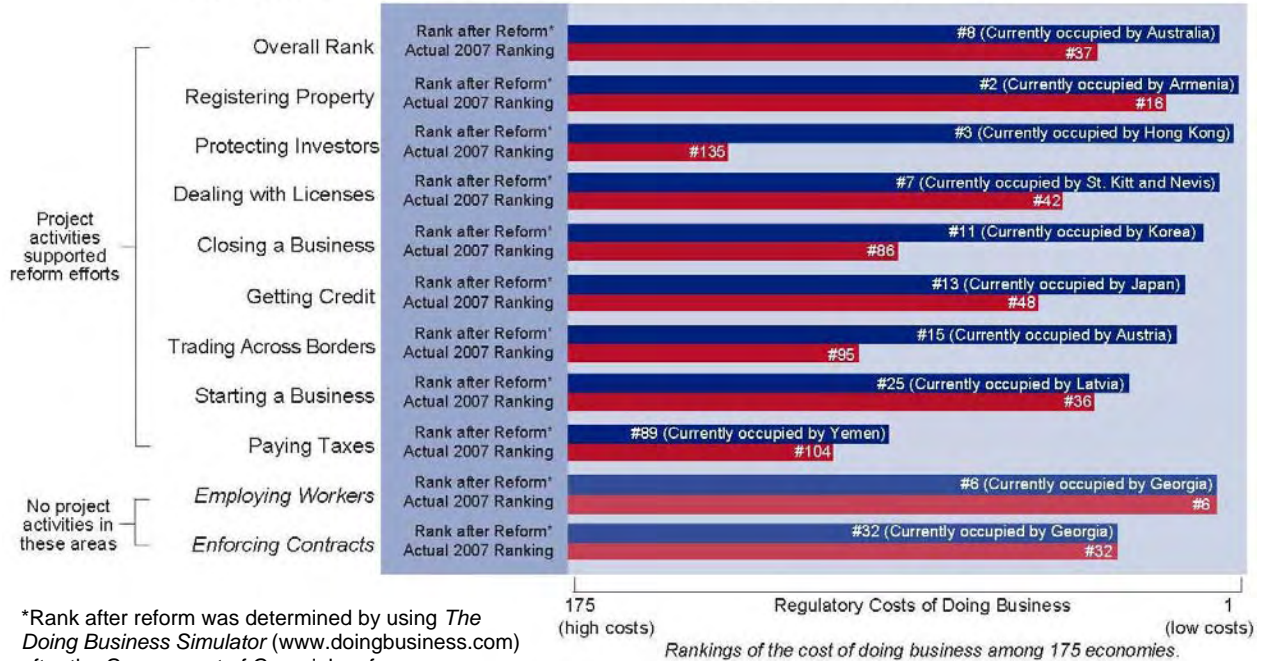




USAID
FROM THE AMERICAN PEOPLE

BUSINESS CLIMATE REFORM

Impact of New Reforms on Georgia's Rank in *The Doing Business 2007 Survey*



YEAR TWO WORK PLAN UPDATE

As of May 31, 2007

This publication was produced for review by the United States Agency for International Development. It was prepared by the USAID Business Climate Reform project, Contract No. AFP-I-00-04-00002-00, TO 3, managed by Chemonics International Inc. and submitted to USAID/Caucasus Cognizant Technical Officer Revaz Ormotsadze.

DISCLAIMER

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

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INTRODUCTION

This report describes the current status of the Project's implementation of its Year 2 Work Plan, Appendix 1, as of May 31, 2007, two months into the third quarter of our second year. This report contains:

- Highlights of key achievements to date;
- A brief overview of the Project;
- A summary of the Year 2 resources that USAID is making available; and,
- An update of our activities with Government counterparts, including narrative descriptions of the current status of ongoing initiatives and our estimates of the resources required to support each Work Plan item.

KEY ACHIEVEMENTS TO DATE

A. Annual Economic Impacts Exceed \$232 Million

Project support for Government of Georgia reform priorities has produced a wide variety of implemented reforms that improve agency operating procedures, reduce private sector compliance burdens, diminish the shadow economy, broaden the tax base, and increase state revenues.

We conservatively estimate the total economic impact of GoG reforms supported by the Project through March 31, 2007, our Sixth Quarter, at \$232.44 million. Project expenditures were \$5.15 million, producing a return on USAID's investment of \$45.13 for each dollar spent. See table at right.

The Project has retained an outside consultant, Paul Clark of the Tbilisi Business Service Center, to review our calculations of annual economic impact. He often identifies additional benefits that we have failed to account for, and sometimes, but not always, quantifies them. The total value of his calculations of the economic impact of Project initiatives is \$298,601,000, a return on investment of \$57.99 for every USAID dollar spent.

