the three agencies, within the unified State Revenue Service, between SRS and other GOG bodies, or with the public. There was no legal basis for electronic data exchange between the SRS and taxpayers, no electronic services were available to taxpayers, and all data exchanges were paper-based.

Those responsible for implementing the weak tax legal framework were unqualified. Unprofessional tax administration officials made inconsistent, idiosyncratic decisions in the absence of defined procedures, and used paper-based systems and inadequate physical resources for tax administration. Lacking clear procedures, line officers and inspectors made arbitrary decisions and often provided inaccurate guidance to taxpayers that often resulted in noncompliance. Line officers had no concept of their customer service role; professionalism and customer service played no part in performance evaluation or professional development incentives for tax officials. Few tax personnel had specialized skills in legal drafting, risk analysis, audit, dispute resolution, information or communication management, and other

essential skills. Prior to SRS unification, IT capacity was fragmented, and after unification, it was reserved for basic operations, performed on unsecure, unstable hardware using illegal software. There were no internal workflow management or centralized reporting systems to facilitate tax business processes.

Prior to the unified State Revenue Service, each agency had its own Web site, but the information often conflicted with information on another site or was out of date. There was no mechanism for businesses to provide feedback on the challenges they faced in dealing with tax administration. Businesses that experienced unfair practices had no mechanism for informing the SRS so that revenue authorities could address specific deficiencies in personnel, policies, and procedures and propose reforms.

Key Results Achieved

The Law on the State Revenue Service united tax, customs, and financial police within one agency under the MOF. GBCR provided technical assistance to the MOF in ensuring that the mandates of the three functions were synchronized with each other and with the other functions of the MOF.

The tax legal and regulatory framework was significantly streamlined and clarified, thus decreasing compliance burden for taxpayers and administration alike and increasing voluntary compliance. Return forms were significantly simplified for all taxes, reducing the number of pages, and eliminating redundant information requirements. VAT invoices are no longer required for those utilizing electronic VAT filing. VAT refund procedures have been simplified, with the number of steps required for processing reduced from 27 to 20, and the SRS has actually begun issuing refunds. (GBCR has identified five more redundant review procedures that could be eliminated.)

“Professionalism, flexibility, persistence, a customer-oriented approach, and quick responses to the needs and priorities of counterparts are key features of the BCR project. These characteristics have resulted in the successful implementation of key structural reforms by the Ministry of Finance in areas such as risk management and the e-filing of tax returns.”

— *Mr. Kakha Baindurashvili,*
minister of finance

The GOG is in the process of adopting double taxation regulations recommended by GBCR that take into account the main concerns businesses faced when trying to take advantage of double taxation treaty relief. The new regime will simplify procedures and allow businesses to utilize these benefits. Penalties and their application are more transparent and rational, although they continue to be too harsh, and can be too harshly applied to raise revenue, penalizing businesses for deviations from unrealistic norms. Voluntary disclosure was introduced so that taxpayers can freely acknowledge mistakes. As a result, revenues from taxpayers voluntarily filing amended returns increased 10 percent.

New force majeure provisions now provide tax relief to those taxpayers whose property is damaged or destroyed in war or natural disaster, allowing taxpayers to consider these assets as extraordinary losses and write off their value from their gross income. Finally, tax code amendments have been adopted that allow the minister of finance to issue binding interpretations of tax laws, thus providing MOF with a mechanism for providing guidance to taxpayers and officials alike in areas of the tax code and its implementation that leave room for interpretation.



Through project assistance, changes to tax and business registration procedures are well documented and available to the public in all tax service centers.

The automation of streamlined tax administration business processes also served to introduce improved, rationalized, orderly, even-handed, and user-friendly tax procedures. Electronic filing of tax returns was introduced for all tax returns via legislative changes and improvements to the MOF IT systems. Upon completing a single application, available online, taxpayers are now able to file withholding, personal income, corporate profit, VAT, and excise tax returns entirely online.

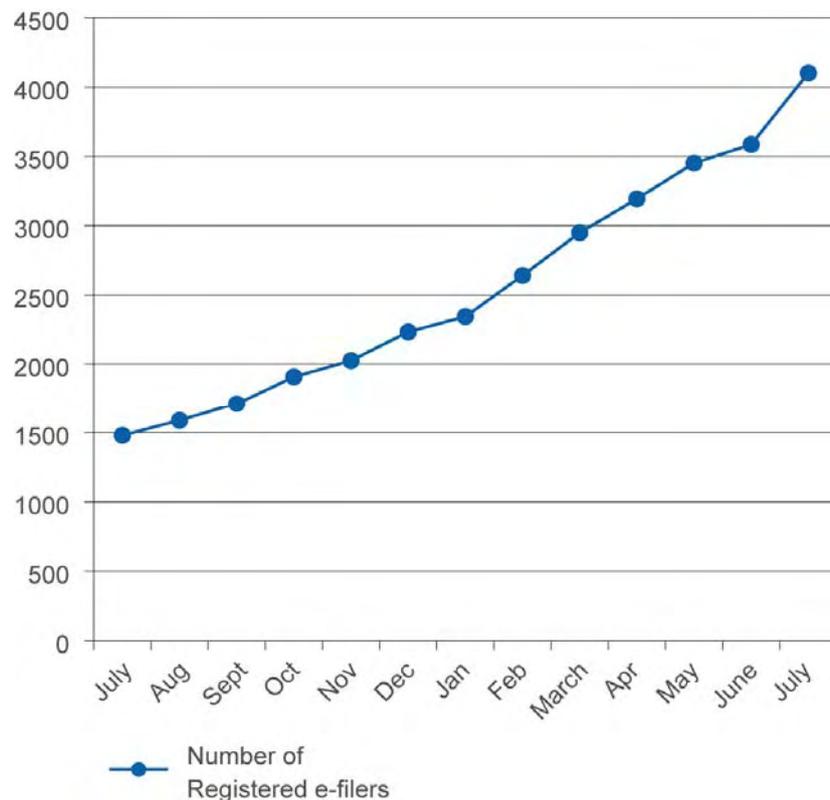
Electronic data exchange, also introduced via legislation and improved IT systems, enabled communication and information sharing between tax administration and other GOG agencies, financial institutions, and the public. Tax administration now has much of the information it needs to perform its business processes from other agencies (and other agencies likewise) without requiring taxpayers to carry paper documents to and from government agencies. Similarly, tax administration has developed the capacity to communicate directly with banks. After a successful pilot phase, electronic data exchange is now being rolled out to all banks. This will transfer the burden of tax lien release from the taxpayer to tax administration. Similarly, newly registered businesses will be able to immediately begin operation, instead of waiting two or three days for the SRS to send written notice to the business' bank that it is duly registered as a taxpayer.

Taxpayers are much better informed about their tax obligations and procedures via the MOF Web site, upgraded with project support. The Web site offers information on tax legislation and procedures as well as tax forms and tax Web applications, such as the taxpayer card that allows taxpayers to check their account balances and confirm payments, an online property tax calculator, and e-filing of all tax returns. An automated appeals case management system, rolled out near the end of the project, will help implement a streamlined process that improves the efficiency, effectiveness, and transparency of the appeals process. Reporting on

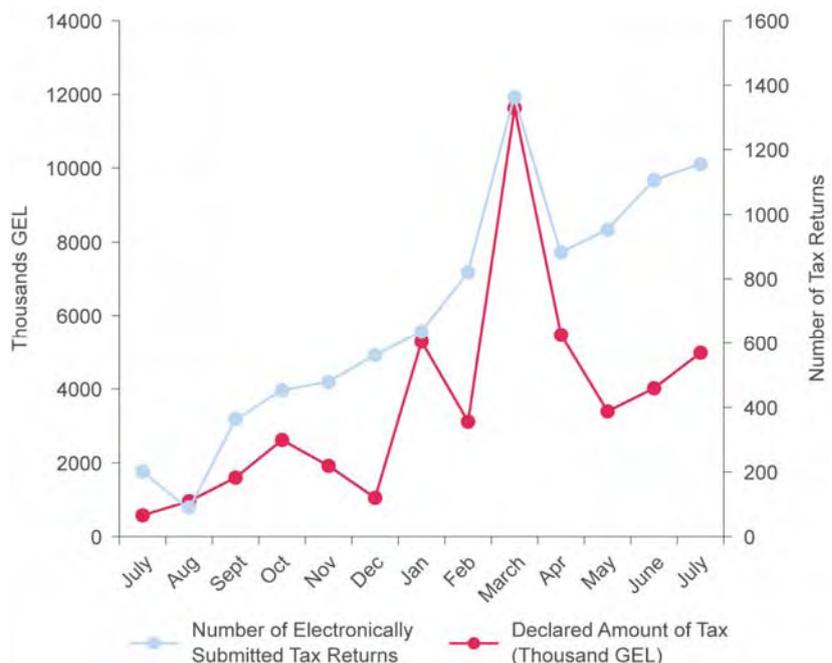
areas such as caseloads for officers, decisions, and case duration informs tax administration management decision-making on issues from personnel training needs and performance to legislative reform needs. Finally, a new MOF automated central reporting system provides reports combining information from all MOF and SRS databases, which will improve revenue generation, forecasting, and management accountability.

A public-private tax administration task force established with project support and convened by the American Chamber of Commerce in Georgia developed into a robust mechanism for providing the MOF and SRS with feedback from the private sector on the challenges faced by businesses in dealing with tax administration and as a mechanism for reform. Tax administration reforms are now informed by business experience and reform efforts are actually targeted at providing a more fair business operating environment. In addition to numerous amendments to the tax code to eliminate ambiguity, task force recommendations were reflected in areas such as the streamlined, automated

Number of Registered e-filers from July 2008 to July 2009



Number of Electronically Submitted Tax Returns and Declared Tax Amount from July 2008 to July 2009



appeals process and new procedures for business to take advantage of the benefits of double taxation treaties. As a result of tax reforms supported over the course of project implementation, voluntary compliance is significantly improved, up from 40 percent of revenues to 70 percent.

USAID's investment in supporting development of MOF ICT functions has been extraordinarily successful. Responsibility, once balkanized among tax, customs, and other MOF subsidiaries, who never communicated, has now been consolidated in a centralized IT Department that manages and develops increasingly sophisticated systems, including e-filing, management reporting, business registration, and a new appeals case management system that is now being deployed. The MOF has heavily invested in its IT people and systems, and is able in most cases to compete with the private sector for quality personnel.

To Do

The two major priorities for improving tax administration going forward are:

A rational penalty system. Although important changes have been made in the penalty system to make it more predictable and transparent, serious work remains. Penalties should encourage businesses to comply voluntarily and not be relied on to generate revenues, as is the case today. Some of the current strict penalties require a degree of exactitude that businesses simply can't comply with. A recent IFC report on Georgia's competitiveness noted that strict penalties may be distorting business decision-making by making it more attractive to import goods than to produce them domestically. We concur and believe that the current system of penalties inhibits Georgia's economic growth and jobs creation.

Professional line tax officers. USAID, GBCR, and other projects and donors have been pressing hard for years to increase the professionalism of the line officers who deal directly with the public. MOF/SRS leadership has resisted, saying they have other priorities. With the benefit of hindsight, they may have been right. Enormous progress has been made in legislative reforms, IT systems, and building the technical competence of managers who started out knowing very little about tax and customs.

Now these managers say professionalism issues are their highest priorities. GOG leaders now agree on such priorities as clearly defining the business processes that line officials use, and including instruction on how to carry them out; develop job descriptions for each position; implementing a comprehensive training program with qualified career trainers; defining training/knowledge prerequisites for each line position; and creating career paths, and incentive systems that recognize and reward appropriate, customer-oriented behavior.

Key subject matter areas for training include auditing, risk analysis, dispute resolution, and designing and documenting business processes. A recent development signaling the MOF/SRS' commitment is a newly created legal entity of public law that will be responsible for training all MOF employees. This initiative needs donor support.



In 2005, trucks attempting to clear customs at the Azerbaijan-Georgia border were subjected to long lines, 100 percent physical inspection of goods, unclear regulations, and changing interpretation of clearance requirements. Today, with assistance from USAID, physical inspection has been decreased to 10-15 percent for import and 13 percent for export.

GBCR/STAFF

STATE REVENUE SERVICE – CUSTOMS ADMINISTRATION

Where We Started

At the time of GBCR start-up, customs administration was arbitrary, disorganized, non-transparent, and extremely unfriendly. Public opinion ranked it as the most corrupt agency in Georgia. The state revenue service did not exist as a single, unified identity. Instead, separate tax and customs departments and the financial police were individually responsible for tax and customs administration and enforcement. The three agencies acted on overlapping mandates under completely separate authorities with irregular means of communication and coordination. Add to that similar confusion among other agencies with responsibilities at the border and a complicated, ambiguous, and conflicting customs legal framework and it was all but impossible for traders to be customs compliant.

Risk management, the process of allocating resources where the risks of non-compliance are greatest, did not exist in Georgia. All shipments of imports and exports, regardless of the risk presented, were subject to 100 percent physical inspection. Consequently, the time and costs associated with clearing goods were significant for both businesses and customs administration. Because everything was inspected, the superficial methods used in the process accomplished little other than to create opportunities for corruption.

“Customs legislation is fantastic!”

— John Braeckeveldt,
American Chamber of Commerce
Trade and Transportation
Committee chair

Electronic submission of documents was impossible, and the legal framework obscured the documents and procedures required for clearance. Customs officials were authorized to demand of traders 23 specifically identified documents, or anything else they wanted to require. Importers could not determine in advance how much they had to pay, because customs did not follow World Trade Organization customs valuation rules. Appeals were so complicated and cost laden for importers that they were impossible to carry out in practice. There was no incentive for voluntary compliance or disclosure. Companies that made mistakes on their declarations and attempted to disclose errors to customs administration were severely punished. Finally, there was no mechanism for communicating and sharing feedback between the private sector and customs administration to facilitate meaningful reform.

Key Results Achieved

The Law on the State Revenue Service united tax, customs, and financial police within one unified agency under the MOF. The mandates of the three functions were integrated and synchronized with each other within the SRS and with the other functions of the MOF.

Risk management was introduced via regulatory reform, the Gold List program, and post clearance control. Streamlined procedures have been introduced for customs warehousing, inward processing relief, outward processing relief, temporary importation, export, re-export, and returned goods relief. Documentation requirements have also been clarified and dramatically reduced in number. Now, only two documents are required for export and three for import.



The introduction of Risk Management and training of customs officials has allowed Georgia to dramatically improve the environment for cross border trade. Today at the Azerbaijan/Georgia border crossing, lines are short, regulations are clearer, and most goods clear customs in less than two hours.

GBCR/AGNES MONTANARI

The Gold List program now enables eligible high-volume importers to e-file their declarations, clear their goods at their own facilities without going to a customs warehouse, and post-pay duties and other taxes due at the border. Post clearance control measures have been introduced and are necessary to offset the potential increases in non-compliance that could result from significantly reduced physical examinations and promote voluntary compliance. Utilizing new rules and risk criteria as the basis for inspection, physical inspection for import has been decreased to 10-15 percent inspection and 13 percent for export. The time required for release of goods has decreased to two hours on average, down from three days, and 85 percent of all shipments are cleared through the yellow channel, requiring only documentary checks. The appeals process in customs administration has been improved, allowing businesses to appeal customs decisions at any time. Voluntary disclosure has been partially introduced. Businesses can now amend customs declarations in some parts without getting penalized, even after the goods have been cleared and before the discrepancies are disclosed by customs audit or before customs makes decision about auditing the company. A customs working group was created and continues to engage both businesses and customs administration in ongoing dialogue on reform opportunities.

To Do

The two key priorities identified above for tax administration — rationalizing the penalty system and professionalizing line officers — also apply to customs administration.

Georgia Customs Clearance Processing Times

July 2006 Time Measurement Study				
	Lasare (Air Cargo)	Opiza (Trucks)	Barvili (Containers)	Adlia (Trucks)
Average	80 hours, 8 minutes	30 hours, 29 minutes	135 hours, 30 minutes	20 hours
50th Percentile	39 hours, 6 minutes	21 hours, 47 minutes	94 hours, 15 minutes	15 hours, 10 minutes
90th Percentile	672 hours, 56 minutes	42 hours, 47 minutes	275 hours, 54 minutes	45 hours, 28 minutes
July 2009 Using Risk Management				
85% of all Cargoes	2 hours maximum, everywhere in Georgia			

More work needs to be done to promote rational, orderly, even-handed, and user-friendly customs procedures. Implementing and rolling out the ASYCUDA World customs processing software will facilitate further implementation of risk management and simplify customs procedures, ultimately promoting trade. A customs administration that authorizes advisory opinions, public notices, and guidelines would assist in ensuring that customs legislation is applied properly. Additional work should be done to rationalize penalties and optimize duty reliefs, expand voluntary disclosure, and streamline appeals procedures. All duty reliefs, as well as release for free circulation should be eligible for “blue channel” treatment and post-clearance control at the importer’s premises.

VIII. CONCLUSIONS AND RECOMMENDATIONS

Current generation USAID/Georgia programming has helped make economic history. By September 2007, Georgia had reformed faster and seen results more quickly than any country in the last 50 years. When global financial recovery begins, Georgia stands to benefit greatly as manufacturers seek efficient production platforms and access to markets. The suggestions that follow are intended both to accelerate Georgia's realization of the dream that its people will prosper, and directly address the current factors inhibiting its growth.

EMPOWER THE PRIVATE SECTOR

- Support reform priorities that *both* the GOG and the private sector agree on. This will foster public-private dialogue to identify priorities and focus USAID's investment on the next biggest obstacles to business growth.
- Establish a gatekeeper commission/business forum that meets formally and separately with senior USG officials and senior GOG officials, because the two conversations will be different. For maximum effectiveness, staffing is required to identify causes of problems, propose solutions, and ensure follow-up. The minister of finance has expressed interest in such an established forum. Strong, formal links should also be forged with the Ministry of Economic Development, which should be supported in its emergence as the champion for business and investment within the government.
- Support with grants and subcontracts policy analysis, public awareness, and reform initiatives from organizations like AmCham Georgia, ICC, BSOs, and the Georgian Chamber of Commerce. GBCR supported ICC and AmCham committees

"The Georgia Business Climate Reform program is no doubt one of the most successful programs implemented by USAID in Georgia. I would like to commend the professionalism and dedication of each member of GBCR team, something that has been fundamental in improving substantially the business climate in Georgia.

As the chairman of several business organizations in Georgia since 1998, I have never witnessed before a program that had such a positive impact on the private sector as did GBCR; this would have been impossible to achieve without your leadership and the dedication and professionalism of each one of your team members. Thank you for all you have done to each and every one of us; wishing you all possible success in your future endeavors and thanking you in the name of every member of ICC-Georgia."

— *Mr. Fady Asly, president, International Chamber of Commerce*

REFORMS, RESULTS "UNPRECEDENTED"

"World Bank Economist Simeon Djankov describes as 'unprecedented' in the history of the World Bank's Doing Business Survey the scale of reforms that moved Georgia ahead of countries like France, Germany, and The Netherlands. The dream that lies behind such extensive reforms – that the people will prosper – takes eight to 12 years, Djankov says. At least that has been the case with what he describes as the only five examples of similar reforms undertaken in the last 50 years – Singapore, Korea, Ireland, Estonia, and most recently, Slovakia.

Djankov noted in a September 2007 appearance in Tbilisi that none of those five countries had such an immediate connection between reform and economic performance. Georgia is already experience double digit GDP growth, foreign direct investment is doubling annually, only Australia and New Zealand have higher rates of registered businesses per capita, and government revenues as a percentage of GDP is growing so fast that even regional neighbors are coming to Georgia to study what Georgia is doing right."

— *Year 2 (Eighth Quarter) Progress Report, GBCR, Sept. 31, 2007*

on an ad hoc basis, and provided more formal support for the public-private task forces on tax and customs issues convened by AmCham. Both organizations could become more powerful, effective advocates with dependable funding for specific initiatives. Funding for public awareness initiatives would also help redress the current lack of understanding by many in the private sector of their rights and how to access the benefits of reform.

- Establish an investor “ombudsman” with the resources and mission to research underlying issues and report to the USG and GOG on both abuses of power and regulatory failures that impair growth.

SELL GEORGIA RIGHT

Our survey of 157 foreign investors in Georgia suggests that GOG FDI promotion efforts have had little impact. Success requires discipline and method by trained professionals who know where to fish with what bait, and have a product to offer. A key to success is having strong regional partners collaborating with GNIA. These could include municipal development offices (the Tbilisi office staff is active and eager to learn), BSOs, Georgian Chamber of Commerce offices, and the Poti Port Free Industrial Zone. Georgia has been, still is, and will become even more attractive for efficiency seeking, export-oriented, high value added manufacturers whose investments will help lift Georgia into the first world. They exist. The task is to identify them and inform them why Georgia makes sense for their business models.

REGIONAL TRADE FACILITATION

Georgia’s extraordinary and ongoing customs administration reforms stop at its borders. Procedures in Azerbaijan and Armenia remain as agonizing and expensive as those in Georgia recently were. ICC and AmCham both have regional trade facilitation initiatives underway. GBCR’s monetized benefits methodology and the customs time measurement methodology developed by AmCham and TBSC under a GBCR subcontract can be usefully deployed to quantify the enormous costs to businesses in all three Caucasus countries that result from inefficient cross border operations. USAID support could also help organize regional conferences to discuss harmonization of Caucasus customs procedures and create government to government joint border management task forces.

ELECTRONIC GEORGIA

The Unified Data Exchange initiative discussed in the foregoing narrative is the most direct, lowest-cost route to true single-window service across government. It will also provide a powerful impetus for development of a strong IT sector in Georgia.