Monetary Impacts of Project Initiatives			
Q	Initiative	BCR Value	TBSC Value
3	Streamlined Customs clearance procedures for trucks	\$40,032,000	\$40,032,000
3	Accession to Hague Convention	\$12,700,000	\$12,700,000 ¹
3	Streamlined construction permitting	\$ 9,700,000	\$ 9,700,000 ²
3	Tax IT hardware upgrade	\$ 55,000	\$ 110,000
4	Streamlined Customs clearance procedures	\$51,000,000	\$51,000,000
4	Unified business and tax registration	\$12,400,000	\$12,400,000
4	Simplified Individual taxpayer registration	\$ 763,500	\$ 836,000
4	Electronic Business Registry	\$ 1,100,000	\$ 1,487,000
5	Property Registration – Eliminating mandatory notarization.	\$21,800,000	\$26,200,000
5	Online access for taxpayers to their tax account info	\$ 3,000,000	\$10,000,000
5	New Customs regime	\$ 5,600,000	\$ 5,600,000
5	Simplified export regime	\$ 980,000	\$ 1,230,000
5	Excise stamp streamlining	\$ 105,000	\$ 105,000
5	Electronic tax lien database	\$ 101,000	\$ 101,000
6	New non-filer tax collection business process (increased revenues)	\$40,000,000	\$40,000,000
6	Streamlined taxpayer registration (increased revenues)	\$25,800,000	\$79,800,000
6	Construction permit streamlining	\$ 7,300,000	\$ 7,300,000
	Total	\$232,436,500	\$298,601,000

¹ Our outside reviewer noted, “The memorandum ... does not consider the very real and very large benefits that will accrue to foreign businesses doing business in Georgia,” but no estimate provided.

² Although no alternative calculation was provided, the Project's outside reviewer noted, “It is entirely likely that the benefits will be larger than mentioned in the memorandum. In my opinion, the reported profitability of the construction industry (10 percent) seems much lower than the actual (but unknown) figure. Using a higher and more credible profitability figure would increase the benefits from the regulatory change.”

B. World Bank Doing Business Survey Indicators Improve

Georgia was named the world's number one reformer on the World Bank Doing Business 2007 Survey, leaping an unprecedented 75 places from 112th in the world to 37th. Implementation of recommendations by the Project for streamlining were responsible for improving Georgia's performance from 59th to 36th in "Starting a Business" and from 149th to 95th in "Trading Across Borders."

Impact of New Reforms on 2007 DB Rankings		
Categories	DB 2007 Rank	After Reform
Starting a Business	36	25
Dealing with Licenses	42	7
Employing Workers	6	6
Registering Property	16	2
Getting Credit	48	13
Protecting Investors	135	3
Paying Taxes	104	89
Trading across Borders	95	15
Enforcing Contracts	32	32
Closing a Business	86	11
Overall Rank	37	8

Prime Minister Zurab Noghaideli announced at the September 2006 World Bank Conference in Tbilisi to herald Georgia's status as the World's number one reformer that the Government's goal was to break into the top 25 countries in the world on the 2008 survey. The extraordinary depth and breadth of subsequent GoG reforms, most of which we supported, surpass the achievements that led to Georgia's Doing Business 2007 success. Accordingly, we are hopeful that on the Doing Business 2008 Survey, Georgia will both break into the top 25 and retain its title as the world's number one reformer.

The discussion that follows summarizes what improvements can be expected in Georgia's performance in the 10 categories of the World Bank Doing Business 2008 survey, and the project's contributions in each area. The table above shows Georgia's rank in each category of the 2007 survey. The last column shows the rank it would have had if the new reforms had been in place for the 2007 survey. Georgia's actual 2008 rankings will be affected by reforms made by other countries.

Starting a Business: The project recommended and helped draft and implement the following reforms:

- Business Registration and Tax Registration, once two separate processes with two long forms, two long lines, two visits to notaries, and two unique ID numbers is merged. Now, there is one short form, one shorter line, and one number. The statutory time limit for the Tax Department to complete registration of legal entities has been reduced to three days. Applications for registration no longer have to be notarized.
- Amendments to the Law on Entrepreneurs, Articles 3 and 5, abolished the minimum paid-in capital requirement, reducing the need to open a temporary bank account and deposit at least half of the equity capital.

Dealing with Licenses: Project consultants drafted amendments to GoG Regulation No. 140 that introduced the following construction permitting reforms.

- The procedure to issue occupancy permits has been simplified and time limits for the government to respond have been reduced. Occupancy permits are now issued by the permit issuing agency without forming a special commission. The time limit for receiving an occupancy permit is 30 days instead of 45 days as indicated in 2006 Survey.
- The requirement that a NAPR abstract, which only has a 10-day validity period, be presented three times during the permitting process is abolished. Only one abstract is now required.