"The pace of reforms in Georgia has been staggering. The foundations that are necessary to underlie new investments are now put in place. The business climate is such now that we can say with confidence – Georgia is open and ready for business. USAID and the Government of Georgia have helped to create a more systematized dialogue with the business community. The members of AmCham, and the business community on the whole have seen tangible results in customs, tax, licensing, property registration and other areas.

The AID Georgian Business Climate reform project has been a fundamental factor in contributing to the business – government dialogue. The voice of business is being heard . . . and listened to. GBCR has been a central factor to the betterment of the business climate in Georgia. The steady stream of reforms over the past years has made Georgia one of the most competitive places to do business in the region and beyond."

— Ms. Amy Denman, executive director,
American Chamber of Commerce
in Georgia

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SUCCESS STORY

Georgia Opens for Business

Georgia's new business information center attracts foreign and local investors



"Our aim is to serve investors," Georgia President Mikheil Saakashvili told reporters covering the May 25, 2006 opening of the new business information center.

"I can't imagine a more exciting investment play in Eastern Europe than Georgia," said one foreign investor after visiting the business information center.

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American investor Matt Bartelsian planned to open a new juice factory in Armenia until a colleague referred him to the Georgian government's new business information center.

Now, said Bartelsian, "I've committed to Georgia and I'm working on my investors." Business information center staff, he said, "have been invaluable in selling me on Georgia. They have been proactive in answering my questions and helping me network with a broad range of people."

The business information center has served more than 150 potential investors – both foreign and local – in its first two months of operation. Georgian President Mikheil Saakashvili opened the center on May 25, 2006. "The staff in this office will provide all investors with appropriate information, answer their questions, and explain everything in detail. Our aim is to attract and support any investor interested in our country," said Saakashvili.

The center is a "one-stop shop" for investors, providing comprehensive information about how to do business in Georgia. For example, one foreign investor asked whether he can own land in Georgia. Advised that he could, he quickly made a purchase in Batumi. The center also fields questions on investment opportunities, privatization, tax and customs, licensing and permitting, and property issues.

Established by the Georgian National Investment Agency in cooperation with the city of Tbilisi, the business information center is supported by USAID's Business Climate Reform project.

The city of Tbilisi provided office space at City Hall and has three economic development specialists working with the business information center team, assuring coverage of both urban and rural areas. The center also operates a new business information hotline to answer inquiries (+995 32 933 095).

Georgian National Investment Agency Director Merab Lominadze says the center will also be a forum for discussion between the public and private sectors.

At one recent event, Customs Chairman Zurab Antelidze fielded questions and suggestions from the private sector. "Everything we do," said Lominadze, "is designed to help investors understand how open Georgia is for business."

Based on Bartelsian's experience, the business information center is already having impact. "The perception that the business information center has given me is that my investment is not only wanted, but that Georgia is going to bend over backwards to ensure that all structural and regulatory preconditions for success exist. I can't think of another developing country anywhere else in the world where this is the case," said Bartelsian.



SUCCESS STORY

Villagers Warm to Customs Reforms

Georgia's customs reforms empower businesses to change people's lives



"I hope I will be cooking my New Year meals on a decent stove, not on this portable one," says a housewife who will soon be served by a new gas pipeline.

"When there is stability in customs organization it means there is stability in business," says young businessman Bacho Dolidze

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Businessman Bacho Dolidze is turning post Rose Revolution policy reforms into results on the ground. Starting from 2003, his company, the Consulting Group of Caucuses, has been laying new gas pipelines and repairing old ones, restoring gas to settlements that have long gone without.

Among his current projects are two remote and extremely poor villages in Gardabani region, Nagebi and Lemmshveniera, where residents are desperate for the warmth the new pipelines will provide. "Unemployment in villages is very high and the people are very poor. The villagers have not had any other heating source than chopping acres of trees in nearby forests for years," Mr. Dolidze said. "Now no forest exists any more in that area."

After winning government procurements, Mr. Dolidze hired 30 villagers who will earn about 400 GEL each for two months work. "They are making a gas pipeline for their own homes and getting paid for it."

"I am counting the days until this blessed gas pipe comes into my kitchen and I am so happy," says one of his customers.

As a businessman who has to import gas pipeline from Ukraine, he is very pleased with the new government's reforms of Customs administration. USAID Business Climate Reform provided technical assistance in streamlining border clearance procedures, which it estimates will save business about \$91 million annually. The World Bank reports Customs reforms have reduced the time to import from more than 50 days in 2005 to 15 in 2006.

"Three years ago to import anything, you had to visit 10 rooms and pay someone extra money in each room for getting all your papers in order. It created a whole chain of corruption and delay that involved everybody. Today it's much easier," Mr. Dolidze said. "It's very organized there now. There's one room now, and we know in advance how much we'll have to pay."

Customs reforms and reduced tariffs are allowing Mr. Dolidze to do more with his capital and work faster, and he is expanding his business to take advantage of them. Ultimately, the beneficiaries of Customs reform that let businessmen like Mr. Dolidze work more efficiently are their customers, like the residents of the homes served by the new gas pipelines.

"These young people have brought gas into our settlement. We have been keeping an eye on them for a long period. We made inquiries and found out that they had frequently won the governmental bids. The residents of neighboring villages are also content with their work. With them we feel ourselves safe and secure."

Mr. Dolidze pledges that The coming New Year will look far shinier both in Nagebi and Lemmshveniera than past ones. Fathers will return home with New Year gifts, mothers will bake New Year cakes in gas stoves, and children will sleep in warm beds. This "luxury" living will save hundreds of acres of trees from being chopped for firewood.



SUCCESS STORY

Revenue Service Puts Business Registry Online

Digitized business registry database simplifies common commercial transactions



Preparing abstracts from the old paper-based business registry archives created inefficiencies for entrepreneurs and the Revenue Service officials.

“We have about 63,000 inquiries for business registry abstracts each month. The new electronic database allows us to issue the necessary documentation upon request,” says Amiran Tavartkiladze, Deputy Head of the Service Department

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Thea Shonia, a start-up businesswoman, is helping to save Georgians an estimated 126,000 trips a month to their local tax inspectorates to obtain business registry abstracts. Each request for an abstract, needed for a variety of common transactions including registering property or opening business bank accounts, required two trips to the tax inspectorate where the business was registered, once to ask, then, several days later, to receive. Preparing the abstract was a nightmare for tax officials, who had to dig through tens of thousands of aged and haphazardly organized files to find the necessary information.

Thea’s group won a USAID procurement to digitize the registration archives, which the Revenue Service of the Ministry of Finance of Georgia inherited when it took over responsibility for business registration from the courts. She established a new company, Caucasus 2006, hired 15 operators and set up a strong network of implementing partners across Georgia. Now, the job is done. “We have entered 52,138 records into a single database,” Thea said. “Now any businessman will be able to obtain a business registry abstract immediately for any company at any tax inspectorate of Georgia.”

That step eliminated 63,000 visits a month, because now to ask is to receive. The Government of Georgia is working to eliminate the remaining 63,000 visits. The Revenue Service put the new electronic business registry online for direct public access by those like journalists who just need the information the abstract contains, and not the official document. And property registrars at the National Agency of Public Registry plan to use the new online feature in registering business property transactions, eliminating the requirement that their customers submit business registry abstracts. The new electronic signature law now pending in Parliament will eliminate the need for any visits. Paper documents will no longer be required, and the Revenue Service can issue abstracts electronically.

Thea Shonia, ever the entrepreneur, is making new plans. “This project gave us our first experience subcontracting for the government and an international donor. Now that we have experience and a successful result behind us, we are developing a proposal for a new project and are looking for the next projects we will bid on.”

Digitizing the business registry and putting it online is only one of a number of Revenue Service information technology projects to improve customer service supported by USAID Business Climate Reform. All Georgian taxpayers can now access their account information online and download all necessary tax declarations from the Revenue Service web portal. A current project will introduce electronic filing of tax declarations, first for VAT, and then for other taxes.



SUCCESS STORY

Children Cheer Permit Reforms

New regulations simplify construction permitting in Georgia



Gocha Konjaria 12, says, "This playground will make us into champions."

Construction sector reforms by the Georgian Government are helping fuel growth of one of the nation's fastest growing economic sectors:

- *Total Investment in Construction:*
2005 – 750 million GEL
2006 – 1.1 billion GEL
- *The number of construction sector employees increased 50% from 2003 to 2006.*
- *Construction employee income rose 65% from 2005 to 2006.*
- *The average wage in 2005 was 300 GEL, in 2006, 450 GEL*

(Source: Urbanization and Construction Department of the Ministry of Economic Development of Georgia)

A modern children's playground is replacing the ugly garages and old, dirty trash containers that used to fill a large yard across from the Zugdidi Railway Station.

Parents and children from the neighborhood, which includes two seventy-unit apartment buildings, "are counting the days to when the playground is finished," said Elguja Gurieli, Director of Tavadi I, a local construction company.

The company won a government contract to build recreation infrastructure in Zugdidi, the main city of the west Georgia Samegrelo region. The 20 workers Mr. Gurieli hired for 600 lari each for 50 days are working to complete the job.

New streamlined construction procedures have hastened the day when the children can play in their new park. Before recent reforms, Mr. Gurieli would have had to navigate a complex series of conflicting laws and regulations that caused headaches for contractors and permitting officials. "It was an enormously chaotic process with a lot of loopholes for corruption," said David Esebua, Zugdidi municipal construction supervisor.

Amendments to the Regulation on Issuance of Construction Permits and Permit Conditions, adopted by the Government of Georgia with USG support in June 2006, streamlined the process. Small projects like Mr. Gurieli's Zugdidi playground benefit from expedited procedures. For larger projects, the new regulations greatly simplify document requirements and reduce the time required to put new construction into use by 30 days for residential and commercial properties and by 60 days for industrial projects. A 30-day reduction has been estimated to save Georgian contractors about \$10 million annually.

USAID's Business Climate Reform consultants worked with officials from the Construction Department of the Ministry of Economic Development to revise the regulations. Mr. Gurieli has experienced both the old and the new rules for obtaining construction permits. He said the simplified procedures allow local self-governments to meet the high demand for outdoor playgrounds and sports facilities much faster and at less cost.

Entrepreneurs also find the new regulations convenient. "This playground project is my favorite. For the first time in my work history, I didn't have to waste time and money to visit different agencies to seek a permit; for the first time in my life, I have actually enjoyed the public and the government's involvement in my work process," Gurieli said.

Chikhladze Enver, 56, who lives near the playground, says he loves the "pleasant noise" when construction equipment starts up each morning, indicating that work on the playground continues. He took an active part in dismantling the unsightly garages that once filled the yard, including his own. "I foresee a better future. My children will not waste time hanging around the railway station anymore. Instead, they will grow up in a safe and healthy environment," he said.



SUCCESS STORY

Documenting an Easier Way to Live

Georgia's accession to Hague Convention simplifies international transactions for people and businesses alike



People learn about “apostilles” from an information board posted at the Georgian Ministry of Labor, Health and Social Affairs.

“Official documents issued in Georgia can now be certified by an apostille without complicated procedures of legalization, and they will be accepted in member states of the Hague Convention. The application of the Convention will facilitate our business relations with foreign countries,” said Giorgi Kavtaradze, Minister of Justice of Georgia.

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“Just use it!” responded an official from the Georgian Ministry of Justice when Vakhtang Zaalishvili, legal advisor to a British company, asked what to do with a document that had been notarized in Great Britain. The answer came as a pleasant surprise.

It hasn't always been so easy. Until recently, foreign companies like Mr. Zaalishvili's British client needed to spend at least one month and hundreds of dollars to have the documents they needed to register their businesses in Georgia officially translated, notarized, and certified. And before Georgia would even begin the complicated process of recognizing foreign documents, the foreign company had to jump through a complicated series of hurdles in its own country. US companies, for example, had to get US Secretary of State Condoleezza Rice's signature attesting that their documents were legal and proper before they could even be presented to Georgian officials. Similarly, Georgians wishing to register academic diplomas, birth certificates, or business registrations in foreign countries faced the same grueling and expensive process to get documents legalized in two countries.

Georgia's recent accession to the Hague Convention of 5 October 1961. Abolishing the Requirement of Legalization for Foreign Public Documents eliminates the requirement for duplicate legalization of public documents among the 100 member states. To aid in Georgia's accession to the Hague Convention, USAID Business Climate Reform provided the Government of Georgia with a road map and recommendations for amendments to the laws necessary for accession.

Replacing the complicated two-country legalization process is a simple certificate – an “apostille” – by an authorized government official that the document is valid, which is accepted by all other member states. Certification in Georgia now requires a maximum of only 5 days for processing and a \$12 state fee. This eliminates the need for citizens of member states to dually legalize birth, marriage, and death certificates; extracts from commercial and other registers; patents; court rulings; acts and attestations of signatures; or academic diplomas issued by public institutions. In Georgia, an apostil can be issued by the Ministries of Justice, Education and Science, and Labor, Health, and Social Affairs.

Joining the Hague Convention allows Georgia to provide its citizens with increased legal mobility, offer its businesspeople a widened arena for doing business, and encourage its students to gain greater exposure to the international community. Membership in the Hague Convention is expected to save Georgian citizens more than 10 million dollars annually in administrative costs. “Apostille documents will dramatically speed up the process of registering foreign businesses, saving us time, stress, and money,” said Lasha Gogiberidze, Partner and Director of BGI Advisory Services Georgia.

Decreased time legalizing documents means increased opportunities. “It was almost too late for me to apply for graduate school in Japan when I applied to the Ministry of Labor, Health, and Social Affairs to legalize my health certificate by an apostille,” said Ivane Jokhadze 21, a resident of Tbilisi, who plans to study business administration in Japan in the fall. “The Ministry managed to deliver the document in two days, so I was able to get my documents to the university in Japan on time.



SUCCESS STORY

Business and Public Profit from Public Registry Reforms

Streamlined property registration improves business climate and people’s lives.



Every day, NAPR receives about 8000 applications for property registration; 30 percent of applicants prefer to use the services of private companies.

“Our aim is to establish a customer-oriented, transparent, accessible, and effective registration system equipped with modern information technologies,” said Jaba Ebanoidze, Chairman of the National Agency of Public Registry

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Giorgi Goglidze was skeptical when he heard a public service announcement on television saying that he could call the Information Center of the National Agency of Public Registry (NAPR) from the comfort of his home to obtain information and a lawyer’s advice on registering his new apartment free of charge.

After calling, he decided to take a trip to the Center to see it for himself. “I could not believe my eyes! I was not used to this quality of service, and felt a bit confused, but it was a pleasant confusion,” said Giorgi when he left the Public Registry office in Tbilisi. “They took care of everything and saved me a lot of time and energy. A couple of years ago it was a nightmare to register your property. Thanks to a new registration system, the lives of people like me have been made much easier.”

Creation of the NAPR Information Center is just one of many improvements introduced by NAPR over the last year. The Public Registry office has been entirely refurbished, and the days of having to run up and down five flights of stairs to submit different documents in different places are long gone. People can now submit all their documents at a single window in a large, comfortable public hall.

With assistance from USAID Business Climate Reform (BCR), NAPR created an electronic document management system; trained on-staff IT administrators; and developed a legal framework for coordinating with municipal urban planning authorities, NAPR also streamlined registration procedures, including eliminating mandatory notarization of registration documents. New amendments to Georgia’s Civil Code

allow the two parties to a real estate transaction to sign their contract at NAPR’s offices instead of paying expensive notary fees.

NAPR has also created a unified electronic registration and information system and launched it in most areas of Georgia during 2007. More than 150 authorized users (banks, investment firms, NGOs, developers, real estate agents, surveying companies, and notary services) are now cooperating with NAPR to use the software and access its online databases and archives.

“The program significantly reduced the time required to register property,” said Vazha Chopikashvili, head of the Immovable Property Registration Center, a NAPR partner company in Tbilisi. “With five to 10 property registration cases a day, that adds up to serious savings for my company and time savings for my clients.”

Nina Javakhishvili, head of the legal department of the insurance company Imedi-L, agrees the changes have greatly simplified her life. “The process is clearer. The software program saves time and money. Employees easily make the switch to the new system, so I can trust them with more responsibility and work more efficiently,” she said.

Already ranked 16th in the world in the “Registering Property” category of the 2007 World Bank’s *Doing Business Survey*, Georgia NAPR’s new reforms helped boost the country to 11th in the world on the 2008 survey. In 2006-2007, NAPR handled more than 407,400 property registrations. Based on that volume, the NAPR reforms are estimated to provide benefits totaling 34 million GEL annually to public and private sector stakeholders.

One benefit of the new reforms is to create a market for private service providers to provide complete registration service. “If you want to register your property without a headache, enjoy NAPR’s new services,” said Petre Gotsadze, who runs a small business outside of Tbilisi. Too busy to register his apartment without help, he paid a 36 GEL service fee to the Immovable Property Registration Center, which completed registration of his new apartment in nine days.



USAID
FROM THE AMERICAN PEOPLE

GEORGIA

15 YEARS OF PARTNERSHIP FOR DEVELOPMENT

BEFORE & AFTER

Georgia Soars on Doing Business

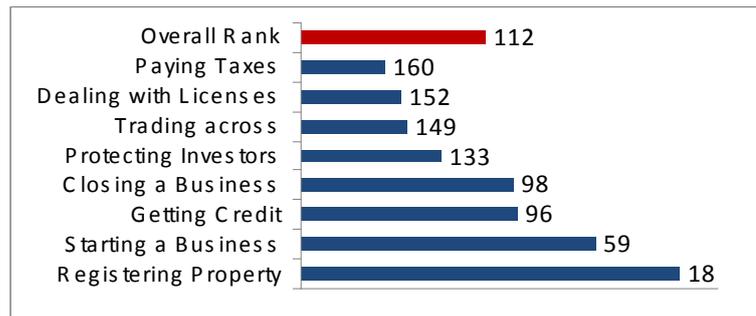
Broad and deep business climate reforms underlie Georgia's rise from 112th in 2005 to 18th in 2007 on the World Bank Doing Business Index

World Bank Economist Simeon Djankov describes as "unprecedented" in the history of the World Bank's Doing Business Survey the breadth of reforms that moved Georgia ahead of countries like France, Germany, and The Netherlands in ease of doing business. The dream that lies behind such extensive reforms – that the people will prosper – takes eight to 12 years to realize, Djankov says.

At least that has been the case with what he describes as the only five examples of similar reforms undertaken in the last 50 years -- Singapore, Korea, Ireland, Estonia, which ranks just above Georgia at number 17, and most recently, Slovakia.

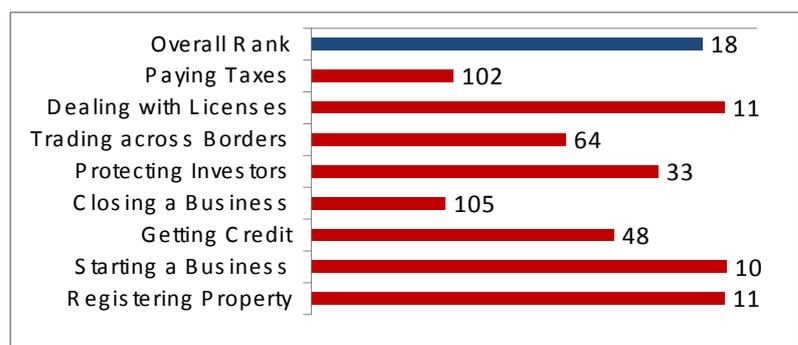
These achievements, documented in the tables at right, result from a unique collaboration - aggressive commitment to reform by the Government of Georgia and comprehensive technical and material support from USAID for the GoG's reform priorities.

In 2005, Georgia's overall rank was 112th of 175 countries



BEFORE Georgia started its major reforms three years ago, the country was mired in economic stagnation, corruption was rampant, and private sector compliance with revenue laws and business regulation was extremely burdensome. Compliance was so arduous, in fact, that it drove business into the shadow economy, leaving the government starved for revenues. Georgia's poor performance on so many of the World Bank Doing Business indicators resulted in its being ranked 112th of 175 countries surveyed in 2005, behind Armenia, Russia, Kazakhstan, and Turkey.

By 2007, Georgia's rank improved to 18th of 178 countries



AFTER reforms, Georgia leapt forward 95 places to 18th out of 178 countries surveyed in 2007, and is already experiencing the benefits. GDP growth is in double digits, foreign direct investment is doubling annually, and government revenues as a percentage of GDP is growing so fast that regional neighbors Armenia and Azerbaijan are coming to Georgia to study what Georgia is doing right. "This year we expect around 15% economic growth in the country. Georgia's the top reformer country and I believe Georgia's international awareness today is the most attractive ever," declared Prime Minister Zurab Noghaideli.



USAID
FROM THE AMERICAN PEOPLE

GEORGIA

15 YEARS OF PARTNERSHIP FOR DEVELOPMENT

SUCCESS STORY

Licensing Improves Georgia's Health Care

Georgian health care reforms encourage businesses to create a competitive environment for medical services



Photo: Kutaisi Center of Inferential Medicine

The operating room of the Kutaisi Center of Interventional Medicine. The Center was constructed to comply with new licensing conditions.

"The death rate in our center today is three percent, which is a very good indicator even by international norms," says Dr. Gela Arabidze, Chairman of the Kutaisi Center of Interventional Medicine.

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"Take my advice: go for treatment to a clinic like this and we'll reduce the death-rate in our country," says Tamila Shotadze, 37, who was recently moved from the intensive care unit at the Western Georgia National Medical Center in Kutaisi to an ordinary ward. Her doctors say she is going to live a long life after a serious operation on her kidney at the Kutaisi Center, which is at the forefront of healthcare reform implementation in Georgia, attracting both local and foreign clientele.