- Tbilisi's Tskali" (water utility) and "Telasi" (electricity provider) have been designated as administrative bodies subjecting them to the one-stop shop-principle. Now, developers need only apply once, to the Tbilisi Urban Planning Service (TUPS), rather than separately to each of the utility companies. TUPS is responsible for obtaining the technical conditions from the utilities.

Registering Property: Mandatory notarization of immovable property transaction documents, which was redundant, expensive, and time consuming, has been eliminated at the Project's recommendation.

Closing a Business, Getting Credit: The new Law on Insolvency Proceedings will improve Georgia's performance on both the Closing a Business and Getting Credit indicators. The project made numerous comments and recommendations in drafting. Many were incorporated, but significant deviations from international norms remain.

Paying Taxes:

- The number of payments required for property tax was reduced from 4 to 1.
- Electronic filing of tax declarations will dramatically improve Georgia's ranking. The project is assisting in implementation, including drafting on an e-signature law, amendments to the Tax Code, and IT and business process design. Merger of the Tax Department into the new State Revenue Service and associated leadership changes may delay implementation for the first tax, VAT, so that it will not count for Doing Business 2008.

Trading Across Borders: Customs and border processing are improved. The GoG eliminated widespread corruption at the borders and enacted a new Customs Code and secondary legislation that took effect on January 1, 2007. Streamlined procedures were implemented at the border crossings, which further slashed customs clearance times.

C. Achievements by Key Results Areas (KRAs)

KRA 1.1 Commercial Legal and Regulatory Framework

- Georgia's accession to the Hague Convention on Recognition of Foreign Legal Acts will save Georgian citizens an estimated \$12.7 million USD annually. Impacts on business have not been estimated.
- A new, modern, streamlined Customs Code, which largely complies with international best practices, including the Revised Kyoto Convention, took effect January 1, 2007.
- "Integrated licensing" was introduced in the Law on State Support for Investment, which took effect August 1, 2006. It allows all licenses or permits associated with a single investment project to be issued at once, in advance, with the stipulation that the applicant meet certain pre-determined conditions within an established timeframe.
- Mandatory notarization of real property transaction documents was eliminated, with an estimated annual economic benefit of \$21.8 million per year for private citizens.
- Amendments to the regulation governing construction permits eliminate four procedural steps, two documentary requirements, and require utility companies to participate in the one-stop permit process.

- Amendments to the Law on Securities Market protect minority shareholders of listed companies against self-dealing and conflicts of interest by majority shareholders.
- Amendments to the Law on Entrepreneurs eliminate paid-in capital requirements for registration of limited liability companies, and reduce the time and expense required to start a company.

KRA 1.2 Public-Private Dialogue

- Designed by the GoG to be the focal point of public private-dialogue, the new Business Information Center of the Georgian National Investment Agency was opened by Georgian President Mikheil Saakashvili on May 25, 2006. Since then, it has hosted or sponsored 34 public private dialogue events attended by 1,122 participants on topics including tax and customs administration, construction reforms, and Georgia's judicial system. The BIC has also answered more than 500 queries from foreign and domestic investors with accurate, timely information about doing business in Georgia.
- More than 140 recommendations advanced by the AmCham Georgia Customs task force – or 98% – were incorporated into the new Customs Code. Both public and private sectors hail the highly collaborative process, which was supported by the Project, as a model for future cooperation.
- Private sector construction industry representatives were an integral part of a GoG task force, providing input into new regulations that reduce the time it takes to put new construction projects into use by 30-60 days and into a new Construction Code that will be introduced at the next session of Parliament.

KRA 1.3 Capacity and Professionalism of Administrative Bodies

- The Project digitized more than 50,000 paper-based business registration records the State Revenue Service inherited from the courts, and merged them with the Tax Department's tax registration database. The Project is now assisting the Tax Department in making the business registry publicly accessible online. These capacity improvements will eliminate the need for 126,000 visits a month to local tax inspectorates for citizens seeking registry abstracts, and generate direct annual savings to business and government of \$1.1 million USD annually. Collateral benefits include reducing the days, documents, and costs of other administrative processes that require an abstract from the registry.
- The Project diagnosed the causes of poor performance by the Tax Department IT system, and provided short-term fixes and long-term recommendations that are being steadily implemented. The short-term interventions produced a 15-20 percent improvement in performance, and may have averted collapse of the system, which appeared imminent.
- Six senior officials from the Ministry of Finance, Tax, Customs, and Financial Police were taken on a study tour to Latvia and Estonia in preparation for Georgia's creation of a new, unified State Revenue Agency.
- The Project sponsored 65 training sessions for 1,331 GoG officials, including:
 - Seven trainings on Oracle database features, administration, and programming were provided for IT employees of NAPR and the Tax and Customs Departments.