In December 2006, USAID's CoReform and Business Climate Reform projects worked with the Ministry of Labor, Health and Social Affairs of Georgia to jointly develop a concept paper for implementing healthcare permitting, licensing, and accreditation in Georgia. The goal is to improve the quality of medical services, increase the number of businesses providing medical services, and allow consumers to identify quality service providers. In December 2006, the Government of Georgia took the first step toward implementation, issuing a decree, which sets licensing standards for health care facilities.

The Kutaisi Center's chairman, Dr. Gela Arabidze, says that the center was built in accordance with the new standards, and thus is in full compliance with the new licensing conditions, saying "We already meet the standards... The death rate in our center today is three percent, which is a very good indicator, even by international norms."

Since the government's decree went into effect, more than 100 medical institutions in Georgia, including Telavi Regional Hospital, have been licensed under the new standards. Telavi Hospital's general manager, Dr. Alexandre Sachishvili, explained that the hospital's need to maintain its license "is a stimulus to ensure that the hospital is always in good shape."

The new licensing conditions require all hospitals to be accessible to the handicapped. "The department where the handicapped are served has been fully renovated. Now we have wheelchairs and ramps alongside staircases," says Dr. David Jashi, Deputy General Manager of Kutaisi Church Hospital.

Telavi Children's Health Center, which has existed for years and serves the entire region, was extensively renovated. Wards, sanitation facilities, operating rooms, and the intensive care unit are finished, and only the administrative section of the building remains under construction. The sisters of 10-month-old Peri Musaeva, who was brought to the hospital with severe stomach pain, are impressed with the hospital's new look. "There is a big yard and a lot of toys. We would love to stay here with Peri and our mother," declared six-year-old Angela and eight-year-old Aliona, as they visited Peri in the hospital. Peri is recovering and will be going home soon.

In order to receive feedback on ways to improve services, several hospitals have recently launched patient surveys. "In October 2007, 197 out of 200 discharged patients positively evaluated our services. The other three thought our fees were too high. This is a good starting point for improving our clinic's future policy and strategy," said Lela Tevzadze, a doctor and statistician at the Western Georgia National Medical Center in Kutaisi.



BEFORE & AFTER

A Tax Registration Fairy Tale Comes True

Streamlined procedures have made tax registration simple for businesses and individuals

Tariel Chanturia, one of Georgia's most renowned poets, faced an unexpected obstacle to publication of his newest poems.

David Gotsiridze, Director of the printing house "Kedeli", explained that Chanturia would have to first register as an individual entrepreneur before publishing his new volume.

Despite Gotsiridze's assurance that the process would be fast and simple, Chanturia expected the worst – confusing procedures, long lines, multiple visits, and unofficial payments.

Chanturia said that when he walked into the tax inspectorate, "I thought I must have come to the wrong place." Instead of long lines and chaos, there was no line, "and the official asked how he could help me."

Registered "in no time," Chanturia reached his hand into his pocket to pay the expected "gratuity." The tax inspector refused and told him the service was free. "A fairy tale," Chanturia exclaimed "how could registration happen so easily? A couple of years ago it would have taken all my lifetime, nerves, and half of my honoraria."



Photo: USAID BCR Project: (At one of the Tbilisi tax inspectorates in 2006)

BEFORE Disorder, delay, and confusion were the norm when Georgians tried to register to do business legally before a series of reforms beginning in 2006. Bribery was one common way to cut through the chaos; another was to stay in the shadow and avoid registration altogether.



Photo: USAID BCR Project: (At one of the tax inspectorates in 2007)

AFTER "One-window" service has reduced the time required to register to do business in Georgia from days to minutes. A series of reforms implemented since 2006 have streamlined procedures and reduced costs, both for individual entrepreneurs like Tariel Chanturia (see text at left), and new companies.

Now, just one visit to the local Tax Inspectorate is required for all. The reforms, implemented by the Ministry of Finance and State Revenue Service with support from USAID Business Climate Reform, have been followed with sharp increases in registrations and revenues. Taxpayer registrations rose 269 percent from 2005 to 2007, while total tax revenues collected in 2007 is about 4.4 billion GEL, an 82 percent increase over 2005.



SUCCESS STORY

Reporters Get the Story Right

Seminars for journalists help Georgians better understand current reforms

NESG Photo



Nino Gogua, a student of the Tbilisi State University School of Journalism, delivers a presentation on the risks and prospects of tax reforms in Georgia.

“Journalists are now better positioned to report on the government’s reform activities,” stated Eliso Janashia, editor-in-chief of the Poti independent newspaper Imedi

“I am motivated to report on economic developments and focus society’s attention on current reforms,” says Nino Gogua, a 4th year student at Tbilisi State University School of Journalism. She believes Georgian journalists lack area specialties due to insufficient career, technical, or vocational education.

A better understanding of economic reforms was the major reason why Nino Gogua applied to participate in a series of seminars on economic reforms launched by USAID Business Climate Reform Project (BCR) and the New Economic School of Georgia (NESG).

The purpose of the seminars was to: increase the capacity of Georgian journalists to understand and report on economic issues and in particular on business climate reforms; and to increase public awareness of specific reforms undertaken, so that citizens can take advantage of them and provide the Government of Georgia with feedback. Paata Sheshelidze, president of NESG, says that each seminar targets a specific area of reform, providing a combination of economic theory and context. Some 20 journalists are participating in the seminars.

“The benefits of reforms have not yet trickled down to the majority of Georgia’s impoverished population. Even if they have, they are often taken for granted. Caught in the throes of capitalism’s survival-of-the-fittest rules, the Soviet Union looms for many as paradise lost.” This excerpt from a paper written by one of the participants of the seminar implies that the public was unaware of the basis for reform efforts. Unfortunately, so were most journalists.

Editor-in-chief of independent newspaper *Imedi*, Eliso Janashia, says that gaining firsthand knowledge of the reforms from senior level government officials, especially policy and decision makers, has generated interesting articles for her paper. Kakha Mchedlidze, an anchor for Radio “Tavisupleba” (Liberty), believes that the trainings improved the quality of his radio interviews, helping him to understand the importance and rationale behind the reforms. Now he is able to better present the strengths and weaknesses of the changes made. “My radio interviews are now more precise and explicit, marked with candor,” said Mchedlidze.

The Journalism Training Seminars helped Giorgi Lomsadze, a freelance journalist, to publish more than seven articles regarding ongoing reforms on the web portal Eurasia Net. Lomsadze says the seminars provide an effective forum to discuss government policies and to give journalists insight into economic reforms. Lomsadze says, “The seminars translated into stories that bring public attention to the important issues that are either underreported or ignored in the mainstream news.”

One of the seminars encouraged reporter Tamuna Abashmadze to focus on tax reforms in Georgia for her graduate thesis at Tbilisi State University School of Journalism. “I researched the local daily “24 Hours” and discovered that during 2007 not a single article had been written on the impact of reforms on people’s lives, or why these reforms matter,” said Abashmadze.

Since the beginning of 2008, “24 Hours” reporter Manana Vardiashvili, one of the seminar participants, has published many articles on tax and customs reforms.



SUCCESS STORY

“Business Loves Risk Management”

Fast, new, and simplified customs inspection procedures reduce time to clear imports to Georgia from 2-3 days to 2 hours or less



Nika Gilauri, Minister of Finance of Georgia and Constantin Ciuta, UNCTAD customs advisor observe the process of automated cargo selection at Tbilisi Railway clearance office.

“Business loves this new risk management system because it is reducing the time and expense of trading across Georgia's borders,” says Giorgi Pertaia, Customs Specialist of the American Chamber of Commerce.

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The once arduous journey that a McDonald's hamburger had to make before ending up on a Tbilisi customer's plate is getting much easier. Tamaz Megrelishvili, Purchasing Manager of McDonald's Georgian franchises and T&K Restaurants LTD, says most of McDonald's shipments come from Ukraine and Turkey. McDonalds used to have to wait at a Georgian customs terminal for two or three days for cargo clearance. “You could never say which terminal was better or worse. All were the same: a long physical inspection process, poor professionalism, flourishing bribery and a permanent wasting of time and nerves.” complains Megrelishvili.

All that's changed now, he says. Over the last two years, the Ministry of Finance and the State Revenue Service (SRS) have launched a series of customs reforms that expedite clearance procedures and promote efficient allocations of State Revenue Service (SRS) resources. One of the most recent reforms is “risk management,” replacing 100 percent physical inspections of all freight with an automated, risk-based system to identify suspect cargoes.

USAID has provided extensive technical and material assistance to the Ministry of Finance and the SRS in the last two years through USAID's Business Climate Reform Project to introduce and implement a customs risk management system. Giorgi Chitashvili, Head of the Risk Management Department of the State Revenue Service, says that instead of 100% physical inspections, which used to create long lines and take on average two-to-three days, 85% of all shipments are now cleared within two hours, after only a documentary review.

The remaining 15 percent are referred for physical inspection based on a combination of risk criteria programmed into the new customs processing software and random selection. “Automated cargo selection for physical inspection allows us to focus customs resources on sectors with the highest risk, making the process more objective and providing fewer opportunities for corruption,” states Irakli Siradze, Deputy Head of SRS.

USAID support has included procurement of the licensed Oracle database software the system runs on, and training and mentoring the new SRS Risk Analysis Department. USAID, in collaboration with UN Conference for trade and Development (UNCTAD), also helped develop the risk criteria that were programmed into the SRS customs information software, ASYCUDA World.

“We are saving a lot of time,” says Megrelishvili. “When the cargo reaches the terminal, I can fix precisely the timeframe of all operations to be undertaken after the clearance process. Loaders, who waited for cargo in the garage for hours, sometimes even for days, can now enjoy a normal work schedule and go home in time.”

USAID Business Climate Reform estimates that implementation of customs risk management will save businesses about \$90 million USD annually.



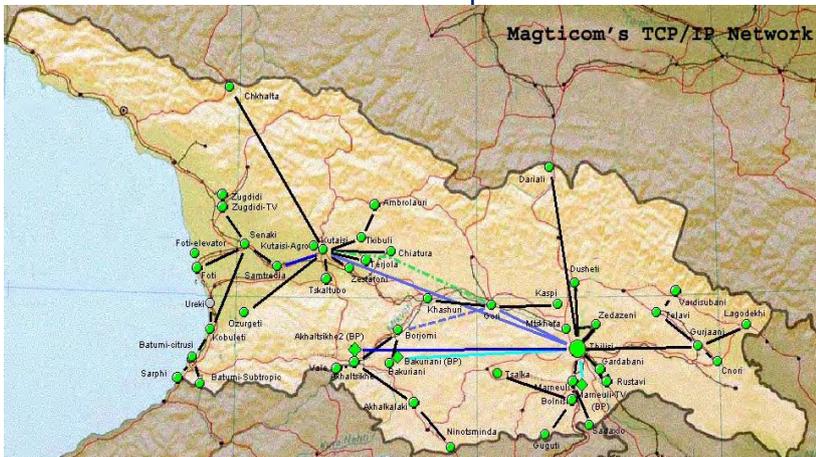
SUCCESS STORY

Building a Strong Network between People and Government Offices

GGN provides a swift and effective exchange of information between citizens and government agencies

“E-governance” was an exotic notion to most Georgians in 2006, when the Office of the State Minister on Reforms Coordination launched the nationwide Government of Georgia Network (GGN) initiative. The GGN offers a reliable network to connect remote agencies. The ability to exchange a large volume of data at high-speed is important for organizations having more than one branch. Innovative procurement by government expands Georgia’s information and communications technology (ICT) infrastructure, simultaneously reducing the government’s

ICT costs and improving its functions. USAID Business Climate Reform drafted technical specifications for the competitive procurement and helped review proposals. Mobile provider Magticom built the infrastructure.



Rates are based on usage volume. The lowest rates – for at least 350 offices – have already been achieved, saving government’s agencies about 75% of previous costs. All regional offices of the Civil Registry Agency have been connected. Georgia’s Social Security Agency reports that networking its regional offices reduced the time required to process aid applications from two weeks to two days.

“We have calculated cost savings on human resources at \$654,000,” said Mikhail Janiashvili, head of the IT department of the Ministry of Health, Labor and Social Security.

Magticom completed the first stage of the Georgian Government Network (GGN) project, three months early, in November 2008.

More than 400 government offices across Georgia have been interconnected by a modern, secure, high-speed network. Services include internet, telephone services, video-conferencing, and technical support.

According to George Vashadze, Chairman of the Civil Registry of the Ministry of Justice, the working process has been significantly simplified. “The data on the central server is being permanently updated. Now it is more reliable than ever,” said Vashadze. Implementation of the nationwide GGN has also helped facilitate delivery by the government of an increasing array of electronic citizen services, including e-abstracts of property registrations, electronic filing of tax returns and faster customs clearance times for traders.

Thanks to the GGN initiative, all 83 outlets of the National Agency for Public Registry (NAPR) of the Ministry of Justice have become interconnected. Of those, 69 are situated outside of Tbilisi, and some are located in the most remote locations in Georgia. “All NAPR regional offices are now connected to GGN, which will be used as a primary channel of communication among government agencies. This will help streamline agency processes, ensure readily available and organized information, reduce transaction times between businesses and the government, and reduce opportunities for error and corruption,” said Mr. Ebanoidze, head of NAPR.

GGN also helps facilitate the process of obtaining an identification card in Georgia. If any document is missing from the application, there is no need to visit other institutions to obtain them, as all necessary documents can be received electronically. The strength of GGN e-governance lies in its reliability, uninterrupted power supply, and low cost, estimated to save the Government of Georgia \$12.5 million annually.



SUCCESS STORY

Georgian Wine Breaks into U.S. Markets

“The Georgian dry wines, with the color of honey and gently oxidized into flavors that are strikingly unique, can be revelatory.”

**– Paul Gregutt,
U.S. wine expert**



Photo: USAID AgVANTAGE

Mildiani wines displayed at Whole Foods Market stores in the United States.

Eldar Mildiani, owner of Tsinandali Old Cellar, who was pessimistic about the possibility of Georgian wine gaining distribution in U.S. wine markets, has radically changed his opinion: “Now I have reliable partners and will regularly export my wine to the U.S.,” said Mildiani.

U.S. Agency for International Development
www.usaid.gov

A Russian trade embargo imposed in March 2006 barred Georgian winemakers from their traditional and most important export market, where about 89% of Georgian wines were sold. With USAID support, Georgian wines are now entering the U.S. market. Paul Gregutt, wine adviser and columnist of *The Seattle Times* believes, “Georgia has what it takes to become the next overnight success in the ever-trendy wine business,” (*The Seattle Times*, August 13, 2008).

Jim Krigbaum, expert in the field of marketing and sales and president of 2020 Development Company LLC, conducted a seminar in Tbilisi for Georgian wine producers about the U.S. wine market and industry trends. The seminar was accompanied with tasting of about 20 popular brands sold in the USA to provide the wine makers with an overview of wine qualities, profiles, and a price reference. At that time Georgian wines were unknown in the USA. The challenge was to work with the wineries to adjust their quality, price, labels and consistency to meet the demands of the USA market. This was accomplished, with the collaboration of USAID’s Business Climate Reform and AgVantage projects, through education and direct involvement by U.S. wine buyers with the ability to place purchase orders and build Georgia’s brand.

On his first trip to Georgia, Mr. Krigbaum visited nine Georgian wine producers in the regions of Kartli and in Tbilisi. He toured wineries and vineyards; obtained information about production processes, technologies used, and tasted a variety of wines. The visit gave him an understanding of the Georgian wine industry and export potential, and helped him to compile a U.S. wine market overview for Georgian wine producers. The study detailed essential information for Georgian wineries to effectively plan export activities in the U.S.

The partnership to bring Georgian wine to the US actually began when USAID arranged a trip to the Georgian wine country for Keith Johnsen of Daqopa LLC, a US wine importer, Rick Steckler of Click, a US wine distributor, and Erez Klein, wine buyer for the Northwest region of the US Whole Foods supermarket chain. The group left Georgia with an agreement to import three different wines from Mildiani, a family-owned winery, Vinoterra a boutique producer utilizing the traditional clay pot wine production and to support Teliani Valley with their west coast sales and marketing.

The first large-scale export of Georgian wines, totaling 10,500 bottles from Vinoterra and Tsinandali Old Cellar, worth \$ 48,000, has been bottled and shipped to Seattle. Priced from \$8.99 to \$11.99, the three wines — Rkatsiteli and two brands of Saperavi — are currently featured in 11 Whole Foods stores in the Northwest, including four large stores in Washington and seven smaller stores in Oregon. U.S. wine experts are taking notice: “I found Saperavi to have a distinctly spicy nose that reminds me of black pepper. The flavors are fresh and straightforward with lots of tart blueberry-raspberry fruit. The Rkatsiteli reminds me of a fresh Sauvignon Blanc blended with some Pinot Gris and has enticing fruit aromas and flavors that bring to mind pears and white peaches,” claimed Richard Kinssies, a freelance wine writer, director of the Seattle Wine School and owner of Wine Outlet.

“The private sector moves forward on Georgian wine, the snowball continues to roll down hill! It took a while to get things going, however, now the goal is to keep it moving!” said Mr. Krigbaum.

ANNEX B IMPACTS AND PERFORMANCE MONITORING

This annex describes life-of-project impacts using three tools:

- A table documenting Georgia's rise on the World Bank's annual *Doing Business* survey from 112th to 11th, and the project's role in project-supported reforms in the eight of 10 World Bank indicators
- A description of the \$743.8 million in annual monetized benefits to public and private sector stakeholders from initiatives supported by the project
- The project's performance monitoring plan

A. World Bank Doing Business Survey

The ten indicators of the **World Bank Doing Business Survey** provide a relatively objective ranking of how efficiently key business transactions are regulated in the 183 economies ranked by the survey. The project worked on reforms covered by eight of the ten indicators (only Employer Workers and Enforcing Contracts were not addressed). The criteria for each indicator provide a useful matrix for identifying opportunities for reform, and were used by the GOG and the project for this purpose. The survey provided independent quantitative measures of the efficiency of regulations for starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, and closing a business. Using these criteria, the project and its counterparts were able to focus on obstacles to doing business and measure their progress in removing them. The survey covers legislative provisions as well as time and cost indicators for each area. This makes survey results detailed enough to be used for measuring progress in specific project initiatives.

Doing Business 2006, which was released in September 2005, provides the baseline for the overall Ease of Doing Business in Georgia as well as Georgia's performance in the eight categories the project worked on. The tables, current through Doing Business 2010, which was released in September 2009, chart Georgia's progress over the four years of the project.

Category	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010
Overall Ease of Doing Business Rank	112	37	18	15	11
Starting a Business	59	36	10	4	5
Procedures (no.)	8	7	5	3	3
Time (days)	21	16	11	3	3
Cost (% of income per capita)	13.7	10.9	9.5	4.0	3.7
Minimum capital (% of income per capita)	46.8	3.7	0.0	0.0	0.0

Project's Role in Rank Changes:

- Business registration and tax registration have been combined. A single registration number is used for both activities. The requirement to notarize the signed application for registration has been eliminated. Unifying business and tax registration reduced the time required from 21 days to three.
- The requirement of opening a temporary bank account and depositing at least half of the paid-in capital has been abolished.
- Amendments to the Law on Entrepreneurs have facilitated the process for starting a business. Registering a company at the entrepreneurial registry used to take three days; now it takes two hours or less. Document notarization, minimum capital requirements for business registration, and official seals have been abolished. In accordance with the project's recommendations, banks have also changed their business practices and no longer require a sample of the company seal to open a corporate account.

Category	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010
Dealing with Construction Permits	152	42	11	10	7
Procedures (no.)	29	17	12	12	10
Time (days)	282	137	113	113	98
Cost (% of income per capita)	144.6	71.7	28.9	20.3	21.6
Project's Role in Rank Changes:					
<ul style="list-style-type: none"> The procedures to issue occupancy permits have been simplified. Occupancy permits are issued by the permit issuing agency without having to form a special commission. The construction permit holder must present the protocols of completion of each construction stage. The presence and signature of the State Supervision Service representative is not mandatory. Protocols of completion are considered valid if they are signed by the permit holder and contractor upon submission to the permit issuing agency. The requirement that the NAPR extract be presented three times during the permitting process has been abolished. The extract will be presented only once throughout the permitting process. The water and electric utilities have become administrative bodies and the Tbilisi Urban Planning Service obtains technical conditions from them in accordance with the one-stop-shop principle. All procedures and issues related to the engineering geology study and public utility connections have been removed from administrative procedures. The permit seeker may choose between two options: either register as a customer of public utility companies, or find alternative sources (such as a generator, arranging power station, etc.). The town-planning conditions are no longer prepared by the administrative authority. Instead, the permit seeker elaborates these conditions according to legislation and submits them to the Architectural Service for approval at the first stage of the permitting procedure. The second stage of the permitting procedure (approval of the architectural project) is mandatory only for buildings in the zones of cultural heritage. Previously, the second stage was obligatory for any type of construction. These changes are intended to limit unnecessary administrative interference and disputes over architectural resolutions, which depend on the creativity of the architect. Note: The project predicts that Georgia's rank in this category will fall from 10th on DB 2009 to about 30th on DB 2010, despite new reductions in the number of procedures and time required. The reason for this predicted rise is that utility companies were privatized and have significantly raised connection fees, increasing the cost. 					
Registering Property	18	16	11	2	2
Procedures (no.)	6	6	5	2	2
Time (days)	9	9	5	3	2
Cost (% of property value)	0.6	0.5	0.1	0.0	0.0
Project's Role in Rank Changes:					
<ul style="list-style-type: none"> The requirement to notarize an agreement of sale has been abolished. The seller and buyer can register the agreement by signing it in person at NAPR. Payment of the registration fee can be done at NAPR. Online Entrepreneurial Registry has been implemented. There is no need to obtain and notarize the Entrepreneurial Registry extract, because the Revenue Service uploaded the registry online and NAPR can check the status online, eliminating the need to make personal visits to Revenue Service and Notary. Also, a Non-Encumbrance certificate is no longer required due to adoption of amendments to the Tax Code. Cadastral map for Tbilisi registration zone has been uploaded online, eliminating the requirement to obtain a cadastral map for property registration. One step property registration can be done at banks. Seller and buyer can sign the contract at a bank office and NAPR's representative will approve the contract with a seal, eliminating the need for notarization. Bank offices have online access to NAPR's Public Registry Database and information is shared immediately. 					

Category	DB 2006	DB 2007	DB 2008	DB 2009	DB 2010
Getting Credit	96	48	48	28	30
Strength of legal rights index (1-10)	7	6	5	6	6
Depth of credit information index (0-6)	0	3	4	6	6
Public registry coverage (% of adults)	0.0	0.0	0.0	0.0	0.0
Private bureau coverage (% of adults)	0.0	0.0	0.2	4.5	12.2
Project's Role in Rank Changes:					
<ul style="list-style-type: none"> The Credit Bureau has started to include both positive and negative data in the credit registry. Borrowers are allowed (guaranteed by law) to inspect their data in the credit registry. The new Law on Public Registry entered into force in January 2009, giving full effect to an electronic centralized pledge registry indexed by different variables (e.g. grantor of a security interest, asset, etc.) 					
Protecting Investors	133	135	33	38	41
Extent of disclosure index (0-10)	4	4	8	8	8
Extent of director liability index (0-10)	4	4	6	6	6
Ease of shareholder suits index (0-10)	4	4	4	4	4
Strength of investor protection index (0-10)	4	4	6	6	6
Project's Role in Rank Changes:					
<p>Amendments to the Law on Securities Markets and the Law on Entrepreneurs were adopted and entered into force in June 2007. The reform introduced these major changes:</p> <ul style="list-style-type: none"> Conflict of interest and disclosure of information requirements are introduced for the directorate and board members of reporting companies. A definition of "interested person" is being introduced and persons having conflict of interest are prohibited from participating in any vote concerning the transaction in which he or she has an interest. Shareholders have the right to apply to court and demand compensation if a transaction has proceeded with a conflict of interest. Interested persons shall compensate for the damages caused by the transaction and as well as refund any personal profits earned. Conflict of interest information shall be disclosed to the public and shareholders as well as in annual reports. 					
Paying Taxes	160	104	102	110	64
Payments (number per year)	49	35	29	30	18
Time (hours per year)	448	423	387	387	387
Total tax rate (% of profit)	49.7	37.8	38.6	38.6	15.3
Project's Role in Rank Changes:					
<ul style="list-style-type: none"> The number of payments required for property tax has been reduced from 4 to 1. E-filing for all taxes has been implemented. The social tax has been abolished and corporate income tax rate has been reduced from 20 to 15 percent. (The project helped implement this policy decision but did not participate in the decision itself.) Note: Our DB 2010 forecast assumes that World Bank will not recognize e-filing in 2010. If e-filing is recognized, Georgia's rank improvement will be more significant. 					
Trading Across Borders	149	95	64	81	30
Documents to export (no.)	9	8	8	8	4
Time to export (days)	54	13	12	12	10
Cost to export (US\$ per container)		1,370	1,105	1,380	1,270
Documents to import (no.)	15	11	7	7	4
Time to import (days)	52	15	14	14	13
Cost to import (US\$ per container)		1,370	1,105	1,340	1,250

Project's Role in Rank Changes:

- Customs clearance procedures have been streamlined and risk-based inspections have been introduced, decreasing the time for clearance for most shipments by several days. The reforms have replaced the 100 percent physical inspection of all cargoes with a risk-based approach to customs clearance reducing time needed for customs clearance to a minimum of one day.
- The “Gold List” program for the selected importers/exporters is underway. The program, designed for high volume/high value importers, provides expedited clearance procedures in return for more stringent compliance standards.
- Amendments to the Orders of Minister of Finance #1760 and # 1770 have clearly defined the list of required export/import documents (#637, 4.08.2008 and #888, 2.12.2008). The number of export documents has been reduced from eight to two and the number of import documents from seven to three.

Closing a Business	98	86	105	92	95
Time (years)	3	3.3	3.3	3.3	3.3
Cost (% of estate)	4	4	4	4	4
Recovery rate (cents on the dollar)	20.8	27.5	22.8	27.9	27.9

Project's Role in Rank Changes:

The new Law on Insolvency Proceedings entered into force on August 2007. The new law sets different (lower) time limits for bankruptcy proceedings and costs are reduced accordingly. Unfortunately, while recognizing the changes as a model, World Bank has not included them in its ranking of Georgia. When and if World Bank does, Georgia's rank on this category will improve significantly.

Overall Ease of Doing Business Rank	112	37	18	15	11
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B. Annual Monetized Benefits of Project-Supported Reforms

The original life-of-project target for annual monetized benefits was \$100 million. The LOP result is at least \$743.8 million. The methodology has been previously described in deliverables. Initially, measurement of monetized benefits was based on a methodology developed by the Dutch government to measure the costs of administrative burdens on business that resulted from government-imposed information reporting requirements. In addition, we include direct financial impacts on government and private sector that are not related to information requirements, including reducing or eliminating fees. The methodology was further perfected to ensure that all parties affected by a reform initiative are at least identified, even if we were not able to quantify the specific benefit received. This was achieved by standardizing the process of monetizing reform impacts, rather than the specific calculation methods used, which vary depending upon the initiative.

It is worth noting that we were not able to monetize the benefits of every impact of every initiative to every stakeholder. Due to factors such as limitations of statistical data, complex nature of reforms, variety of stakeholders affected, or complex multiplier effects, monetization was possible only for part of project impacts. However, as the methodology developed, our memoranda calculating the impacts of specific initiatives did describe reform effects that were not monetized, and identify stakeholders affected, even though not all impacts to all stakeholders were monetized.

The first Table of Annual Monetized Benefits contains a list of the total monetized benefits by initiative and by quarter reported. Calculations for the impacts are contained in the quarterly reports in which the monetized benefits were reported. The second “Table of Results that Were Not Monetized” identifies those initiatives and results that for the reasons described above, we were not able to monetize.

Table of Monetized Benefits		
Quarter	GOG Reform Initiative Supported by Project	Monetized Benefits
3	Streamlined customs clearance procedures for trucks	\$40,032,000
3	Accession to Hague Convention on legalizing foreign documents	\$12,700,000
3	Streamlined construction permitting	\$9,700,000
3	Tax IT hardware upgrade	\$55,000
4	Streamlined customs clearance procedures	\$51,000,000
4	Electronic business registry	\$12,400,000
4	Simplified individual taxpayer registration	\$763,500
4	Electronic business registry upgrade	\$1,100,000
5	Property registration -- eliminating mandatory notarization	\$21,800,000
5	Online access for taxpayers to their tax account info	\$3,000,000
5	New customs regime	\$5,600,000
5	Simplified exports regime	\$980,000
5	Excise stamp streamlining	\$105,000
6	Electronic tax lien database	\$107,000
6	New non-filer tax collection business process (increased revenues)	\$40,000,000
6	Streamlined taxpayer registration (increased revenues)	\$25,800,000
6	Construction permit streamlining	\$7,300,000
7	Establishment of Georgian Governmental Network (GGN)	\$9,500,000
7	Simplified immovable property registration process	\$6,800,000
7	Abolishment excise tax certificate requirement	\$3,400,000
7	Streamlining of construction permit procedures	\$3,300,000
7	Plain language export-import information	\$1,900,000
8	Cost savings to government related to IP connections under Georgian Government Network (GGN)	\$10,500,000
9	Electronic filing of Tax declarations by businesses	\$8,600,000
9	Introduction of risk management for physical inspection of imports	\$88,570,959
10	Additional connections to GGN	\$2,000,000
11	Simplified VAT refund and tax offset	\$20,300,000
12	Additional benefits of streamlining property registration reforms	\$12,800,000
12	WTO compliant customs valuation methodology	\$9,983,306
12	Reduction of number of documents at customs	\$37,328,537
13	Additional benefits of streamlined customs clearance procedures (resulting from higher volumes of cross border movement)	\$133,367,222
14	Additional benefits related to Accession of Georgia with the Hague Convention	\$16,978,544
14	Additional benefits for Reforming of Non-filers of Tax Returns Management System	\$24,608,047
14	Additional benefits for electronic database of tax liens	\$176,718
14	electronic database for business registration files	\$3,839,369
14	Extending risk management to exports	\$15,440,825
14	Adding schools to GGN	\$39,932,307
15	Additional benefits related to streamlined construction technical requirements	\$1,987,035
15	Monetized benefits related to legalization of illegal property	\$60,000,000
	Total benefits	\$743,755,369

Table of Results that Were Not Monetized	
No.	Reform description
1	Inclusive, effective communications mechanism established between GOG and private sector.
2	Legal services to the Ministry of Economic Development in privatizing major energy distribution and generation assets
3	Investor Services Unit in the Georgian National Investment and Export Promotion Agency
4	Implementing a functional Tax Administration organization
5	Centralized, web-based pledge registry
6	Working with Oracle and Microsoft to obtain significant discounts for purchases of licensed software
7	Develop implementation plans for a taxpayer service call-in center as well as a model tax office
8	Integrated and streamlined health care licensing, accreditation and certification system (Joint initiative with USAID CoReform was only partially implemented)
9	Individual tax declarations and property tax declarations online
10	Downloading declaration forms for all taxes
11	Streamlined procedures implemented for import permits for agricultural products, construction permits, and medical licenses.
12	Organization of E-Government Commission
13	International perception of Georgia based on DB ranking
14	E-Signature and E-Document Law enacted
15	VAT invoice processing software module implemented
16	Law on Insolvency Proceedings enacted
17	Law on Securities Market amendments that protect minority shareholders enacted
18	FDI promotional materials developed for GNIA
19	Gold List regulations adopted
20	Streamline the import and registration of pharmaceuticals (Draft law still pending in Parliament)
21	Merger of tax and customs departments and the financial police into a new integrated Revenue Service
22	Minister of Finance authorized to issue binding interpretations of tax laws
23	Tax Audit Selection Software Developed
24	FDI Strategy Developed for MOED/GNIA
25	Improvements to State Revenue Service (SRS) information systems
26	E-filing of customs declarations
27	24-hour customs clearance service implemented
28	Transit module of new ASYCUDA World customs processing software implemented
29	Abstracts issued by NAPR available on the internet
30	Online cadastral map of Tbilisi implemented
31	Regulations for Customs Warehouses simplified
32	“Global Competitiveness of Financial Sector Initiative” enacted
33	Reduce the time required to close a business administratively from two to three years to approximately five months

Table of Results that Were Not Monetized	
No.	Reform description
34	Profit Tax Return Simplified
35	Tax Code Amendments Exempt Embassy, USAID and Contractor Employees from Increased Income Tax Rate, income tax return for employees of international organizations is improved
36	Administrative Appeals Case Management System Developed
37	Centralized Training Unit of the Ministry of Finance (MOF) created
38	Special Customs Declarations Abolished for Oil and Tobacco Products
39	Burdens of Travel to Georgia Reduced, exemption from duties raised from 1500 to 3000 GEL
40	Pledge Registry Law enacted
41	Standard Form for Cadastral Drawings adopted
42	One step property registration introduced
43	Land-use (zoning) regulation adopted
44	Post-clearance Controls for customs introduced
45	Preliminary reforms to improve efficiency of VAT refund/credit procedures
46	Excise tax return simplified
47	MOF develops capacity to document tax software
48	MOF central revenue reporting system developed
49	Simplified procedure for construction permit for communication infrastructure. Time required reduced from 3 months to 1 month, also time needed for document preparation reduced
50	Voluntary disclosure for taxpayers introduced. If corrected declaration is submitted by taxpayer no fine is charged.
51	Definition of financial services is expanded to investment banking and investment insurance
52	Period to use (offset) Input VAT against VAT payable is expanded to 90 days from 45 days.
53	Requirement that VAT sellers invoice buyer same day eliminated
54	Partial voluntary disclosure introduced for customs.
55	Possibility of preliminary declaration at customs introduced
56	Possibility to learn of the customs ruling on which product code to use on declaration introduced, fines on incorrect codes reduced
57	Abolished 100 GEL fine on customs violations not specified in legislation (other cases)
58	MOF e-filing data standards published for private companies, ORIS accounting software manufacturer introduces direct links for e-filing, VAT invoicing
59	Elimination of mandatory two-stage government procurement process for “intellectual services”
60	Elimination of audit requirement for VAT Refunds
61	Simplified Lien Release for Taxpayers
62	Online access to current information about a trader’s liabilities and payments for customs transactions
63	Flexible rules for temporary importation of goods into Georgia
64	Expanded benefits, relaxed eligibility for Gold List

C. Performance Monitoring Plan

The project's life-of-project performance monitoring plan was developed during first-year work planning, and has been periodically revised along with yearly work plans to monitor impacts more closely. Indicators which turned out to be irrelevant to project activities were removed and new activities were supported by new indicators. As the project's technical activities continue as this report is being written, specific indicators for Year Four will be submitted as part of our last quarterly report. Standard and custom indicators for the elements and sub-elements of the USG Strategic Framework for Foreign Assistance will be provided to USAID before project closeout in preparation for USAID's operational reporting.

Indicator No.	Indicator Name	Year	Baseline	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2009 Notations
01.	Country rating in the Heritage Foundation's Economic Freedom Index	Calendar	89	52	35	32	N/A		Next survey results to be released in November 2009, after project ends. 2008 target was 25th place, actual was 32nd. Georgia improved on indicators within project activity areas -- Business Freedom, Trade Freedom, Freedom from Corruption -- but stagnated or worsened in areas outside our sphere, including Fiscal Freedom, Government Size, and Property Rights.
04.	Monetized benefit of GOG reforms supported by the project (USD millions)	Fiscal	0	127.75	140.09	179.58	25	296.33	Total cumulative monetized benefits as of June 2009: \$743,755,368. Life of project target was to produce total monetized benefits of \$100 million
06.	Number of jobs in privately owned businesses	Calendar	243,883	253,976	247,518	235,708		229,049	2009 Actual figure is average for Jan-Mar 2009. Dept. of Statistics figures are unreliable because of changing methodology and lack of capacity.
07.	Number of legal, regulatory, procedural changes produced by public-private policy discussions	Fiscal	0	2	42	6	25	48	2009 total includes: 31 changes in Customs Code, 10 changes in Tax Code, double taxation, customs IPR, Gold list regulations
08.	Number of public private discussions	Fiscal	0	14	27	38	25	54	
09.	Cost (as percentage of income estate value) to close a business	Calendar	0.04	0.04	0.04	0.04	N/A		2009 Actual data for this annual indicator will be available Oct 2009 after release of next Doing Business survey. Project believes the Year 2008 target of 0.20 was achieved, but DB, despite citing the reform as a model, has yet to count it.

Indicator No.	Indicator Name	Year	Baseline	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2009 Notations
10.	Country rating on WB's Doing Business Survey Closing a Business Indicator	Calendar	98	87	105	92	N/A		2009 Actual data for this annual indicator will be available Oct 2009 after release of next Doing Business survey. Project believes the 2008 target of 20 was achieved, but DB, despite citing the reform as a model, has yet to count it.
13.	Time required to close a business (yrs)	Calendar	3	3.3	3.3	3.3	N/A		2009 Actual data for this annual indicator will be available Oct 2009 after release of next Doing Business survey. Project believes the 2008 target of 1 was achieved, but DB, despite citing the reform as a model, has yet to count it.
27.	Number of electronically searchable NAPR records	Calendar	0	19,000	317,256	683,367		870,692	All new NAPR records are 100% searchable. The Agency expects to complete digitization of all archival materials, including Soviet-era records, by the end of 2010.
29.	Number of members of administrative bodies trained	Fiscal	0	558	834	262	100	292	
29.1	Number of members of administrative bodies trained – Men	Fiscal	0	415	615	163		128	
29.2	Number of members of administrative bodies trained - Women	Fiscal	0	143	219	99		164	
35.	Satisfaction of clients with their interactions with NAPR	Calendar			1.2			4.3	Results are based on NAPR surveys of customer satisfaction. Represents about an 80% satisfaction rate.

Indicator No.	Indicator Name	Year	Baseline	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2009 Notations
46.	Cost to export (USD)	Calendar		1,370	1,105	1,380	N/A		2009 Actual data for this annual indicator will be available Oct 2009, after release of next WB DB survey. Main cost to export is transportation charges from Tbilisi to Poti. Lack of competition and overly strict penalties drive excessive costs.
47.	Cost to import (USD)	Calendar		1,370	1,105	1,340	N/A		2009 Actual data for this annual indicator will be available Oct 2009, after release of next WB DB survey. Main cost to export is transportation charges from Poti to Tbilisi. Lack of competition and overly strict penalties drive excessive costs.
55.	Inland VAT as percentage of total VAT collected	Calendar			0.343	0.347		0.372	2009 actual reflects period Jan-June 2009.
57.	Number of businesses filing tax returns	Calendar	80,000	91,000	124,500	214,111		209,881	2009 data for end of March 2009, most recent available.
58.	Number of days needed to implement export	Calendar	54	13	12	12	N/A	7	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009 when WB DB is released.
59.	Number of days needed to implement import	Calendar	52	15	14	14	N/A	6	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
60.	Number of documents required to export	Calendar	9	8	8	8	N/A	2	Based on new regulation adopted by MOF.
61.	Number of documents required to import	Calendar	15	11	7	7	N/A	3	Based on new reg adopted by MOF.
64.	Number of tax payments	Calendar	49	35	29	30	N/A	10	2009 Actual assumes WB DB recognizes e-filing when it is released about Oct 2009.

Indicator No.	Indicator Name	Year	Baseline	2006 Actual	2007 Actual	2008 Actual	2009 Target	2009 Actual	2009 Notations
72.	Time required to pay taxes (hours)	Calendar	448	423	387	387	N/A	200	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
73.	Total tax rate	Calendar	0.497	0.378	0.386	0.386	N/A	0.126	Based on current Georgian Tax Code and WB methodology. 2009 Actual data for this annual indicator will be available Oct 2009, after WB DB released.
75.	Value of exports (USD millions)	Calendar	867	993	1,232	1,498		408	2009 Actual is total exports Jan-May 2009.
76.	Value of imports (USD millions)	Calendar	2,490	3,681	5,215	6,058		1,601	2009 Actual is total imports Jan-May 2009.
78.	Cost (as percentage of income per capita) to build a warehouse	Calendar	1.446	0.717	0.289	0.203	N/A		2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
79.	Country rating on WB's Doing Business Survey Dealing with Licenses/ construction permits Indicator	Calendar	152	42	11	10	N/A		2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
80.	Number of days to build a warehouse	Calendar	282	137	113	113	N/A		2009 Actual data for this annual indicator will be available Oct 2009.
81.	Number of procedures to build a warehouse	Calendar	29	17	12	12	N/A		2009 Actual data for this annual indicator will be available Oct 2009.
83.	Cost (as percentage of GNI per capita) to start a business	Calendar	0.137	0.109	0.095	0.04	N/A	0.04	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.

84.	Cost (as percentage of property value) to register property	Calendar	0.006	0.005	0.001	0	N/A	0	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
85.	Country rating on WB's Doing Business Starting a Business Indicator	Calendar	59	36	10	4	N/A	4	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
86.	Country rating on WB's Doing Business Survey Registering Property Indicator	Calendar	18	16	11	2	N/A	1	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
87.	Minimum capital (as percentage of income per capita) required to start a business	Calendar	0.468	0.037	0	0	N/A	0	2009 Actual data for this annual indicator will be available Oct 2009.
88.	Number of days to register property	Calendar	9	9	5	3	N/A	1	2009 Actual data is observed fact. Confirmation for this annual indicator will be available Oct 2009, after release of WB DB.
89.	Number of filings in pledge registry	Calendar	1300	2507	3222	51		5000	2009 Actual data is NAPR estimate. As work progressed on development of new online pledge registry, NAPR efforts to track current filings in its regional offices deteriorated, so data is not reliable.
90.	Number of mandatory property registrations	Calendar	175,768	253,115	386,934	336,936		140,680	2009 Actual data includes Jan-June 2009.
91.	Number of private enterprises registered	Calendar	36,705	41,000	52,346	28,268		15,892	2009 Actual data includes Jan-June 2009.

92.	Number of procedures to register property	Calendar	6	6	5	2	N/A	1	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
93.	Number of procedures to start a business	Calendar	8	7	5	3	N/A	2	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.
95.	Time required to start a business (days)	Calendar	21	16	11	3	N/A	2	Estimate. 2009 Actual data for this annual indicator will be available Oct 2009, after release of WB DB.