- In conjunction with the grand opening of the new international airport terminal in Tbilisi, 103 Customs officials and Border Police participated in customer service training delivered by the project at the request of the Government.
- The Project also worked with the Customs Department to provide intensive training to 227 line officers responsible for implementing the new Customs regime that took effect on January 1, 2007.
- Six trainings were conducted across Georgia for local municipal officials in implementing the new streamlined construction permitting procedures.
- A new SRS risk analysis unit was established at the Project's recommendation to develop policies and procedures for implementing risk management in tax and customs administration. The Project is working closely with the unit to implement customs risk management, including a new Authorized Economic Operator ("Gold List") Program to be rolled out in the coming months.
- The Tax Department's web portal, now part of the SRS, was upgraded to enable taxpayers to check their balances online and to determine if their taxes have been paid. It is estimated that this new service will save taxpayers \$3 million annually.

KRA 2.1 Transparent, Streamlined Property Registration Procedures and Collateral Systems

- The National Agency of Public Registry (NAPR) accepted the joint recommendations provided by the Project and the USAID Land Markets Development Project for streamlining implementation of the new Law on Land Registration, completely redrafting its initial regulation, and eliminating a number of superfluous days and documentary requirements.
- NAPR moved its archive of Soviet-era land and building registrations into secure, environmentally appropriate space, based on the Project's specifications and action plan.
- The Project assisted NAPR and the SRS in automating issuance of tax liens, reducing risks for lenders and buyers and administrative costs for both agencies.

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

- Customs implementation of the Project's recommendations for streamlining customs clearing procedures is saving the private sector an estimated \$91 million USD annually.
- Taxpayer registrations surged during the Project's first year, as simpler registration procedures were implemented. Total registrations almost doubled, from 40,916 in 2005 to 77,778 in 2006. Similarly, the number of physical persons registered as taxpayers tripled in the first three months after implementation of new procedures that allow them to register simply by going to a bank, showing their ID cards, and transferring funds to the Tax Department.
- New non-filer business processes developed with project assistance have been implemented for VAT, and will be rolled out to other taxes in the coming quarter. The project estimates annual increases in revenue of about \$40 million USD will result.

- The Tax Department implemented a new VAT invoice processing software module procured with USG assistance. Functions include reports from VAT invoices filed by taxpayers that identify unregistered VAT taxpayers and mismatches between invoices filed for the same transaction by buyers and sellers.
- The Government of Georgia adopted risk management as a key Customs priority as recommended by project consultants. Implementation will begin with a pilot “Gold List” program that offers high value/high volume importers a number of incentives that reduce the time to clear customs in return for adherence to a number of compliance criteria.

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

- The GoG implemented project recommendations for unifying business and tax registration procedures and for simplifying the registration process for individual entrepreneurs (see KRA 2.2 above). The estimated annual economic benefit of these reforms is \$13.2 million USD.
- The GoG has implemented amendments to construction permitting procedures drafted by project advisors that slash 30 days from the time required to put commercial and residential buildings into operation and 60 days for industrial facilities. The estimated annual economic benefit for the private sector is \$9.7 million USD.
- The GoG also adopted project recommendations for additional construction permit streamlining that eliminate four procedural steps, two documentary requirements, and require utility companies to participate in the one-stop permit process. Annual savings to business as a result are estimated at \$7.3 million USD.
- Recommendations for streamlining medical activity licenses produced in collaboration with USAID CoReform were accepted by the GoG. When implemented, 43 health care activity licenses will be replaced with 4 medical facility permits, each allowing a facility to provide a pre-approved range of services.

OVERVIEW OF USAID BUSINESS CLIMATE REFORM

A. Contract Background

A modernizing Georgia is opening to business. The Government is pursuing a broad reform agenda across multiple fronts to create the conditions for economic growth and jobs creation. USAID Business Climate Reform is intended to enhance the breadth, depth, and pace of the Government of Georgia's (GoG) reform efforts. The project's unprecedented design gives the GoG a key role in determining the project's priorities.

The USAID-financed activity, under the Commercial Legal and Institutional Reform (CLIR) IQC as AFP-I-00-04-00002-00 Task Order Number 03, was awarded to Chemonics International in September 2005. USAID Business Climate Reform is tasked with supporting the Government's reform efforts to improve the policy and operating environment for business, thereby accelerating the development and growth of private enterprises to generate employment.

This project is unique in that all of its activities are in support of priorities adopted by the GoG, although many were suggested by the project. Our contract stipulates the "need to be flexible and responsive to political changes." As such, the GoG's priorities are the project's priorities. They are driving the process of accelerated economic growth in a number of areas in which the project assists by providing resources, expertise, technical assistance, and training.