ANNEX C: INCREASED CAPACITY AND PROFESSIONALISM OF ADMINISTRATIVE BODIES

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
E-Gov Commission	Automation	IT Expansion	Expand internet coverage to provide access to the GOG's IT resources in all regions.	Only 12 cities had internet coverage.	Georgian Governmental Network (GGN) established. All regions, about 500 governmental offices, and 2,300 public schools now have internet coverage, and 2,200 notaries are being added. Input: Draft TOR, Participate in Evaluation Commission, Develop GGN Performance evaluation requirements.	The GGN is continuing to grow, and is inviting new participants to join such as local governments, municipalities, etc.	
E-Gov Commission	Streamlining	Centralization	Create a unified, central body to coordinate e-development within the GOG.	There was no coordination between government agencies, which manifested itself in the following problems: •No uniform standards •No sharing of information •No sharing of best practices •No e-signature law •No clear plan for e-government development	The E-Governance Commission was created, and its members were trained. The commission succeeded in carrying out the following initiatives with Project support: •Developed e-signature law and regulation •Developed accreditation rules •Regular meeting of heads of GOG IT departments •Sharing of best practices and ideas with GOG •Preliminary work to create cohesive plan for e-government development •Shaped the IT environment by: (a) Developing a unified data exchange concept, (b) Founding the Georgian IT Innovation annual event, (c) Launching regional networking with Armenia Input: Training, TA.	The legislative and institutional framework is in place to ensure sustainable reform, including: •The E-Gov Commission has trained members. •A unified data exchange and an agency to implement have been created •E-signature law and accreditation rules have been adopted •There is a commitment by all IT heads to the E-Gov Commission's continued success and to the senior management's improved understanding of the importance of IT •Networking of IT heads •Well-designed and successful IT projects, including: legal basis and technical solution for e-abstracts developed by NAPR, shared and now being implemented by MOF; institutionalized cross-pollination; replication of software module solutions developed by NAPR in the MOJ and Tbilisi State University; the MOF developed TOR for implementation of information security policy sharing with NAPR	<ul style="list-style-type: none"> •Implement the unified data exchange and create an agency to implement it. •Create citizen-service oriented e-services. •Implement information security policy. •Establish Computer Emergency Response Team (CERT). •Develop E-Government legal framework. •Introduce Documents and Data XML standards in Georgia. •Collaborate with donors in policy-making, organizing study tours. •State support to IT industry: increase capacity of professionals working in GOG; educate students and broader circles of the society •Establish Innovation Center for ICT Industry •Identify an e-signature service provider
E-Gov Commission	Public-Private Dialogue	IT Expansion	Build coordination between the public and private sectors with regards to IT.	No coordination existed between the GOG and the ICT Sector.	Established Georgian IT Innovation (GITI) annual conference. A public-private partnership was created in the form of the ICT Business Council. Input: TA	The GITI annual regional conference and awards have been established. The ICT Business Council has an official charter.	Donor support: technical assistance in institutional and capacity building.
E-Gov Commission	Institutionalization	Centralization	Implement a system to oversee electronic coordination and information exchange within the GOG.	No oversight of electronic coordination within the GOG existed.	Special agency for Unified Data Exchange infrastructure and all IT related staff for GOG is being created under the Ministry of Justice. Input: Drafting concept paper		Donor support: develop technical assistance, budget, institutional and capacity building.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
GNIA	Automation	Investment Promotion	Use IT to build GNIA's capacity to share investment promotion information: (i) among different departments of GNIA; and (ii) between GNIA and other agencies.	GNIA lacked information about regional investment opportunities. There was no database of market-ready property and no initiative to create one. The agency had no cooperation with regional partners.	An initial property database of 10 sites was developed. Requirements were identified and a structure was recommended for a database of investment/market-ready properties (joint work with GNIA and the Department of State Property Management Policy of MOED). GNIA set criteria for identifying regional partners. Inputs: Adv., Proc., T. A., Train.	GNIA has criteria for identifying regional partners. The requirements and structure for a database of investment/market-ready properties were determined and given to GNIA and the Department of State Property Management Policy of MOED.	Develop comprehensive database of investment property, regional collaborative alliance network to facilitate preparation, and management of developing industrial sites.
GNIA	Automation	Investment Promotion	Build GNIA's capacity to promote investment in Georgia using IT.	GNIA lacked the capacity to successfully promote investment in Georgia using IT, including: •GNIA had an outdated website with old-fashioned design and poor information about the investment climate and opportunities in Georgia. •GNIA had no IT system to serve its business processes.	GNIA has the foundation necessary to effectively promote investment in Georgia through IT, including: •GNIA has a modern, interactive website, with high-quality content. The website provides interested visitors with comprehensive information on doing business in Georgia, including legislative framework, sector opportunities, and specific investment projects. •GNIA won the award for best website at the first annual IT Innovation Conference held in Tbilisi October 29-30, 2008 (you can visit the site at www.investinggeorgia.org). The average time taken by a visitor to view the website is 6 minutes. 94,594 visitors visited GNIA website from January 1, 2007 to April 30, 2009, and GNIA receives an average of 25 inquires per month via its website. •Recommendations provided to GNIA regarding criteria for selecting appropriate IT system. Inputs: Proc., T.A.	A modern website with renewed design and new functions facilitates regular updates and capacity increase, as required by FDI competition.	•Maintain the website and continue the refinement process to reflect GNIA's proactive marketing approach. •Develop IT system to meet GNIA's needs and to serve its business processes.
GNIA	Streamlining	Legislative Reform	Enable GNIA to operate as an effective, unified body, through regulatory and legislative streamlining.	GNIA had ineffective, fractured systems in place to serve current and potential investors.	•The BIC was established to operate as a one-stop-shop for investors. Since its creation, it has served 900 interested individuals via physical visits, hotline calls, and e-mails. •The BIC office was refurbished and equipped. •BIC functions were integrated into both GNIA's investor servicing operations and the new Service Center, established at the front office of the Ministry of Economic Development (MOED) to address information and technical needs of visitors in those fields under MOED's jurisdiction, including investment promotion. Inputs: Proc., T.A., Train.	Investor servicing function established at GNIA.	•Develop systems for effective investor servicing. •Establish and operationalize systems and procedures for project cycle management from site visit to "factory" opening.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
GNIA	Public-Private Dialogue	Improve Investment Environment	Create dialogue between GNIA and the private sector necessary to provide a high-quality investment environment.	GNIA had no dialogue with the private sector to advocate for the needs of businesses and to communicate with the private sector about government initiatives.	<ul style="list-style-type: none"> •GNIA's BIC served as a focal point for increasing public-private dialogue. 18 PPD events have been initiated by GNIA since the opening of the BIC. • Mechanism for strengthening public- private dialogue introduced. Despite a promising start and readiness to promote joint initiatives, effective, result-oriented cooperation has not yet occurred. • FDI survey conducted to reveal views of businesses on current business climate and identify areas for improvement and opportunities for FDI growth. <p>Inputs: Adv., T. A.</p>	MOU signed between GNIA and business associations to reflect joint commitment to dialogue and support for shared goal of building a strong economy and a better quality of life for Georgia's citizens.	<ul style="list-style-type: none"> •Revitalize activities/initiatives envisioned by MOU. •Intensify efforts towards strengthening public-private dialogue.
GNIA	Institutionalization	Investment Promotion	Help GNIA create a strategy for informing and attracting investors.		<ul style="list-style-type: none"> •Although not formally adopted by GNIA/MOED, an FDI-attraction strategy was developed. GNIA follows the recommendations and advice envisioned by the strategy. An internal-process map was developed for GNIA, which includes foreign investor customer service procedures. •GNIA built a system for developing and updating sector overviews. •Investment opportunities identified by sector overviews. •Investor-quality overviews developed for key economic sectors, including but not limited to: pharmaceuticals and medical equipment, transportation/logistics, alcoholic and non-alcoholic beverages and energy efficiency construction materials. •Overview of energy efficiency materials developed for investors, which resulted in the Knauf investment of 25 million Euros in the construction-based initiative Knauf Marketing Georgia. •GNIA developed and published high-quality promotion materials, including: an "Invest in Georgia" brochure that highlights ten reasons for investing in Georgia; "3TI - Your Key to Georgia" that is focused on Georgia's travel, transit and trade opportunities; and an investment promotion video that advertises Georgia as an investment destination. <p>Inputs: Proc., Train., T. A.</p>	<ul style="list-style-type: none"> •FDI attraction strategy developed and recommended to GNIA. •Standardized template developed to produce and update overviews of Georgia's economy in sectors with the potential to attract investment. •GNIA staff gained knowledge and skills needed for developing quality promotional materials. 	<ul style="list-style-type: none"> •Adopt and implement FDI attraction strategy. •Develop relations with government bodies and general public in the areas of positive business climate legislation, advocacy of investors' complaints and suggestions, and publicizing results of GNIA's work for the general public. •Further development and regular update of sector overviews. •Use the findings for a proactive marketing approach with a strategic focus on key value chains/sectors. •Develop and publish quality promotion materials on a regular basis.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
GNIA	Institutionalization	Investment Promotion	Provide GNIA staff with the training and practices necessary to effectively promote investment in Georgia.	<ul style="list-style-type: none"> •GNIA staff had insufficient skills and expertise in the field of FDI. •The wine industry was in a disadvantageous position after the Russian embargo on certain Georgian products. As a result, specific companies took ad hoc actions to penetrate new markets. GNIA had no vision or plan to support the wine industry. •Business activities required multiple licenses and/or permits. There was no one-stop-shop principle allowing businesses to go through a transparent and consistent system for getting required licenses/permits. 	<ul style="list-style-type: none"> •Trainings provided to GNIA staff covered the following topics: basic economics, globalization and localization processes, FDI, the role of property in attracting FDI, developing sector overviews and internationally recognized practices, key roles of investment promotion agencies, investment generation and servicing, customer care, and business English. •Recommendations provided for positioning and promoting Georgian wine in the context of international competition. •A wine seminar was conducted for Georgian wine companies and interested stakeholders were provided with an overview of the US wine industry and the opportunities for Georgia to penetrate the US wine market. •Wine samples were imported from the US for a wine-tasting event that was organized jointly with the BCR project, TBSC (Tbilisi Business Service Center), and GNIA to raise awareness among winemakers about characteristics of those wines most in use and popular in US market. •In collaboration with USAID's AgVantage program, wine samples were sent to specific US traders and wholesalers to promote Georgian wine with their own budget. •In 2008, Georgian wine exports made 844,928 USD, an 85 percent increase compared to previous year. •Law on State Promotion of Investments designates GNIA as the agency responsible for receiving all applications for licenses/permits and ensuring timely processing. However, business processes and procedures are not in place with GNIA to implement this function. <p>Inputs: Adv., Draft., T.A., Train.</p>	<ul style="list-style-type: none"> •GNIA staff has been trained to undertake new tasks aligned with GNIA's strategic approach to FDI. •Contacts established with US wine importers suggested through technical assistance. Initial promotional work carried out. •Law on State Promotion of Investments designates GNIA as the agency responsible for receiving all applications for licenses/permits and ensuring timely processing. 	<ul style="list-style-type: none"> •Develop human resource management system to motivate performance, ensure achievement of results, and provide professional training and career development. •Develop business processes and procedures for GNIA to receive applications for licenses/permits, and ensure timely processing.
MOED - Construction	Institutionalization	Construction Administration	Increase efficiency and effectiveness of construction officials and construction permit authorities in implementation of MOED regulations via training.	Minimal knowledge of regulations, especially in rural regions.	<p>167 construction officials around the country were trained in the new construction legislation.</p> <p>Training of trainers delivered to 18 employees of the Tbilisi Architecture Department and the MOED in order to support the continued professional development of construction permit authorities throughout Georgia.</p> <p>Input: Training, Technical Assistance</p>	The Tbilisi Architectural department is now a legal entity of public law. Trained trainers from the Tbilisi Architectural department and the MOED can support the professional development of construction permit authorities throughout Georgia.	Implement newly adopted legislation among permit authorities.
MOED - Construction	Public-Private Dialogue	Construction Administration	Increase efficiency and effectiveness of construction officials and construction permit authorities in implementation of MOED regulations via training of private sector in construction procedures and regulations.	The private sector lacked knowledge of construction procedures and regulations.	<p>Seven PPDs were held with private companies and NGOs discussing the latest version of the construction code and changes in current legislation regulating construction issuance procedures.</p> <p>Input: Training, Technical Assistance</p>	An informational web site was created explaining the procedures and documents required for certain cases (http://tbilisi.gov.ge/architect/).	Strong informational campaigns should be conducted and trainings should be held for any interested party in order to familiarize them with newly-adopted regulations. Support materials must be printed and distributed.
MOED - Construction	Public-Private Dialogue	Construction Administration	Improve the public image of the ministries and municipality departments dealing with construction.	The ministries and departments dealing with construction were considered the third most corrupt in the GOG.	<p>Georgians are better informed about the newly streamlined procedures and regulations for construction, reducing the public perception of corruption in the associated ministries and departments.</p> <p>Input: Training</p>	An informational web site was created explaining the procedures and documents required for certain cases (http://tbilisi.gov.ge/architect/).	Strong informational campaigns should be conducted and trainings should be held for any interested party in order to familiarize them with newly-adopted regulations. Support materials must be printed and distributed.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Automation	IT Capacity	Increase the capacity of the Ministry of Finance by improving their IT system.	Poor IT System, for the following reasons: •No IT security policy •Poor IT communication between tax and customs departments •Old computers in tax department •System about to collapse	Modern IT System, including: •Fully automated systems •Documented business processes and IT processes •Central reporting system •Automated case- management •E-filing implemented •Hardware included •Oracle software included •One integrated information center Inputs: Adv., Draft., Proc., T.A., Train.	Trained IT staff in the key areas of expertise such as Oracle database management, tuning of database, documenting business processes, etc. Methodology in place to document business processes, tuning techniques, etc.	•Implementation of IT security •Develop back-up server room •Develop IT strategy for future development of MOF IT system •Enable electronic business registration history
MOF	Streamlining	Procedural Reform	Increase the capacity of the Ministry of Finance by streamlining business procedures.	There were no business processes, complicated procedures, and manual systems. Georgia was ranked 59th in starting a business on WBDB. It was impossible to register a business as a taxpayer easily. No operational procedures were in place. Business processes were undocumented, and registry was paper based.	Automated Business Processes, and streamlined tax and customs procedures implemented. Georgia was ranked fourth in starting a business on World Bank Doing Business. The number of registered individuals increased by 384% from July 1, 2006 to January 31, 2007 as compared to the same time period beginning in July 1, 2005. On-line business registry database and e-abstract were developed. Improved MOF appeals system: hearing officer introduced, tax rulings allowed by the Tax Code, etc. Inputs: Adv., Draft., T.A., Train.	Changes to the legislation supporting streamlined business processes were enacted, streamlined business processes were automated and tax officers trained in new procedures, e.g. business and tax registration. Operating procedures are in place for e-filing, customs valuation, etc..	Further streamlining and automation of MOF business processes such as: •Procedures for VAT invoices •Appeals procedures •Implementation of risk management for all tax and customs business processes including collection, refunds, etc. Continue to minimize compliance burdens on taxpayers.
MOF	Public-Private Dialogue	Legislative Reform	Establish public-private task forces to improve tax and customs legislation.	There was no communication with businesses.	Business/government partnership and public-private task force on tax and customs established. Inputs: Adv., Draft., T.A.	Business Advisory Board established. The MOF signed cooperation memorandum with five leading business associations. Joint MOF-Business tax and customs task forces cement public-private partnerships.	Institutionalize Business Advisory Board.
MOF	Institutionalization	Capacity Building	Improve MOF institutional capacity.	Massive corruption existed. The tax department lacked legislative drafting skills, adequate infrastructure, and proper conditions in offices. No communication existed between tax, customs, and financial police. Customer service was torturous and expensive. Staff was not trained.	Elimination of most corruption and improvement of legislative drafting skills. New modern service centers created. Customer service exists with willingness to support businesses - and is now more professional. The Tax Department, Customs Department, and Financial Police merged into one entity - State Revenue Service (SRS) with integrated functions. Risk analysis department created. Trained staff: provided training of trainers, study tours, and e-filing training. Inputs: Adv., Draft., Proc., T.A., Train.	•Integration of three agencies and proper organization of combined agency (SRS) •Professional and trained staff •Increased transparency •Strategic planning •Provided study tours, training of trainers •Physical infrastructure in place •Risk analysis unit established •Restructuring of IT department •Centralized audit department	Institutionalize training capacity. Improve capacity of dispute resolution staff. MOF operations are managed and assessed on the basis of a performance management system. Establish risk-based internal procedures. Continuously and actively promote voluntary compliance.
NAPR	Automation	IT Capacity	Increase the capacity of NAPR using IT.	NAPR had a weak IT infrastructure, including illegal software or no software at all, and without security for data.	Transformation into IT-based agency with licensed software. Developed IT infrastructure including a server room which allows existence of centralized registration and online access to records. IT infrastructure development and database security strategies elaborated. IT staff capacity developed enabling them to be self-managed. NAPR was recognized as IT Agency of the year in 2008. Inputs: Draft., Proc., T.A.,	NAPR has the hardware and software in place to allow sustainable reform. Training for authorized users is provided by independent training providers.	Continue constant development of IT infrastructure and its security features in order to prevent unauthorized intrusion into the system.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
NAPR	Streamlining	Procedural Reform	Increase the capacity of NAPR by streamlining operating procedures.	The system was paper-based and bureaucratic. Archives or files were non-existent, and certain documents needed notarization and stamps. NAPR was overcrowded with visitors trying to be "served" -126,000 visits/month.	Electronic registration system created. Burdensome and unnecessary requirements for notarization and stamps abolished. BTA archive digitalization strategy elaborated and up to 80% of archives digitalized with GTZ funding. NAPR introduced line management system and outsourced functions. As a result, crowds at NAPR offices have been controlled. Inputs: Adv., Draft., T.A.	Online services enabled off-site help centers, allowing users to access the systems from home. Authorized users are making profit from filing for NAPR.	Continue introduction of e-features into the system.
NAPR	Institutionalization	Capacity Building	Strengthen NAPR by improving the quality of staff.	NAPR was a low-budget agency with unmotivated and low paid staff, resulting in low quality services both in central and regional offices.	Self-financing scheme allowed NAPR to generate revenues and, by increasing funding of regional offices, improve service quality and NAPR's credibility. Input: Training	Trained and motivated staff ensures high quality services.	Continuous development of human resources.
NAPR	Institutionalization	Reduction of Corruption	Increase the capacity of NAPR by institutionalizing procedures to eliminate corruption.	The registration system design was encouraging corruption: forging of paper documents and "expediting" services for a certain amount of money was a common practice.	Introduction of staff performance monitoring system, automation, online accessibility, and transparency eliminated corruption. Input: T.A.	Institutionalization and clear procedures ensure automation and no corruption. High revenue generation means NAPR can maintain qualified professionals on staff.	
SMORC	Automation	E-legislation	Develop e-signature legislation.	There was a lack of e-signature legislation, which prevented the development of electronic services in both government and private structures.	The new Law on Electronic Document and Electronic Signature, and GOG Regulation on Accreditation rules of e-signature service providers, created the necessary legal environment for wide usage of electronic services. Creation of GOG E-Governance Commission to lead e-governance initiatives. Input: Draft., T.A.	Foundation laid for increased delivery of e-services by business and government. Wide use of electronic services and applications, automated business registry, automated real property registry. Existence and activity of GOG E-Governance Commission.	Creation of Data Exchange Agency that will enable one-stop-shop online e-services for all GOG e-governance systems. Identify e-signature service provider.
SMORC	Streamlining		Reform Georgia's business environment.	According to the WBDB Index 2006, Georgia's business environment was ranked 112th out of 178 countries.	Georgia has one of the most liberal and business-friendly environments in the world. According to WBDB 2009, Georgia ranks 15th in the world. Since 2005, Georgia won recognition as the world's number one reformer on World Bank/IFC Doing Business 2007 survey, and the top reformer over the last five years in Eastern Europe and Central Asia. Due to the recent comprehensive reforms in licensing, business and property registration, tax and customs, labor codes, privatization, and anticorruption measures, the GOG was named by the Ash Institute for Democratic Governance and Innovation as one of the five finalists for the IBM Innovations in Transforming Government Award.	A strong legal framework ensures a sustainable and permanent liberal business environment.	Elaboration of a liberal financial code to consolidate all laws regulating financial services into a single piece of legislation, providing a consistent, risk-based approach to replace the previous ad hoc, splintered approach to single issue regulation as reflected in numerous laws. Enact amendments to the law "On Drugs and Pharmaceutical Activity" to allow automatic registration of drugs that are already registered by recognized foreign competent authorities (e.g. the US Food and Drug Administration, European Medicines Evaluation Agency). This will reduce costs and increase availability of modern pharmaceuticals in Georgia and improve health sector business environment and consumers access to needed products.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SMORC	Streamlining	Reform Business Regulations	Expedite business start-up and exit procedures.	Business start-up and exit procedures were cumbersome and lengthy, taking 3 years and 21 days, respectively.	<p>The new Law on Entrepreneurs, elaborated with the significant input of the project, provided simple and clear procedures for business entry and exit procedures. In WBDB 2009 Georgia ranks 4th in starting a business.</p> <p>Changes in the law also reduced time for administrative closure of businesses from three years to about five months.</p> <p>Input: Draft.</p>	The new legal framework for business start-up and closure is provided by the Law on Entrepreneurs. Automated business registry. Steady increase in the number of company registrations.	Implement online company registration. The Law on Entrepreneurs and the Law on Electronic Document and Electronic Signature provide the legal framework allowing implementation of online registration.
SMORC	Streamlining	Reform Business Regulations	Streamline bankruptcy procedures.	Bankruptcy procedures were ineffective and lengthy. According to the WBDB Index 2006, business closure procedures took almost 3 years.	<p>The new Law on Insolvency Proceedings mandates short and effective liquidation procedures. It is hailed as a model by the World Bank, but improvements are not reflected in the WBDB Closing a Business rankings.</p> <p>Inputs: Draft., T.A.</p>	Two seminars for 20 bankruptcy judges from Kutaisi and Tbilisi City Courts, organized in cooperation with the Supreme Court and Court Reform Project to identify obstacles.	<p>Amend the Law on Insolvency Proceedings to provide:</p> <ul style="list-style-type: none"> •Stronger and more detailed restructuring procedures •Debtor-led restructuring procedures •Improved auction procedures
SMORC	Streamlining	Reform Business Regulations	Improve commercial legal and regulatory framework.	The business and property rights registration procedures presupposed the notarization of all registration documents.	<p>Amendments to the Civil Code and Law on Entrepreneurs abolished the notarization requirement for real property transactions and business registration documents.</p> <p>Input: Draft</p>	Changes are already implemented and reflected in the automated business and real property registries.	The abolition of mandatory notarization and implementation of e-signature law cleared the way for online registrations. The next step is the electronic registration of real property transactions and of companies.
SMORC	Streamlining	Reform Trade Regulations	Improve commercial legal and regulatory framework.	The requirement of a special excise registration certificate for import, export, or transit of all excisable goods served as a technical barrier to trade and hampered the increase of Georgian wine markets.	Elimination of the requirement of a special excise registration certificate for import, export, or transit of all excisable goods. This saved traders approximately 353,000 visits annually to the Excise Tax Department and eliminated 59,000 hours of work for Revenue Service officials.		Address certificate of origin requirements and consider whether they serve any useful purpose for wine samples.
SMORC	Streamlining	Reform Trade Regulations	Improve commercial legal and regulatory framework.	Burdensome and lengthy procedures for legalization of foreign official documents.	<p>Accession to the Hague Convention Abolishing the Requirement of Legalization for Foreign Public Documents and relevant amendments to several laws allowed faster and cheaper certification of foreign documents by apostille.</p> <p>Input: Draft.</p>	After the accession to the Hague Convention, four authorized Georgian institutions (the Supreme Court, Ministry of Labor, Healthcare and Social Security, Ministry of Justice and Ministry of Education and Science) have created necessary administrative and technical infrastructure to issue apostilles in their respective fields.	Consider the options for introducing e-apostilles.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SMORC	Streamlining	Investment Climate Reform	Increase investor protection.	Poor protection of investors (minority shareholders). Georgia ranked 133rd according to WBDB Protecting Investors 2006	Amended the Law on Securities Market, which provided better protection to shareholders and introduced new rules on disclosure of conflicts of interest and related party transactions for the directorate, board members, and majority shareholders of listed companies. Georgia ranked 38th in the WBDB 2009 Protecting Investors Report. Amendments to the Law on State Promotion of Investments, introducing conditional licensing for projects that require multiple licences and permits. This innovation reduces an investor's risk by allowing him to obtain all necessary licenses at the beginning, before making the initial investment. Input: Draft.	Legal framework guarantees protection of investors and minority shareholders rights.	
SMORC	Public-Private Dialogue	Communicate Reforms	Improve public-private dialogue concerning past and future reforms.	The GOG was not communicating with relevant groups or the general public about upcoming reforms or the results of accomplished reforms.	Consultations and dialogue with private sector were initiated. Eight PPDs with more than 200 participants were held on the new construction and bankruptcy legislation.	Trainings in new legislation were held for the Tbilisi Architectural Service and Regional Architectural Services (207 persons, organized with the MOED and USAID Forecast Project). Roundtables and trainings were held for bankruptcy judges from Tbilisi and Kutaisi City Courts (organized in cooperation with the Supreme Court and USAID Court Reform Project).	A comprehensive and continuous informational campaign needs to be maintained, explaining and clarifying the goals and results of the reforms. Many innovative and liberal reforms were not properly understood by the relevant groups and the general public because of the poor informational and advocacy campaign.
SMORC	Institutionalization		Coordinate and expedite reforms.	In 2004, the Office of the State Minister on Reforms Coordination was created to facilitate economic reforms and provide leadership and coordination for different bodies of the government. These bodies were engaged in a wide-ranging series of economic reforms to reduce opportunities for corruption and government interference in the economy. Actions were also aimed at easing compliance burdens on businesses, reform processes, and maintaining the pace of reform. Ministries, parliamentary groups, and industry representatives all collaborated on achieving the reforms.	In 2008, the GOG assumed that all the major reforms initiated by the SMORC were implemented including aggressive privatization of state owned assets, removing barriers to trade, liberalizing tax regimes, reducing fiscal burden, liberalizing labor regulations, simplifying and streamlining administrative processes, improving public services, licensing reform, healthcare reform, and the passage of e-signature legislation. Consequently, the SMORC was dissolved. The remaining reform initiatives were redistributed among the other line ministries.	The SMORC has served as an incubator for reform-oriented officials, and at the moment dozens of former SMORC employees continue their official career at high-level positions in different ministries and governmental institutions, bringing a broad experience in planning and implementing liberal reforms and a strong commitment to continuing these reforms.	
Revenue Service – Tax Administration	Streamlining	Capacity Building	Build Revenue Service – Tax Administration capacity to communicate among different departments of the Revenue Service, and between Tax Administration and other agencies, through legal and regulatory streamlining.	No legal basis for electronic communications between taxpayers and the Revenue Service.	Amendments to the Tax Code provide the legal authority for electronic communication between taxpayers and the Revenue Service. Inputs: Advocacy, Technical Assistance	MOF now has the legal basis for electronic communications between taxpayers and Revenue Service.	

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Streamlining	Capacity Building	Build Revenue Service capacity to implement Revenue Service – Tax Administration business processes through legal and regulatory streamlining.	The Revenue Service lacked the capacity to deliver quality tax administration because of the weak legal framework on taxation. The legal framework was inconsistent and ambiguous, which resulted in inconsistent and opaque administration, based on the skills, experience, and decision-making of individuals.	Legal framework was streamlined, made consistent with other legislation, cleared of ambiguity and duplication, bolstered with guidance and implementing procedures, and generally improved to incorporate international best practices. This streamlining of the legal framework empowered and required improved professionalism and capacity of the Revenue Service. Inputs: Technical Assistance, Training	The Revenue Service has the capacity to deliver quality tax administration due to an improved tax legal framework, which removes much of the reliance on skills, experience and decision-making of individuals and puts clarity, implementing procedures, consistency and systems in place.	Improve Revenue Service capacity to implement its business processes through legislative streamlining that strengthens the tax legal framework, including: •Full implementation of tax risk management •Issuance of legal instruments like advisory opinions, public notices, guidelines, and commentaries •Effective tax collection
Revenue Service – Tax Administration	Public-Private Dialogue	Capacity Building	Build Revenue Service – Tax Administration professionalism and capacity to deliver tax administration business processes through engagement with the public .	The tax administration did not engage the public in dialogue on: •The professionalism of the tax administration •Improved, rationalized, orderly, even-handed, and user-friendly tax administration.	The tax administration has established mechanisms for engaging the public in dialogue on the professionalism of the tax administration and improving its capacity to deliver tax administration business processes, including: •A public-private tax working group, consisting of private sector and RS-TA representatives. It meets regularly and private sector representatives share experiences with interfacing with the RS-TA, including challenges experienced. Private sector and RS-TA officials pose solutions for consideration and adoption. •A communications strategy •A trained cadre of journalists that are more capable of reporting accurately on tax administration, both informing the public of reforms and informing the public and tax administration of challenges and reform needs. Inputs: Advocacy, Technical Assistance, Training	The tax administration maintains a commitment to ongoing public private dialogue via: •The public-private tax working group •The Business Advisory Board •Ongoing MOUs with five leading business associations that engage the associations in providing input to Revenue Service reforms. •An established communications strategy •A cadre of informed journalists All of the above serve to engage the public in dialogue on the professionalism and capacity of the Revenue Service and hold the Revenue Service accountable for implementation of rationalized, orderly, even-handed, and user-friendly tax administration.	
Revenue Service – Tax Administration	Institutionalization	Capacity Building	Establish Revenue Service and enable it to operate as a single, unified body with a distinct organizational structure and distinct mandates for departments, including Tax Administration.	The Revenue Service did not exist as a single, unified entity. Instead, separate bodies (Tax, Customs, and Financial Police) were charged with often overlapping mandates. No centralized, specialized units were in place, such as the Double Taxation Unit in Revenue Service – Tax Administration, and therefore no central unit existed for exchanging information with foreign tax authorities and granting tax relief to taxpayers, which hampered implementation of double taxation treaties. There was no centralization of resources or information for internal or public use. Upon merging the three, the new Revenue Service had no strategic plan for its development.	The Revenue Service has been established, merging Tax, Customs and Financial Police utilizing recommendations on organizational structure and strategy. Centralized, specialized units have been put in place, such as the Double Taxation Unit in the Revenue Service - Tax Administration which is responsible for managing all issues regarding double taxation. The Revenue Service has a strategic plan for development as a single entity, which lays out the mission, objectives, strategies, actions, and measurement tools necessary to modernize tax administration operations and continues to be implemented. Resources are centralized, including a unified IT Department for all of MOF, and some shared offices. Project Inputs: Advocacy, Drafting, Technical Assistance, Training	The Revenue Service exists as a single, unified entity with centralized, specialized units.	

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Institutionalization	Capacity Building	Build the capacity of Revenue Service – Tax Administration to implement tax administration business processes through qualified personnel.	<p>The tax administration lacked the human resource capacity to implement proper tax administration, including:</p> <ul style="list-style-type: none"> •Unprofessional personnel •Low-level of personnel qualification •Poor specialized skills among personnel responsible for specialized functions, such as legal drafting, dispute resolution, and IT •Management personnel inexperienced and uninformed by international best practices •Dissemination of inaccurate information •Implementation of non-compliant procedures •Nonexistence of in-house capacity to provide regular training and professional development to personnel 	<p>The tax administration has improved human resource capacity to implement proper tax administration, including:</p> <ul style="list-style-type: none"> •More professional personnel empowered with improved tax legislation and automation •Personnel trained in the function of their positions, whether tax administration functions generally or specialized such as legal drafting, dispute resolution, double taxation, IT, or the like •Management personnel informed by international best practices in managing a functional tax administration and international models of successful operation of a combined revenue service via trainings, technical assistance, and study tours •Personnel trained in customer service. <p>MOF training department established, equipped with a near-term strategy, trained trainers, and curriculum development designed to deliver needs-based, result-oriented trainings</p> <p>Inputs: Advocacy, Drafting, Technical Assistance, Training</p>	<p>The tax administration has an improved human resource capacity to implement tax administration in compliance with tax legislation.</p>	<p>Continue to develop human resource capacity of the tax administration, including:</p> <ul style="list-style-type: none"> •Professionalize line tax officers •Develop job descriptions for each position •Define knowledge prerequisites for each position •Provide project management training to managers to improve their capacity to manage change and implementation of major projects •Provide advanced training in key subject matter areas such as database administration, optimization of application software, audit, risk analysis, dispute resolution, designing and documenting business processes •Develop and implement incentive systems that recognize and reward appropriate, customer-oriented conduct •Develop and implement professional development career paths for Revenue Service personnel.
Revenue Service – Tax Administration	Institutionalization	Capacity Building	Build the capacity of Revenue Service – Tax Administration to implement tax administration business processes through established policies and procedures.	<p>As separate bodies (Tax, Customs, and Financial Police) information regarding tax administration was disorganized and lacked transparency due largely to a lack of communication procedures among the three, overlapping mandates, and separation of resources.</p> <p>As a single entity, the Revenue Service lacked established policies and procedures for tax administration due largely to a weak tax legal framework that was inconsistent, ambiguous, and resulted in inconsistent and opaque administration based on the skills, experience, and decision-making of individuals. Such reliance on individuals, as opposed to a legal framework, led to rampant corruption and arbitrary decision-making. Even upon improvement of tax legislation, the Revenue Service - Tax Administration lacked the capacity to efficiently and effectively implement its tax administration business processes.</p>	<p>There is a unified communication policy within the Revenue Service, and new tax legislation improves policies and procedures. Business processes are being documented and there is increased reliance on policies and procedures rather than on individual decision-making, resulting in decreased corruption and increased efficiency.</p>		<p>Improve Revenue Service capacity to implement its business processes through established policies and procedures, including:</p> <ul style="list-style-type: none"> •Issuance of legal instruments like advisory opinions, public notices, guidelines, and commentaries •Documentation of remaining and new business processes •Issuance of instructions to line officers on how to carry out existing and new business processes

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Institutionalization	Capacity Building	Build the capacity of Revenue Service – Tax Administration to implement tax administration business processes through improved IT functional capacity.	The Revenue Service lacked functional IT capacity, including: <ul style="list-style-type: none"> •Inadequate hardware in place to perform basic Revenue Service functions •Illegal software •Inefficient utilization of Oracle software •No server room •Poor information security policy and implementation 	The Revenue Service has a modern IT system with the functional IT capacity to securely perform basic Revenue Service functions as well as reform initiatives, such as e-services, including: <ul style="list-style-type: none"> •New hardware that meets operational requirements for a modern Revenue Service offering e-services, based on international best practice •All software is legal •Oracle performance is enhanced through tuning and implementation of performance recommendations •New server room based on NAPR's server room model that includes all features of a modern server room •Improved information security based on international expertise and recommendations Inputs: Procurement, Technical Assistance, Training	The Revenue Service has a modern, more secure IT system with the functional IT capacity, including a server room, hardware, and optimized, legal software, to perform basic Revenue Service functions as well as reform initiatives, including e-service and new business process delivery.	Improve Revenue Service IT capacity through continued tuning, system performance optimization and security policy implementation that is government-wide.

Section III: Streamlined business and property registration procedures and collateral systems developed

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Automation	Capacity Building	Tax lien.	The lien registry was paper based, incomplete and plagued by mistakes.	Tax liens are automated, resulting in complete records and fewer mistakes. Inputs: Adv., Draft., T.A	The necessary software to allow electronic tax lien registration is in place.	Fully automate lien registration in cooperation with NAPR and the MOF.
MOF	Automation	Capacity Building	Information exchange between banks and Revenue Service.	A paper abstract from the entrepreneur's registry was needed for property registration.	NAPR can check online MOF business registration status of the company trying to register property, reducing time and cost. Electronic abstracts from the business registry are allowed. Inputs: Adv., Draft., T.A	Adopted changes to the business registration regulation to allow online business registration and e-abstracts.	Enhance business registry – develop history feature for electronic business registry.
MOF	Automation	Capacity Building	Electronic abstracts for business registration.	Opening bank accounts required a lengthy information exchange process between the MOF and a bank, taking an average of three days.	Information exchange between one bank and the MOF was automated. Inputs: Adv., Draft., T.A	Software allowing information exchange with banks and the MOF is in operation.	Complete automation for bank accounts, information exchange between more banks and the MOF.
MOF	Streamlining	Capacity Building	Improve the tax lien registration process.	The process for tax lien registration and cancellation was time consuming and ineffective for the following reasons: <ul style="list-style-type: none"> •There was no identification of individuals other than by name •Lengthy and cumbersome tax lien cancellation procedures existed (3-4 letters were required to be submitted in 2 different tax inspections) 	<ul style="list-style-type: none"> •The tax lien process based on tax or personal identification numbers instead of on names •Fewer steps in canceling tax lien within the RS Inputs: Adv., Draft., T.A	Changes to the regulation on tax lien processing.	Further streamlining and automation of tax lien. To increase cost effectiveness of tax lien processing requires submission of tax lien only above a certain threshold.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Streamlining	Capacity Building	Information exchange between NAPR and the MOF.	Opening bank accounts required a lengthy information exchange process between the MOF and the banks, taking an average of three days.	Information exchange with banks and MOF regarding electronic collection order and opening bank accounts implemented for one bank. This allows bank to open bank account almost instantly, and the Revenue Service to allocate and cancel collection order in few minutes. Inputs: Adv., Draft., T.A	Changes to the Tax Code to allow contracting relations with banks and electronic exchange of information. Template contract developed for information exchange with banks.	
MOF	Public-Private Dialogue	Communicate Reforms	Improve communication between the public and private sectors about business regulation reform.	No communication with businesses existed.	Business/government partnership established. The Revenue Service communicates with businesses regarding new electronic services and how to improve them. Inputs: Adv., T.A., Train	The Business Advisory Board is established and the MOF has signed a cooperation memorandum with 5 leading business associations. Public private partnerships and a joint MOF-business tax and customs task force have been established.	Institutionalize Business Advisory Board.
NAPR	Automation	Capacity Building	Increase the capacity of NAPR by centralizing and networking regional offices and cadastral mapping.	The Registry was organized into 67 regional decentralized offices.	Registry is modern, web-based, centralized, and electronic - all regional NAPR offices are connected through GGN to a single network and linked to a national unified electronic database. Cadastral mapping of Tbilisi completed and also available online. Inputs: T.A.	Automation – e-registry, online maps, regulation describing automation.	Complete cadastral mapping of Georgia.
NAPR	Automation	Capacity Building	Increase the capacity of NAPR by providing automated information exchange with relevant agencies.	NAPR, as well as other GOG agencies (State Revenue Service, Civil Registry), maintained various registries that were not linked to each other, causing difficulties to citizens in lost time and money.	NAPR has connections with the State Revenue Service and Civil Registry, information is shared between them through the web. Sharing of information between NAPR and other agencies ensures fast service, elimination of additional procedural steps and minimizing of technical errors and forgery attempts. Inputs: Draft., T.A.	NAPR has a strong vision of the need to establish e-governance.	
NAPR	Automation	Capacity Building	Establish world class property registration system.	Georgia ranked 18th in the WBDB Registering Property category.	Georgia ranks 2nd in WBDB Registering Property category. Inputs: Adv., Draft., Proc., T.A., Train		
Revenue Service – Tax Administration	Automation	Business Registration	Implementation of online business registry database.	The courts, previously responsible for business registration, utilized a paper-based system and no business registration documents were available electronically or online for government or public use. At the time of project start-up, responsibility for business registration was assigned to Revenue Service – Tax Administration, which inherited the paper business registration archives and a paper-based registry.	The Tax Administration implemented and maintains the online business registry database. All registered businesses are registered in the online database. Electronic business registration abstracts are available online for government and public use and are legal documents having the same authority as paper abstracts. Inputs: Advocacy, Technical Assistance	A single entity, Revenue Service – Tax Administration, implements and maintains the online business registry database containing registration information for all registered businesses and e-abstracts.	Enhance the online business registry database by developing a history feature for electronic business registry, issue e-document history of registration and ownership, and include ID number of authorized representative in public business registration information.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Streamlining	Business Registration	Implementation of unified, streamlined business and tax registration.	<p>Responsibility for business registration had just been handed from the courts to the Tax Administration, and the registrations (business and tax) were two separate processes. Two separate application forms needed to be completed and taxpayers were identified by two unique numbers. Business registration was an arduous process, including:</p> <ul style="list-style-type: none"> •Eight documents required for business registration •21 days required to register a business •Minimum capital required •Mandatory notarization requirements •Stamp required <p>As a result, there was a low rate of registered businesses. World Bank Doing Business Survey ranked Georgia 59th in Registering a Business.</p>	<p>Streamlining of the business registration process and unification with tax registration has significantly eased the burden of registration on businesses and the Revenue Service – Tax Administration. In particular:</p> <ul style="list-style-type: none"> •One document required for business registration •Time to register a business is three days using the WBDB methodology, although the private sector reports one hour •No minimum capital requirement •Notarization not required •No requirements for a stamp <p>As a result, there has been an increase in business registrations by 75 percent. The WBDB Survey ranked Georgia 4th in the world for registering a business in 2009.</p> <p>Inputs: Advocacy, Drafting, Procurement, Technical Assistance</p>	A single entity, Revenue Service – Tax Administration, implements unified and streamlined business and tax registration.	
Revenue Service – Tax Administration	Public-Private Dialogue	Business Registration	Improve implementation of unified, streamlined business and tax registration through engagement with the public.	<p>The Tax Administration did not engage the public in dialogue on business registration procedures and therefore was unaware of problems businesses faced during registration.</p>	<p>The Tax Administration has established mechanisms for engaging the public in dialogue on business registration procedures, including:</p> <ul style="list-style-type: none"> •A trained cadre of journalists that are more capable of reporting accurately on starting a business in Georgia, both informing the public of reforms and informing the public and Tax Administration of challenges and reform needs. <p>SRS started communicating with businesses regarding new electronic services provided to taxpayers and received comments from business sector on how to improve those services. Several meetings/trainings have been handled with banks, private companies, and taxpayers for popularization of electronic services offered by SRS.</p> <p>Inputs: Advocacy, Technical Assistance, Training</p>	The Tax Administration maintains a commitment to ongoing public private dialogue via a cadre of informed journalists, which serves to engage the public in dialogue on implementation of unified, streamlined business and tax registration.	
Revenue Service – Tax Administration	Institutionalization	Business Registration	Build the capacity of Revenue Service – Tax Administration to implement business registration through qualified personnel.	<p>The Tax Administration lacked the human resource capacity to implement proper business registration, including:</p> <ul style="list-style-type: none"> •Poor customer service, including rude personnel and long lines •Low-level of personnel qualification •Dissemination of inaccurate information •Implementation of non-compliant procedures 	<p>The Tax Administration has improved human resource capacity to implement proper tax administration, including:</p> <ul style="list-style-type: none"> •More professional personnel empowered with improved business registration legislation and automation •Personnel trained in customer service <p>Inputs: Advocacy, Procurement, Technical Assistance, Training</p>	The Tax Administration has an improved human resource capacity to implement business registration in compliance with legislation.	<p>Continue to develop human resource capacity of the Tax Administration, including:</p> <ul style="list-style-type: none"> •Professionalize line tax officers •Develop job descriptions for each position •Define knowledge prerequisites for each position •Develop and implement incentive systems that recognize and reward appropriate, customer-oriented conduct •Develop and implement professional development career paths for Revenue Service personnel

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Institutionalization	Business Registration	Build the capacity of Revenue Service – Tax Administration to implement business registration through improved IT functional capacity.	The Revenue Service lacked functional IT capacity, including: <ul style="list-style-type: none"> •Inadequate hardware in place to perform basic Revenue Service functions •Illegal software •Inefficient utilization of Oracle software •No server room 	The Revenue Service has a modern IT system with the functional IT capacity to perform basic Revenue Service functions as well as reform initiatives, such as e-services, including: <ul style="list-style-type: none"> •New hardware that meets operational requirements for a modern Revenue Service offering e-services, based on international best practice •All software is legal •Oracle performance is enhanced through tuning and implementation of performance recommendations •New server room based on NAPR’s server room model that includes all features of a modern server room Inputs: Procurement, Technical Assistance, Training	The Revenue Service has a modern IT system with the functional IT capacity, including a server room, hardware, and optimized, legal software, to perform basic Revenue Service functions as well as reform initiatives, including e-service and new business process delivery.	Improve Revenue Service IT capacity through continued tuning and system performance optimization.