In implementing USAID Business Climate Reform, Chemonics is able to draw on the resources of its CLIR consortium partners: the Center for Good Governance (CGG), the International Center for Economic Growth (ICEG), the International Intellectual Property Institute (IPI), the Institute for Public-Private Partnerships (IP3), the National Judicial College (NJC), The Services Group (TSG), and the Telecommunications Management Group (TMG).

B. Program Description

USAID Business Climate Reform is working in the areas of regulatory streamlining, fiscal reform, and commercial law to strengthen the business environment in Georgia by:

- Improving the commercial legal and regulatory framework;
- Strengthening public-private dialogue and the capacity and professionalism of administrative bodies;
- Reducing corruption;
- Implementing streamlined property registration procedures and collateral systems;
- Implementing more rational and business friendly tax and customs procedures; and,
- Implementing streamlined business registration, licensing, standards, and inspection regulations and procedures.

The GoG, by Edict No. 455, dated November 1, 2005, appointed the State Minister on Reforms Coordination to reflect the priorities of the GoG to USAID Business Climate Reform, and to serve as the team leader of a nine-member Project Coordination Team. As requested by the Coordination Team, the project worked with its GoG counterpart

agencies to identify Year 2 priorities. After approval by USAID and the Coordination Team, the Project prepared a comprehensive Work Plan, Appendix 2, which consolidates the detailed list of tasks for each administrative body, the planned timing of each task, and its current status. The project reports on Work Plan progress during weekly meetings with the Deputy State Minister on Reforms Coordination.

Year 2 GoG counterpart agencies include:

- Office of the State Minister on Reforms Coordination;
- Ministry of Economic Development – Construction Department, National Accreditation Center, and Georgian National Investment Agency (GNIA);
- Ministry of Finance and its subordinate agency, the State Revenue Service (tax and customs); and,
- National Agency of Public Registry (NAPR) under the Ministry of Justice.

C. Organizational Structure

The USAID Business Climate Reform organizational structure is shown below. Project professionals are organized into three teams — Regulatory Streamlining, Commercial Law, and Fiscal Reform — each containing a team leader and two or three team specialists. It was originally envisioned that each team would be led by an expatriate advisor for the first two years of the project. The decision was made, in consultation with USAID, to promote Georgians to the team leader positions early. The chief of party oversees the components, and works directly with the Technical Support Team, which consists of an operations manager, strategic activities fund manager, communications specialist, and economist.

The work of the three teams has not been as neatly delineated in practice as it was on paper. All three teams collaborate closely, with some activities -- for example, the Year 1 initiative to unify business and tax registration -- requiring inputs from all three. All three also support GoG public-private dialogue initiatives, investment promotion activities, and efforts to improve Georgia's ranking on the World Bank Doing Business Survey.

The Fiscal Reform Team, which supports improved administration of the tax and customs functions of the new integrated State Revenue Service, comes closest to the original vision of a stand-alone team working in a discrete subject matter area. Even here, however, team members are often called on to support initiatives led by other teams for other agencies that touch on tax or customs issues. Automating tax lien issuance, for example, was a Commercial Law Team initiative to improve NAPR property registration. Similarly, the Fiscal Reform Team is now supporting the Regulatory Streamlining Team in simplifying export of wine samples, a priority of the State Minister on Reforms Coordination. In addition to the team leader, the team includes a fiscal reform specialist, and an IT implementation specialist, who also works with the other two teams. A dedicated fiscal reform attorney will also join the team beginning in August.