Section IV: Improvements in key “framework” commercial laws

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
E-Gov Commission	Streamlining	E-legislation	Create the legal framework needed to implement e-signature and accreditation laws.	E-signature law did not exist.	E-Gov Commission developed e-signature law as well as regulation and accreditation rules. Input: Drafting	E-signature law and accreditation rules adopted, providing the legal framework for sustainable reform.	Identify e-signature service provider.
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework to provide a positive environment for construction.	WBDB dealing with Construction Permits indicators: <ul style="list-style-type: none"> •WBDB ranked Georgia 152nd •Cost was 144 percent of GNI per capita •282 days required •29 procedures 	WBDB Dealing with Construction Permits indicators: <ul style="list-style-type: none"> •WBDB ranked Georgia 10th. •Cost 20 percent of GNI per capita. •65 days. •12 procedures. Inputs: Advocacy, Drafting	A strong legal framework reinforcing the reforms creates a sustainable structure.	Further streamline and automate permit issuance procedures.
MOED - Construction	Streamlining	Zoning	Improve legal and regulatory framework on zoning.	No zoning regulations existed.	Zoning regulations were implemented. The necessary legal framework was created to allow each self-governance body to develop urban development documents, thereby determining the criteria required to issue building permits. Inputs: Advocacy, Drafting	Zoning regulations and their required legislative backing were put in place.	Implement newly adopted legislation among permit authorities.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by reducing the number of acts regulating the sector to one.	The regulatory framework for issuing permits consisted of eighteen normative acts covering three types of procedures: a) permit issuance, b) state supervision on construction, and c) putting completed premises into operation.	The construction permit is issued under Government Resolution #57 on Construction Permit Issuance Procedure and Permit Terms, drafted by the project in cooperation with the MOED (March 23, 2009), until the Construction Code of Georgia is adopted (in development since 2005.) The objective is to produce a single legislative act based on international experience, which will consolidate all regulations from planning issues through recognition of premises as fit for use. <ul style="list-style-type: none"> •Which construction work requires a construction permit was clearly defined. •The number of premises not requiring construction permits increased. •A risk-based approach to the issuance of construction permits was adopted, and different classes of permits were created based on the complexity of the proposed premises. Inputs: Advocacy, Drafting	The processes are in place to develop, finalize, and pass a construction code that will provide the necessary legal framework for a positive construction environment.	Modification and finalization of Construction Code of Georgia based on the performance of Government Resolution #57 (on Construction Permit Issuance Procedure and Permit Terms March 23, 2009).
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by introducing simplified conditions for permitting.	A minimum of 3 stages were required for the issuance of a building permit.	A permit may be obtained through one, two, or three stages, depending on the preference of the permit applicant with respect to the complexity of the project. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by eliminating unnecessary procedures from permitting process.	In addition to the normal reviews required for permitting, compulsory reviews by state-assigned experts were mandated for a wide range of premises without taking complexity, risk factors, and dimensions of construction into account. This meant that many low-risk projects – including any conducted by an individual that had a total cost of more than 0.5 million GEL – received additional and unnecessary review.	Cases of conducting mandatory expertise were reduced, and are now performed only for high risk premises (class IV and V), as well as for the construction phases of class V premises. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of fit-for-use certificates.	30-60 days were required to issue fit-for-use permits, which were issued by multiple institutions. Final approval of a building was made by commissions created on an ad-hoc basis.	15-30 days are required to issue fit-for-use permits, which are issued by one institution. The procedure for putting completed premises into operation is defined: upon examination by the appropriate state authority, the permit issuer has the authority to accept a building into operation. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of fit-for-use certificates by rationalizing inspections.	Inspections were excessively punitive. 30% of the issued fines were transferred to the special account of the construction supervising body, providing a strong incentive for excessive penalties. Because of gaps in the existing legal framework, numerous and groundless penalties were common.	By Government Resolution #57 on Construction Permit Issuance Procedure and Permit Terms, all penalties imposed for violations in the architectural-construction activity are transferred in full to the state budget of Georgia, removing the incentive for levying excessively punitive fines. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by eliminating monopolies from the process.	Order #59 on Approval of Construction Norms and Rules including Daylight Illumination and Insulation of the Ministry of Construction and Urbanization (September 21, 2001), created a family-based monopoly on insulation.	The insulation monopoly removed by Ministerial Order # 1-1/1254 on General Provisions of Land-use Regulation (July 8, 2008). Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by eliminating monopolies from the process.	Additional compulsory reviews for certain buildings were given by a single private company (the Main Division of the State Expertise of Construction Projects LTD), creating a state-financed monopoly. The state was not held accountable in the case for poorly-conducted reviews. Furthermore, a basic principle of the private law, stipulating agreements are concluded on the basis of consensus, were ignored and businesses were forced to accept the fees set by the State Expertise of Construction Projects LTD.	By Government Resolution #57 on Construction Permit Issuance Procedure and Permit Terms, there is no mandatory state expertise and the exclusive authority of the Main Division of the State Expertise of Construction Projects LTD for conducting state expertise was terminated. Authority was transferred to all those persons who meet the requirements determined under legislation. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of fit-for-use certificates by eliminating unnecessary procedures from the process.	Consent of state-backed utility companies was a prerequisite for obtaining construction permits and fit-for-use certificates.	By Government Resolution #57 on Construction Permit Issuance Procedure and Permit Terms, utility consent is not required for construction permits or fit-for-use certificates. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Institutionalization	Permitting and Certification	Improve legal and regulatory framework for the issuance of fit-for-use certificates by providing for the legalization of buildings that were constructed illegally but meet the requirements of construction legislation, thereby providing a legal basis for existence and legal protection.	The legal grounds for legalization of premises did not exist, making demolition the only possibility for illegal buildings. Illegal buildings represented a significant proportion of the total buildings in Georgia, creating a large-scale problem.	The legal basis exists for legalizing illegal buildings or parts thereof, which meet the requirements of construction legislation stipulated by Resolution #140 (Ordinance N 660 Of The President Of Georgia of November 24, 2007.) Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
MOED - Construction	Institutionalization	Legislative Reform	Improve legal and regulatory framework by introducing construction standards.	No official technical standards for construction existed, and old Soviet-era technical standards (SNIPs) were the de facto norm.	The GOG and ICC signed a MOU to collaborate on improving construction standards in Georgia. ICC translated, and it is in the process of being adapted to local needs and conditions. Relevant parts of the IBC (six chapters) registered as national standards, and the seventh chapter is under review by the GOG. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	Establish ICC chapter and implement international building codes. Establish professional certification of construction specialists by means of implemented building codes.
NAPR	Streamlining	Capacity Building	Increase the capacity of NAPR by streamlining the laws regulating NAPR.	Multiple laws were regulating different aspects of NAPR, property registration procedures were cumbersome, and Civil Codes required notarization. Often businesses had to provide NAPR with a document NAPR already had.	A single law related to NAPR was adopted. Notarization requirement abolished, as well as the requirement for business to provide NAPR with redundant documents. Inputs: Adv., Draft., T.A.,	Technical infrastructure provided and intellectual capacity institutionalized so that NAPR can operate on its own. NAPR has deep level of understanding of their work, requirements, and goals.	

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
NAPR	Streamlining	Capacity Building	Increase access to credit by streamlining pledge registry.	Registration of pledges was voluntary, and decentralized pledge registries made using movable property as collateral risky for lenders in 67 regional offices.	New Public Registry Law includes a separate chapter for registration of rights in movable property, which makes registration of pledges compulsory. Registered pledges take priority. A modern, centralized online pledge registry is now being rolled out. Inputs: Adv., Draft., T.A., Train	Workshops provided in decision-making about pledge registry and registry design.	Fully operational pledge registry. Pursue next stage of legislative reform to establish modern secured financing system (types of collateral, priorities, enforcement and leasing).
NAPR	Streamlining	Capacity Building	Increase the capacity of NAPR by streamlining the court and tax lien process.	Court and tax liens were valid before being registered, and consequently the public was unaware of them, but they were considered valid nonetheless.	Court and tax liens get priority ranking in accordance with registration date. Inputs: T.A.	Cross-agency issues are resolved in close cooperation and coordination among these entities.	
NAPR	Public-Private Dialogue	Capacity Building	Increase the capacity of NAPR by creating public-private dialogue.	There was no contact with the private sector on the side of NAPR. A lack of understanding existed regarding legislative requirements by users of the system, both in the private and public sectors.	End users of the system involved in workshops. NAPR holds public private dialogue meetings with private sector to clarify certain aspects of its activities and promote reforms/innovative approaches. Inputs: Adv., T.A., Train	NAPR has a deep understanding of the necessity of private sector involvement.	

Section V: Simplified, sensible, and transparent regulations and standards, as well as procedures for licenses, permits, and inspections

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
NAPR	Streamlining	Capacity Building	Increase the capacity of NAPR by streamlining the process for calculating registration fees.	Irrelevant determinants existed for calculating registration fees.	Elimination of unnecessary steps and irrelevant determinants dramatically decreased costs. Input: Draft., T.A.		
SRS - Customs	Streamlining	Customs Administration	Streamline customs procedures by eliminating unnecessary permits, certificates and licenses.	A large number of unnecessary permits, certificates, and licenses were required for customs procedures, including: •Phyto-sanitary and veterinary certificates and permits for an unnecessarily wide range of imports •Permits for Inward and Outward processing relief •Two different permits for customs warehouses •Licenses for customs brokers •Licenses for customs carriers	A significant reduction in the number of permits, certificates and licenses required for customs procedures, including: •A reduction in the number of products that require phyto-sanitary and veterinary certificates and permits for importation •Elimination of permits for inward and outward processing relief •Merger of the two permits required for customs warehouses •Elimination of licenses required for customs brokers •Elimination of licenses for customs carriers	Changes implemented either by a joint decree of the MOF and the Minister of Agriculture, or by the Law on Licenses and Permits.	Eliminate permit for importation of phytosanitary products, which is an unnecessary formality that should be replaced by physical inspections at the border.
SRS - Customs	Streamlining	Customs Administration	Streamline customs procedures by clarifying the requirements for a customs warehouse permit.	Unclear requirements for obtaining a customs warehouse permit.	Government Decree #240, adopted on December 20th, 2006, legislates less stringent technical and safety requirements for obtaining a permit for customs warehouses.	Changes were implemented by Decree #240 of the GOG, legalizing and institutionalizing the reforms.	Further simplify technical and safety requirements for getting customs warehouse permits.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Automation	Capacity Building	Increase the capacity of the MOF by automating audits.	No automated audits.	Automated audit selection piloted. Risks were identified.	Automated audit selection in place. Inputs: Adv., Draft., Proc., T.A., Train.	Full implementation of a risk-based audits system. Risk-based audit software will be used to plan audits for the next year. This will substitute the current practice of 100 percent audit procedures with the audit of high-risk companies selected by the software.
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining audit procedures.	Taxpayers undergo unlimited audits by many agencies.	Businesses undergo one audit per year, unless there is a court decision requiring further audits.	Central audit department within SRS established. Inputs: Adv.,T.A.	Adoption of new audit procedures. Full implementation of risk-based audits system. Additional assistance might be required from the project to develop audit methodology and procedures as well as to enhance the audit selection software that has already been developed.
MOF	Insttutionalization	Capacity Building	Increase the capacity of the MOF by centralizing inspections and audits.	Several agencies conduct a variety of inspections. No centralized audit department within SRS.	Central audit department within SRS established.	Creation of one agency (SRS). Inputs: Adv., Draft.,T.A., Train.	Randomly assign tax inspectors who will have additional capacity for audits.
Revenue Service – Tax Administration	Automation	Tax Inspections – Automated Audit Selection	Introduce simplified, sensible, and transparent regulations and standards, and procedures for tax inspections via automated audit selection.	Any business seeking a refund was audited. Otherwise, companies were selected for audit randomly and all companies were audited - a process that included selection by individuals, who were largely untrained, unprofessional, and relied upon a weak legal framework for guidance.	Automated audit selection has been piloted. Risk criteria that form the basis for selecting companies for audit have been defined. Inputs: Advocacy, Drafting, Procurement, Technical Assistance, Training.	Automated audit selection is in place.	Fully implement risk-based audits system. Risk-based audit selection software will be used to plan audits for the next year. This will substitute the current practice of 100 percent audit procedures with the audit of high risk companies selected by the software.
Revenue Service – Tax Administration	Streamlining	Tax Inspections	Introduce simplified, sensible, and transparent regulations and standards and procedures for tax inspections.	Taxpayers were subjected to unlimited audits via many agencies.	Businesses only subjected to one audit per year unless there is a court decision. Inputs: Advocacy, Technical Assistance.	Central audit department within Revenue Service established.	Adopt new audit procedures. Full implementation of risk-based audits system. Additional assistance might be required from the project to develop audit methodology and procedures as well as to enhance the already developed audit selection software.

Section VI: One-stop-shops functioning for registration, licensing, and permits

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOED - Construction	Streamlining	Permitting and Certification	Improve legal and regulatory framework for the issuance of construction permits by simplifying the construction permit process.	The individual applicant was responsible for obtaining all the documents required for a building permit from various administrative bodies.	One-stop-shop principle was introduced. The number of stops required to obtain a construction permit was reduced from 29 to 12, and the permit-issuing entity body is responsible for gathering documents for other GOG institutions. Inputs: Advocacy, Drafting	Reforms are part of a legislated regulatory framework, creating sustainable change.	
NAPR	Streamlining	Capacity Building	Increase the capacity of NAPR by streamlining the property registration process.	Six mandatory steps and two months were required to complete registration	One procedure and one day needed for registration. Inputs: Adv., Draft., Proc., T.A., Train		
NAPR	Automation	Capacity Building	Increase the capacity of NAPR by streamlining the process for getting an abstract.	At least seven days was needed to get an abstract.	Zero steps required to get an abstract. (E-abstracts available.) Inputs: Draft., Proc., T.A.,		

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SRS - Customs	Institutionalization	Getting Licenses and Permits	Make customs more customer-friendly by simplifying the procedures for obtaining a permit or a license.	In order to obtain a permit or a license, one had to deal with several government agencies in a process that was complicated and time-consuming.	A single Revenue Service window for obtaining licenses and permits was established.		Create a more efficient information exchange system between the agencies that issue permits and licenses and the agencies that check their validity. For instance, the Ministry of Agriculture issues permits for the import of veterinary product but customs checks the permit at the border; currently, the lack of a good information exchange system causes delays in customs procedures.
Section VII: Rationlized, orderly, even-handed and user-friendly tax and customs procedures							
Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining tax reporting procedures.	Complicated tax reporting procedures required redundant information. Physical submission of VAT invoices was required for all taxpayers. The tax code was ambiguous and unclear.	Simplified reporting forms. No VAT invoices are required for e-filers. Removal of ambiguities in tax code, decreased compliance burden. Inputs: Adv., Draft., Proc., T.A., Train.	Changes in legal framework. Clear procedures in place.	Further streamline tax procedures including issuance of VAT invoices. Implement electronic VAT invoicing system.
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining tax refund procedures.	No refunds were available. The old procedure required a tax audit at the taxpayer's premises for each refund, subjecting exporters to numerous tax examination and control procedures by various divisions of the MOF and SRS. Complicated procedures required submission of all the declarations and tax liens of amounts paid after the last comparison act. Refund procedures have historically been so uncertain and expensive that they discourage production for export.	Simplified refund procedures. A new instruction from the Ministry of Finance simplifies VAT refund procedures for exporters by eliminating mandatory taxpayer audits and reducing the number of steps required from 27 to 20. Inputs: Adv., Draft.	Changes in legal framework. Certain procedures in place.	Further streamline tax refund procedures. Implement the Act of Electronic Application and Electronic Comparison when the exporter requests a tax refund.
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining double taxation regulations.	Inadequate regulatory framework prevented businesses from taking advantage of double taxation treaties.	Double taxation regulations have been redrafted taking into account the main concerns businesses faced. New system is more efficient and easier to comply with. Inputs: Adv., Draft., T.A	New framework insures practical implementation of double taxation treaties.	Support implementation of new framework.
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining tax procedures and regulations, thereby increasing voluntary compliance.	Only 40 percent of taxes were collected via voluntary compliance. Taxes were mainly collected as a result of tax enforcement measures. Complicated and barely comprehensible tax procedures, and ambiguous and complicated legal regulations, created additional compliance burden for taxpayers.	70 percent of taxes collected via voluntary compliance. The number of non-payers and non-filers decreased. Elimination of ambiguities in tax code decreased compliance burden. Inputs: Adv., Draft., T.A.		Further streamline tax procedures to improve voluntary compliance.
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by streamlining voluntary disclosure procedures.	No voluntary disclosure. Taxpayers were penalized even if mistakes were made in error.	Voluntary disclosure allowed. Declared amount of voluntary disclosures increased by 10 percent. The tax code changes adopted state there will be no penalties upon voluntary disclosure. Inputs: Adv., Draft., T.A.		