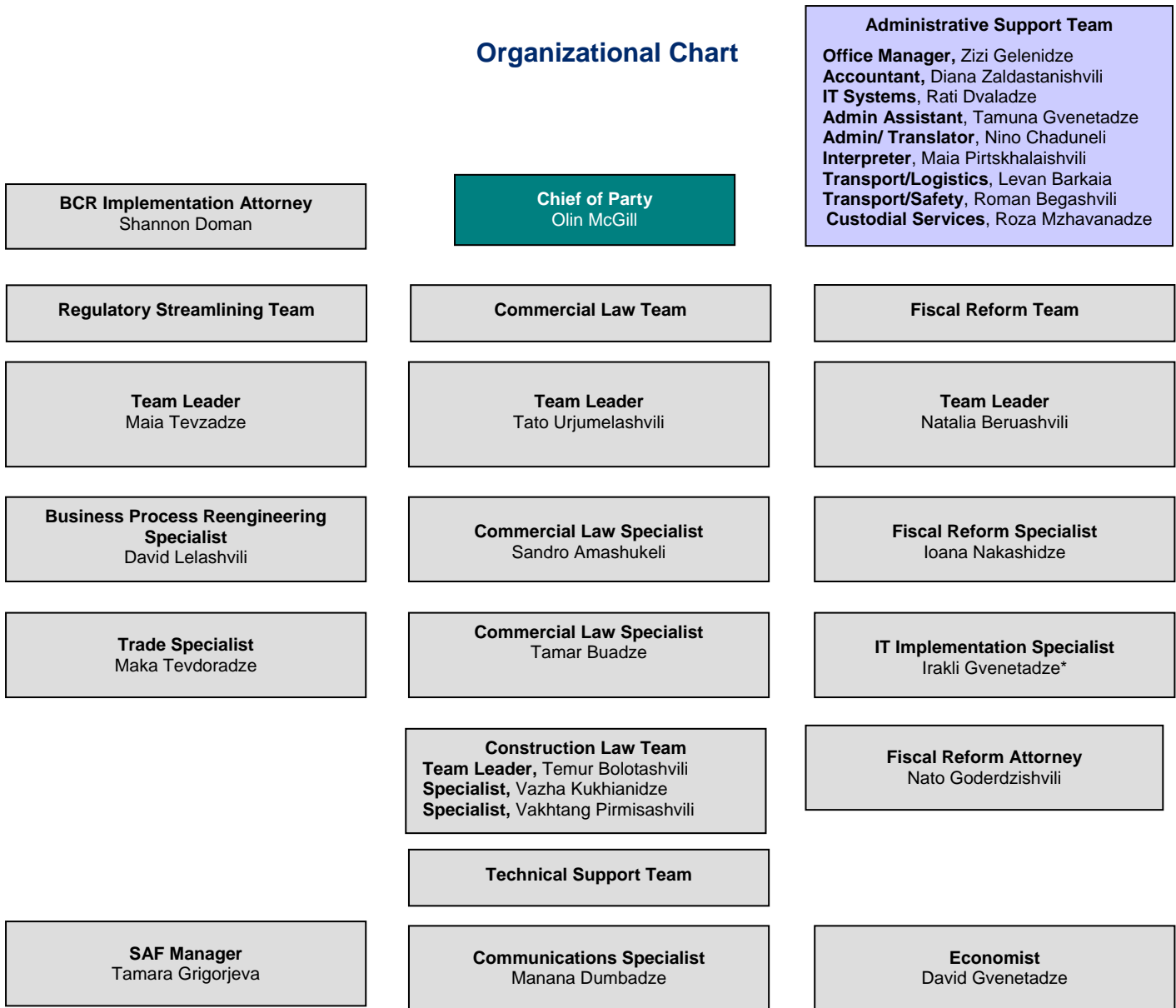
The Regulatory Streamlining Team includes a team leader, a trade specialist, who leads project support for GNIA, and a business process reengineering specialist who provides business process mapping for all components. Much of the team's work is in support of the Office of the State Minister on Reforms Coordination, including regulatory

streamlining and improving Georgia's performance on the World Bank Doing Business Survey.

The Commercial Law Team's three attorneys currently provide legal and regulatory analysis and drafting assistance for all project initiatives. The addition of a dedicated attorney to the Fiscal Reform Team in August will enable them to focus on other project initiatives. The Commercial Law Team is responsible for the project's work on property and collateral registries with NAPR, supervises the project's three-person construction framework team, e-signature draft law, and numerous other legislative framework issues.

Although the project's three teams do not function as discrete units as envisioned by the organizational chart, the mix of competencies and the very collaborative nature of the Georgian professionals who fill these roles enable the project to respond flexibly to the needs and priorities identified by the Government of Georgia.

Organizational Chart



YEAR 2 RESOURCES

The following tables show Year 2 resources available to the Project and the breakdown between fixed and discretionary budgets.

Year 2 Resource Table

Resource	Total	LOE	Monthly Average
Total Work Days Ordered	\$2,178,240.49		
Long Term (US)	\$699,276.20	796	66
Short Term (US/TCN)	\$714,991.48	633	53
Long Term (Local)	\$350,863.86	4370	364
Short Term (Local)	\$15,849.93	576	48
Home Office (US)	\$15,177.04	21	2
Multiplier	\$382,081.98	n/a	n/a
Total Materials	\$2,009,036.31		
Other Direct Costs	\$840,184.94		\$70,015
Training	\$258,628.84		\$21,552
Strategic Activities Fund	\$910,222.50		\$75,852
General and Administrative	\$80,361.43		\$6,697
Total Invoice	\$4,267,638.23		

Fixed vs. Discretionary Budget

Year 1 Total

Year 2 Total

Fixed Y1:	\$2,106,611	Fixed Y2:	\$2,367,945
Long-term (US):	\$610,256	Long-term (US):	\$699,276
Long-term (local):	\$243,949	Long-term (local):	\$350,864
Home Office:	\$76,286	Home Office:	\$15,177
Multiplier:	\$247,169	Multiplier:	\$382,082
ODC:	\$928,951	ODC:	\$920,546
Discretionary Y1:	\$955,102	Discretionary Y2:	\$1,899,693
Short-term (expat)	\$640,686	Short-term (expat)	\$714,991
Short-term (local)	\$24,596	Short-term (local)	\$15,850
Training	\$87,447	Training	\$258,629
Strategic Activities Fund	\$202,372	Strategic Activities Fund	\$910,223
Total	\$3,061,713	Total	\$4,267,638