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
MOF	Streamlining	Capacity Building	Increase the capacity of the MOF by introducing a force majeure clause into the tax code.	No force majeure clause. Previous tax legislation did not provide for the possibility of deduction of loss or damaged assets. August 2008 events in Georgia revealed the need for including post-war regulations in the tax legislation.	Force majeure clause introduced. A new Chapter (IX) added to the tax code and the MOF order provides for tax relief to those taxpayers whose property was damaged, destroyed or remained in the occupied territory during the state of emergency from August 9 to September 3, 2008. Now taxpayers are allowed to consider these assets as extraordinary losses and write off their value from their gross income. Consequently, such deduction will reduce taxpayers' taxable amount. In order to take advantage of this tax relief, eligible taxpayers should submit the application to the Dispute Resolution Council of the MOF, which will determine whether to grant deducting authority to the taxpayers. Inputs: Adv., Draft., T.A.	The new rule allowing businesses to deduct losses in relation to inventory, stock, fixed assets or other physical property destroyed or damaged as a result of conflict is now operating.	Further rationalize the penalties system.
MOF	Public-Private Dialogue	Capacity Building	Increase the capacity of the MOF by creating public-private dialogue.	No communication with businesses. Tax authorities were not aware of the difficulties businesses faced in fulfilling their tax liabilities.	Public-private tax force informs tax department on how to be more user friendly. Inputs: Adv., Draft., T.A.	Ongoing public private partnership (working group) established.	
MOF	Institutionalization	Capacity Building	Increase the capacity of the MOF by institutionalizing best practices and communication between relevant entities.	Poorly trained tax inspectors. No communication between tax, customs and financial police.	Trained tax officials throughout Georgia in new procedures. Tax unit, customs unit and financial police unit merged into one entity, the SRS, with integrated functions. Inputs: Adv., Draft., T.A., Train.	BSOs trained to train others on e-filing, appeals, and integration of the three agencies and proper organization of combined agency (SRS).	Authorize tax advisory opinions.
SRS - Customs	Automation	Gold List Program	Use IT to increase the capacity of customs by implementing electronic submission of customs documentation.	No electronic submission of customs documentation.	The Gold List program was established, enabling certain companies to use e-filing for customs declarations.	The necessary technical systems are in place and operational. Customs officers and traders are trained in the new technical systems.	E-filing should be extended to all companies.
SRS - Customs	Automation	Customs Risk Management	Increase the capacity of customs by implementing automated risk-based selection software.	No automated risk-based audit selection.	An automated cargo selectivity system was developed and implemented.	Risk profiles created and entered into the customs software (ASYCUDA.)	Maintenance of the automated system, regular updates of risk profiles.
SRS - Customs	Streamlining	Gold List Program	Increase the capacity of customs by streamlining customs procedures for compliant companies.	No simplified procedures for compliant companies existed.	The Gold List of companies was created, providing simplified procedures for compliant companies, including: •Clearance without going to customs warehouse •E-filing of customs declaration •Ability to avoid unqualified customs representatives (brokers) in the customs clearance process.	Customs has new practices that provide benefits and simplified procedures for compliant companies. This increases the desire of companies to be cooperative and build/maintain good records.	Further extension of the Gold List by involving more companies in program.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SRS - Customs	Streamlining	Customs Risk Management	Increase the capacity of customs by streamlining the release of goods following submission of a customs cargo declaration.	It could take up to three days for release of goods after submission of a customs cargo declaration. All shipments were subject to physical inspection, creating an inefficient inspection process.	Time for release of goods reduced to an average of two hours. 85 percent of all shipments are cleared through the yellow channel, meaning that the goods are only document checked, a process that must be completed within two hours after submission of the customs cargo declaration. Physical inspections are carried out according to generalized rules based on risk areas. 10-15 percent of imports and 13 percent of exports undergo physical inspection.	The Customs Risk Analysis department is established and operational.	The extension of risk management for all customs procedures including border procedures. Implementation of a "green channel" which allows for the release of goods without any checks.
SRS - Customs	Streamlining	International Trade	Improve Georgia's ability to facilitate international trade.	According to WBDB 2006, in Georgia 54 days were required for export and 52 days were required for import.	According to WBDB 2009, in Georgia 12 days are required for export and 14 days are required for import.		
SRS - Customs	Streamlining	Border Crossing Procedures	Increase the capacity of customs by streamlining the process to move goods across the border.	Delays at the border caused border procedures to extend several days.	It takes an average of 15 minutes to cross the Georgian border during import or export of goods.		
SRS - Customs	Streamlining	Customs Regimes	Increase the capacity of customs by streamlining customs regimes and treatment procedures.	Underdeveloped customs regimes and treatment procedures existed.	Streamlined procedures for: •Customs warehousing •Inward processing relief •Outward processing relief •Temporary importation •Export •Re-export •Returned goods relief •Transit: fees were eliminated and customs undertakes all necessary procedures after submission of documents		
SRS - Customs	Streamlining	Customs Documentation	Increase the capacity of customs by simplifying the documentation needed to import and export goods to and from Georgia.	There was no clear list describing which of 23 customs documents were required for different situations.	A comprehensive list of which documents are required was created. Some documents were eliminated entirely and others became mandatory. Now the minimum required documentation is three documents for imports and two documents for exports.		
SRS - Customs	Streamlining	Customs Valuation	Improve the service provided by customs by creating a transparent evaluation process.	Importers didn't know in advance how much they had to pay, since the Georgian customs administration did not follow WTO customs valuation rules. Customs used a price list of commodities (elaborated with the aid of the financial police) to define the customs value of imported goods, instead of using the invoice price, the standard in all WTO member countries.	In 2008 the Georgian customs administration gradually began proper implementation of customs valuation methods. The majority of goods are now cleared using their invoice price. The exception to this rule is only for high-risk shipments as determined according to the exporting country and by the type of goods.	During multiple workshops organized by GBCR, senior officials of the Customs Department and the Ministry of Finance received full information about possible valuation problems and the best practices used in the EU to aid them in further reforms.	Proper and practical implementation of all customs valuation methods. Despite the legislative changes some of the methods aren't implemented correctly, as some important details in the calculation of value still remains ambiguous and are sanctioned by customs.
SRS - Customs	Streamlining	Appeals	Improve the service provided by customs by streamlining the appeals system.	There was a complicated appeals system. Appeals procedures incurred significant expense on the part of the importer. Customs enforced waivers by holding goods until traders agreed to sanction.	The appeals system was simplified. Companies can appeal at any time, even if they originally signed the customs decision imposing sanction.		Continue to improve the efficiency of the customs appeals system, reducing the costs to traders to make appeals.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SRS - Customs	Streamlining	Voluntary Disclosure	Increase the capacity of customs by reforming the voluntary disclosure policy.	Companies attempting to disclose mistakes and be more cooperative with customs were punished, even in cases when the correction could result in increased customs liabilities. Consequently, companies had a strong incentive to hide mistakes.	The concept of voluntary disclosure has been partially introduced, increasing the compliance of companies involved in export-import operations. According to EU practice, companies have the opportunity to amend customs declarations and correct any procedural mistakes without getting penalized: (a) after the goods are cleared, (b) before these mistakes are disclosed by customs audit, or (c) before customs makes a decision about auditing the company. Amendments to the customs code enable companies to amend customs declarations by making corrections after the release of goods without a penalty to the company in two cases: when the corrections are due to changes in commercial terms which affect the customs value of goods or when corrections are made concerning the country of origin of cleared goods.	A system is in place which encourages transparent customs procedures, both on the part of the companies and the customs administration.	Introduce full voluntary disclosure.
SRS - Customs	Streamlining	Binding Advisory Opinion	Improve the service provided by customs by reforming the binding information procedures.	No binding information was available to interested persons.	It is now possible to receive binding information about classification and the country of origin of goods. The customs code states that any interested party may be notified of the SRS decision predetermining commodity classification and country of origin of goods they are going to import or export. The interested party has to provide SRS with all necessary information (technical or commercial information, processing of goods, etc.) about the goods in order to be notified of these decisions before they make customs clearance. Decisions made by SRS must be written and it is mandatory for any customs clearance office to implement them. At this time this information is available only for the commodity code and country of origin of the goods.	This system gives companies the opportunity to avoid misinterpretation and further disputes with customs by receiving information in advance.	Introduce the opportunity to receive binding information about all customs procedures.
SRS - Customs	Streamlining	Post-clearance Control	Increase the capacity of customs by improving post-clearance customs control.	No efficient post-clearance customs control, which caused delays in customs procedures.	New modern methods of post-clearance customs control have been approved and the legal framework necessary to support them has been created. Post-clearance control takes place after the release of goods and consequently does not affect customs clearance time.	A new unit of post-clearance customs control has been created and trained.	Practical implementation and further development of post-clearance customs control.
SRS - Customs	Public-Private Dialogue	Customs Task Force Created	Involve the public sector in procedural changes to customs legislation.	No public-private dialogue. The MOF made all procedural changes without the participation of the business sector. As a result, unhelpful or unnecessary changes in legislation were made, which did little to ameliorate the problems they were supposed to fix.	Regular meetings with business associations are held. A customs task force was created to provide information about sensitive problems in customs procedures and information on how to solve them.	The MOF signed an MOU with business associations about further cooperation in streamlining the fiscal environment. Cooperation will occur as public-private dialogue.	

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
SRS - Customs	Institutionalization	Lack of Coordination Between Government Agencies	Coordinate the activities of the government agencies involved in customs.	The primary problems were as follows: <ul style="list-style-type: none"> •Confusion between border agencies •The financial police were involved in customs clearance, causing an overlap of functions between the financial police and the customs administration •Difficulty in exchanging information between agencies involved in trade 	Trade-related functions were distributed in an organized fashion, resulting in the following reforms: <ul style="list-style-type: none"> •Importers deal with one agency only •Customs assumed the function of phyto-sanitary and veterinary documentary checking, as well as some functions of the border police (ie, passport control) 		Automated information exchange with other agencies involved in international trade.
Revenue Service – Tax Administration	Automation	Information Exchange	Introduce rationalized, orderly, even-handed and user-friendly tax procedures via electronic information sharing: (i) between tax department and other agencies; (ii) with financial institutions; and (iii) with the public.	The Revenue Service lacked the capacity to share information among the departments of the Revenue Service, between Revenue Service and other agencies, and between Revenue Service and the public, including: <ul style="list-style-type: none"> •No unified IT department. Tax, Customs, Treasury, Financial Police and the MOF had different IT departments •Revenue Service utilized a unique code to render the Georgian alphabet, while other ministries working closely with Revenue Service utilized Unicode •Tax lien information exchange with NAPR was manual •No data exchange with banks •Multiple websites offering no web-based applications 	The Revenue Service has a modern IT system with the capacity to share information among the departments of the Revenue Service, between Revenue Service and other agencies, and between Revenue Service and the public, including: <ul style="list-style-type: none"> •Unified MOF IT department •Action plan for transferring from unique code to Unicode •Tax lien info exchange with NAPR •Data exchange with banks •A single MOF website that includes all functions of the Revenue Service (Tax, Customs, Financial Police) with others of the MOF. The web portal includes information on laws, procedures, the MOF structure, function and forms as well as web based applications, including: checking tax balance, confirmation of receipt of payment for taxes, downloading of all returns, using an online calculator to prepare property tax returns, e-filing of all taxes, e-filing application <p>Inputs: Procurement, Technical Assistance, Training</p>	The Revenue Service has a unified, modern IT system with the capacity to share information among: <ul style="list-style-type: none"> •The departments of the Revenue Service •Between the Revenue Service and other agencies •With financial institutions on a pilot basis •Between the Revenue Service and the public using a single MOF website and a more stable system for business processes. 	Improve Revenue Service capacity to share information, including: <ul style="list-style-type: none"> •Implementation of the action plan to transfer all software to Unicode •Expansion of pilot electronic data exchange between banks and Revenue Service •Conversion of remaining modules to web application interfaces
Revenue Service – Tax Administration	Automation	E-Services	Introduce rationalized, orderly, even-handed, and user-friendly tax procedures, via electronic tax services to taxpayers.	The Revenue Service did not deliver any e-services to taxpayers: <ul style="list-style-type: none"> •No e-filing of tax returns or other e-services such as taxpayer cards, requiring paper-based submission of tax declarations. •No online taxpayer information that allowed a taxpayer to confirm status. 	The Revenue Service delivers e-services to taxpayers: <ul style="list-style-type: none"> •E-filing of all taxes. •Taxpayer card provides up-to-date information to taxpayers on the status of their payments and tax amounts due. <p>Inputs: Procurement, Technical Assistance, Training</p>	The Revenue Service delivers e-services to taxpayers.	Improve Revenue Service capacity to offer e-services, including: <ul style="list-style-type: none"> •Documentation of remaining, existing business process software. •Continued fine-tuning and development of e-services, in line with the Center for Information Exchange and the Unified Data Exchange. •Continued automation to further improve the efficiency of processes identified as priorities by businesses, such as tax lien release. •Electronic VAT invoicing.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Automation	Automated Tax Business Processes	Introduce rationalized, orderly, even-handed and user-friendly tax procedures via automated tax business processes.	<p>The Revenue Service lacked automated business processes:</p> <ul style="list-style-type: none"> Existing business processes were paper-based No workflow management software for appeals case management. Workflow was being managed manually and was paper-based No central reporting software to unify data collection and reporting for even basic reporting needs critical for analysis and decision-making. Reporting requires manual access to several databases, manipulation of data and presentation No documentation of the software developed to support existing business processes using IT Tax IT system modules were based in a Windows application, which required that online service functions be performed on in-house servers as opposed to online and resulted in significant burden on RS servers and service interruption. 	<p>The Revenue Service has a modern IT system with automated business processes:</p> <ul style="list-style-type: none"> E-filing of all taxes Appeals case management software manages the workflow for appeals cases from receipt to decision delivery as well as provides reporting, such as appeals case status, number of cases, case types, cases by tax type and more. These reports inform management decision-making and also inform policy-makers of potential areas in need of reform Central reporting system centralizes Revenue Service data into one location and utilizes business intelligence software to enable users to pull data and report it in a standard format Software for business processes is now supported with business process and software development documentation Web-based application interfaces for five key modules, improved implementation of these processes and IT system performance by 30 percent <p>Inputs: Procurement, Technical Assistance, Training</p>	<p>The Revenue Service efficiently and effectively implements new e-filing and other e-services, appeals case management, central reporting and five key modules as well as business processes due to software documentation.</p>	<p>Improve Revenue Service capacity to implement its business processes using IT, including:</p> <ul style="list-style-type: none"> Documentation of remaining, existing business process software Continued fine-tuning and development of e-services in line with the Center for Information Exchange and the Unified Data Exchange Continued automation to further improve the efficiency of processes identified as priorities by businesses, such as tax lien release
Revenue Service – Tax Administration	Streamlining	Capacity Building	Streamline tax reporting procedures.	Complicated tax reporting procedures required redundant information. Physical submission of VAT invoices was required for all taxpayers. The tax code was ambiguous and unclear.	<p>Simplified reporting forms. No VAT invoices are required for e-filers. Removal of ambiguities in tax code, decreased compliance burden.</p> <p>Inputs: Adv., Draft., Proc., T.A., Train.</p>	Changes in legal framework. Clear procedures in place.	Further streamlining of tax procedures including issuance of VAT invoices. Implementation of electronic VAT invoicing system.
Revenue Service – Tax Administration	Streamlining	Capacity Building	Streamline tax refund processes.	<p>No refunds were available. The old procedure required a tax audit at the taxpayer's premises for each refund, subjecting exporters to numerous tax examination and control procedures by various divisions of the MOF and SRS. Complicated procedures envisaged submission of all the declarations and tax liens of amounts paid after the last comparison act. Refund procedures have historically been so uncertain and expensive that they discourage production for export.</p>	<p>Refunds happening through simplified procedures. VAT refund procedures become easier for exporters. A new instruction from the MOF simplifies VAT refund procedures for exporters by eliminating mandatory taxpayer audits, reducing the number of steps required from 27 to 20.</p> <p>Inputs: Adv., Draft.</p>	Changes in legal framework. Clear procedures in place.	Further streamlining of tax refund procedures. Implementing the act of electronic application and electronic comparison of the exporter on the demand of the refund of the amount.
Revenue Service – Tax Administration	Streamlining	Legislative Reform	Streamline double taxation legislation.	Inadequate framework prevented businesses to take advantage of double taxation treaties.	<p>Double taxation regulations have been redrafted, taking into account the main concerns businesses faced. New system is more efficient and easy to comply.</p> <p>Inputs: Adv., Draft., T.A</p>	New framework insures practical implementation of double taxation treaties.	
Revenue Service – Tax Administration	Streamlining	Capacity Building	Increase voluntary compliance.	<p>No voluntary compliance was in place (40 percent). Taxes were mainly collected as a result of tax enforcement measures. Complicated and hardly understandable tax procedures coupled with ambiguous and complicated legal regulations created additional compliance burdens for taxpayers.</p>	<p>Voluntary compliance in place (70 percent). The number of non-payers and non-filers decreased. Removal of ambiguities in tax code decreased compliance burden.</p> <p>Inputs: Adv., Draft., T.A.</p>		Further streamlining of tax procedures to improve voluntary compliance.

Counterpart	Process	Initiative	Activity	Where we started	Key results	Sustainability	To do
Revenue Service – Tax Administration	Streamlining	Capacity Building	Increase voluntary disclosure.	No voluntary disclosure. Taxpayers were penalized for minor mistakes.	Voluntary disclosure allowed and 10 percent of declared amount went up. Tax Code changes adopted state that there will be no penalties for voluntary disclosure. Inputs: Adv., Draft., T.A.		
Revenue Service – Tax Administration	Streamlining	Legislative Reform	Implement force majeure clause.	No force majeure clause - previously tax legislation did not provide for the possibility of deduction of loss or damaged assets. August 2008 events in Georgia revealed the need for including post-war regulations to the tax legislation.	Force majeure clause introduced. New chapter IX ¹ added to the Tax Code and MOF Order provides for tax relief to those taxpayers whose property was damaged, destroyed or remained in the occupied territory during the state of emergency from August 9 to September 3, 2008. Now taxpayers are allowed to consider these assets as extraordinary losses and write off their value from their gross income. Consequently, such deduction will reduce taxpayers' taxable amount. In order to take advantage of this tax relief eligible taxpayers should submit the application to the Dispute Resolution Council of the MOF, which determines whether to grant deducting authority to the taxpayers. Inputs: Adv., Draft., T.A.	The new rule allowing businesses to deduct losses in relation to inventory, stock, fixed assets or other physical property destroyed or damaged as a result of conflict or natural disaster is now operating.	
Revenue Service – Tax Administration	Public-Private Dialogue	Capacity Building	Improve communication between public and private sectors.	No communication existed with businesses. Tax authorities often were not aware of the difficulties businesses met during the fulfillment of their tax liabilities.	A public private tax task force informs tax department on how to proceed-can be more user friendly. Inputs: Adv., Draft., T.A.	Ongoing public private partnership (working group).	

ANNEX D

GBCR'S GLOBAL REACH

From Azerbaijan to Zambia: Georgia Supports Business Climate Reform around the World

Georgia's focus on improving the operating environment for businesses has had a demonstrative effect on countries that are also struggle to modernize and streamline their commercial laws and build the capacity of their government's administrative bodies. Recognizing this effect, concerted efforts have been made to share the project's and Georgia's successes, methodology, processes, and expertise whenever possible. The result has been a measurable impact in countries from Azerbaijan to Zambia and growth in the capacity of the project's own technical staff. The project has also been active in sharing its measurement methodologies, with the World Bank and USAID in particular, initiating important dialogue about sharing policy impact in usable formats. Even within Chemonics International, the project has been recognized for its high quality personnel, both technical and administrative.

In **Azerbaijan**, the BCR project, at the suggestion of the World Bank Doing Business Team, coordinated a study tour to Georgia for a delegation from the Government of Azerbaijan's Entrepreneurship Development Department. The Azerbaijani delegation sought to simplify its complicated business registration and licensing procedures. Similar to previous GBCR project assistance, Azerbaijan required businesses to register separately with the Ministry of Justice, Tax and Customs office, and Department of Statistics. While in Georgia, the Azerbaijani delegation saw firsthand the effects of streamlining and unifying the business and tax registration process. Through meetings with the Georgian State Revenue Service, Ministry of Finance, and GBCR project, the delegation learned how Georgia reformed the process. Specific recommendations were given on business processes, IT platforms, and legislative requirements used in Georgia. The Azerbaijani Entrepreneurship Development Department is now working to implement recommendations given by the Government of Georgia and GBCR.

Also in **Azerbaijan**, the BCR project's financial manager supported the startup of the USAID Trade and Investment Reform Support Program (TIRSP). Through a month of technical assistance provided by the BCR financial manager in Baku, the TIRSP office was able to efficiently and effectively implement administrative and financial procedures that were compliant with USAID and allowed the technical team to focus on the implementation of this fast paced two-year program.

The **Caribbean** Open Trade Support project called on GBCR to field two consultants to help replicate Georgia's reform success. The former Customs Department Chairman, a key GBCR counterpart in streamlining border procedures, met with senior officials and business leaders to describe Georgia's approach to reform and the ensuing benefits. GBCR's customs time measurement methodology, developed to provide a baseline for customs processing times and identify obstacles to trade, was replicated in three Caribbean countries by the subcontractor who developed it for GBCR.

In **Haiti**, the BCR project's customs specialist is preparing for a three-week assignment to help the USAID I-Trade project identify ways to streamline customs processing, improve Haiti's ranking on the Trading Across Borders indicator of the World Bank *Doing Business* survey, and engage business leaders and government officials in dialogue about how to hasten reforms.

In **Kyrgyzstan**, the GBCR project's commercial law team leader provided technical assistance to the USAID Central Asia Business Environment Improvement Project (CAR BEI). GBCR supported the streamlining of construction permit processes and the development of a plan for improving the regulatory framework governing the construction sector. This technical assignment directly resulted in the adoption of the "Order for Issuing Permits for Project Designs, Construction and Real Estate Modification and Order for Commissioning Completed Building" on May 30, 2008, by the Government of Kyrgyzstan. This new legislation dramatically simplified the construction permitting

process; instituted a one-stop shop for architecture, construction, and occupancy permits; and reduced the time required to obtain a permit by six months and nine procedural steps, propelling Kyrgyzstan to 58th place, from 170th place, on the World Bank *Doing Business 2009* survey's "Dealing with Construction Permits" category. The GBCR team leader also helped Kyrgyzstan develop a reform plan that led to the country being named one of the Top 10 reformers in *Doing Business 2009*.

"This is the best example I have ever seen of cooperation and communication between two sister projects implemented by different companies. I, for my part, am very thankful to the business climate project for all their support and devotion to make this program a success."

— Irina Krapivina,
project management specialist,
USAID/Kyrgyzstan

In **Kazakhstan, Kyrgyzstan, and Tajikistan**, GBCR hosted a 25-member delegation of representatives from public and private sectors to discuss Georgia's experience with business enabling environment reform. In coordination with the CAR BEI project, GBCR staff organized meetings with GOG officials and provided information and opportunities for hands-on observation of how to design and implement reforms. The project also assisted in presenting Georgia as an example of a country with a similar history and background in implementing effective policy changes. Participant reformers from Kazakhstan, Kyrgyzstan, Tajikistan, and Georgia developed relationships that have supported the exchange of ideas and lessons learned across the region. Exchanges continue among these officials, GBCR team members, and GOG counterparts, as CAR reformers solicit ideas and advice.

Also in **Kyrgyzstan**, at the request of the World Bank *Doing Business* team, GBCR personnel reviewed and provided comments on Kyrgyzstan's draft tax code. The review and recommendations built on Georgia's experience with similar revisions to its tax code. Nearly all project recommendations were incorporated into the adopted tax code, which became effective January 1, 2009. The new Kyrgyz tax code dramatically reduces the tax and administration burden on the private and public sector. The new tax code will also significantly improve Kyrgyzstan's ranking on the 2010 World Bank *Doing Business Survey's* Paying Taxes Category.

In **Kazakhstan, Kyrgyzstan, and Tajikistan**, a GBCR construction team member is currently serving a three-month assignment to help those countries develop technical standards for construction. His assignment draws from Georgia's experience in adopting the International Building Code as a base, and further adapting the individual chapters for registration as construction technical standards.

In **Washington, D.C.**, the GBCR chief of party and home office director have provided multiple presentations and information to both the USAID Economic Growth and Trade (EGAT) office and MCC on the project's monetizing benefits impact measurement methodology. This tool allows the project to monetize the annual benefit to specific public and private sector stakeholders of specific GOG reforms supported by the project. Although the tool is not an economic indicator, it provides valuable information that allows users to easily show the impact of policy and legislative work, which is often difficult to quantify.

In **Zambia**, the BCR project's monitoring and evaluation specialist provided onsite technical assistance to the Zambia MCC Threshold project on how to utilize GBCR's monetizing benefits measurement. This assignment allowed the Zambia MCC Threshold project to better quantify impacts of reform, specifically the processes of registering businesses, importing and exporting goods, and obtaining land titles and construction permits.

U.S. Agency for International Development

1300 Pennsylvania Avenue, NW

Washington, DC 20523

Tel: (202) 712-0000

Fax: (202) 216-3524

www.usaid.gov