OVERVIEW OF YEAR 1 AND PROPOSED YEAR 2 INITIATIVES

1. Ministry of Economic Development

A. Regulation of Construction Industry

Strategic Value: Project support for construction regulation reform will result in a streamlined permitting system where certified professionals design structurally sound buildings that comply with specific technical standards appropriate for Georgia. This in turn will provide an incentive for insurers to insure new constructions and ensure that insured buildings remain in compliance with technical standards. Finally, banks will have confidence in financing new construction knowing that it is structurally sound and insured. Supporting these initiatives in Year 2 will help one of the fastest growing sectors of the Georgian economy continue to grow while improving construction quality and reducing governmental regulation and oversight.

Key Tasks

- Deliver modern, coherent legal framework for regulating Georgia’s construction sector; and,
- Train implementing officials in new regime.

Deliverables:

- New Construction Code;
- Streamlined construction permitting procedures;
- Modern technical standards; and
- Trained cadre of municipal officials to implement the new regime.

Budget Allocations For Construction Regulation		
Resource	Year 1	Year 2
Short-term (expat)	\$30,140	\$28,225
Short-term (local)	\$17,499	\$0
Long-term (expat)	\$0	\$50,985
Long-term (local)	\$44,967	\$78,324
Training	\$2,952	\$25,000
Strategic Activities Fund	\$53,566	\$30,000
Total	\$104,157	\$212,534

The project’s three-person construction team, which is housed in the Ministry of Economic Development and cooperates closely with the Office of the State Minister on Reforms Coordination, is engaged in four areas:

1. **A draft Construction Code** that has been vetted extensively with the private sector in a series of public-private dialogue events is being finalized for submission to Parliament. The code simplifies construction permitting procedures and consolidates into one body of law more than fifty pieces of scattered laws and regulations, and is designed to move the industry from government regulation toward effective market self-regulation. Certification of civil engineers, architects, and other key construction professionals will be introduced, along with certification of private engineering firms to take over safety review of building design, thus privatizing this function. The law also contains civil liability and mandatory insurance provisions intended to create market incentives for assuring construction quality.
2. **Improved construction permitting procedures** envisioned by the law have already been implemented by amendments to the existing regulation.
 - The GoG has implemented amendments drafted by Project construction team members that slashed 30 days from the time required to put commercial and residential buildings into operation and 60 days for industrial facilities. The estimated annual economic benefit for the private sector is \$9.7 million USD.

- **A subsequent amendment** implemented project recommendations to eliminate four procedural steps, two documentary requirements, and require utility companies to participate in the one-stop permit process. Annual savings to business as a result are estimated at \$7.3 million USD.
3. The project is working on **developing technical standards** for construction in Georgia based on the International Building Code. One new standard, governing abutting buildings, has been completed and is awaiting signature by the Ministry of Economic Development.
 4. The project is also providing ongoing **training for municipal officials** on the new permitting rules and collaborated with the USAID SME Support project on publication of plain language guides to the new procedures.

B. Georgian National Investment Agency

Strategic Value: Two versions are available, depending on what the GoG decides is the appropriate role for GNIA:

- **An improved business climate and increased investment will result from enhancing GNIA’s capacity to serve as a focal point of public-private dialogue, provide comprehensive investor information, and act as a one-stop shop for investor licenses and permits.**
- **Supporting GNIA’s development into a world-class investment promotion agency will accelerate Georgia’s economic growth by attracting high-value, efficiency-seeking FDI that manufactures for export.**

Key Tasks

- Assist the GoG in developing consensus on GNIA’s role in investment promotion, a legal framework that conforms to that role, and a strategy for achieving it;
- Support development of human capacity and business processes to carry out GNIA’s role;
- Develop attractive, professional investment promotion tools, including web site, investor information, sectoral overviews, and an investment property database.

Year 2 Budget Allocations for GNIA and FDI Promotion		
Resource	Year 1	Year 2
Short-term (expat)	\$30,140	\$124,190
Short-term (local)	\$17,499	\$0
Long-term (expat)	\$0	\$52,740
Long-term (local)	\$71,102	\$40,880
Training	\$2,952	\$10,000
Strategic Activities Fund	\$53,566	\$60,000
Total	\$104,157	\$287,810

Deliverables:

- Strategic vision of GNIA’s role in attracting FDI;
- Legal framework that empowers GNIA to carry out its assigned role;
- Human capacity and business processes to carry out its agreed functions;
- Streamlined construction permitting procedures; and
- Attractive, professional investment promotion tools.

The Project’s assistance to GNIA is at a crossroads. Our Year 1 and current Year 2 Work Plans, agreed with prior leadership of the Ministry of Economic Development and GNIA, reflect a narrow, reactive role for GNIA in investment promotion. New leadership at the MoED and GNIA is requesting significant technical assistance in building GNIA into a

world-class investment promotion agency that uses proven techniques to identify target sectors and recruit specific companies. Some government leaders, however, are ideologically opposed to this approach. They view sectoral targeting as unwarranted government intervention in the economy, and an attempt to pick winners. Our approach in this situation is to provide options, assist in developing a clear vision of GNIA's role, support a small-scale targeted pilot to explore how it would work for Georgia, and support development of those functions on which there is clear agreement, including investor servicing and attractive, professional investment promotion tools.

The project's Year 1 collaboration with GNIA focused on establishing a Business Information Center at City Hall in Tbilisi to serve two primary functions:

- Provide rapid access to accurate information about all aspects of doing business to investors, foreign and domestic; and
- Serve as the key focal point for public-private dialogue, bringing business and government leaders together to identify problems, solutions, and priorities.

Year 1 support for the BIC included refurbishing and equipping the new office, providing three full-time Georgian project advisors to work on establishing systems for carrying out the BIC's two primary functions, and training and capacity building support.

In its first year of operation since its May 25, 2006 opening, the BIC has:

- Answered more than 500 queries from foreign and domestic investors with accurate, timely information about doing business in Georgia;
- Inaugurated an investor information hotline;
- Developed a counterpart network of GoG officials to call on for information in response to investor inquiries; and,
- Initiated bi-weekly public-private forums.

Year 2 Work Plan activities have been hampered by leadership changes at GNIA, which has experienced three directors in the past few months.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	39	\$5,927	50	\$56,450		\$0	\$25,000		\$87,377

1. Support for BIC: The project provided technical assistance and material support to Business Information Center through January 31, 2007, one month longer than contemplated by the Year 1 Work Plan, to allow new leadership a transition period. Unfortunately, BIC staffing levels fell. Although investor inquiries continue to be fielded competently and the BIC is used regularly for public-private dialogue events, GNIA has lost the capacity to develop investor informational materials.

One important subtask that continues under this activity is support for various GoG trade-related agencies to develop internet-based tools to publish information about doing business in Georgia, GoG reform initiatives, and solicit private sector feedback. The project also provided technical assistance in updating GNIA's web site, <http://www.investinggeorgia.org>, to match an \$8 million international marketing

campaign developed by M&C Saatchi, which launched the third week of May in leading world financial publications and TV channels.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	130	\$19,756	60	\$67,740		\$0			\$100,681

- 2. Provide strategic/competitive advisory services to GNIA.** At the request of new leadership at the MoED and GNIA, the project’s short-term FDI promotion specialist is providing advice on restructuring the agency to focus on core FDI attraction functions, developing an FDI attraction strategy and near-term action plan, providing basic FDI training to MoED and GNIA staff on essential functions, and helping to implement a pilot FDI targeting activity. Based on results, and subject to agreement of USAID and the GoG, the project will allocate additional resources to a more intensive FDI attraction effort.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	30	\$4,559		\$0		\$0		\$10,000	\$27,744

3. Implement one-stop license and permit principle:

- Background:** The GoG’s initial attempt to implement the one-stop principle for licensing and permitting has not worked well. The Administrative Code provides that every GoG agency will receive and forward applications to the appropriate GoG recipient. In practice, however, few do. The new Law on Special Investments now designates GNIA as the agency responsible for receiving all applications and monitoring timely processing. In addition, a new innovation, drafted by the project at the request of the State Minister on Reforms Coordination, introduces “conditional licensing” for projects that require multiple licenses and permits, and authorizes GNIA to provide fee-based coordination services with multiple agencies for investors seeking conditional licenses. This innovation reduces an investor’s risk by allowing him to obtain all necessary licenses upfront, conditionally, before beginning the investment. The conditions will be spelled out clearly, and upon satisfying them, the license becomes permanent.
- Project Support:** It was agreed with prior GNIA leadership that project team members and GNIA staff will work together on the first 5-10 applications to assess the demands that will be placed on GNIA, and pioneer new business processes and procedures. Upon completion of this pilot phase, the project will support training and capacity building to help GNIA institutionalize the process. The current GNIA Director and the MoED confirm this remains a priority, but restructuring of the agency and clarifying its role have primacy.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	20	\$3,039		\$0		\$0	\$15,000		\$31,224

4. Improved investment promotion materials: The project collaborated with Ernst & Young in producing a very attractive investment guide, "10 Reasons to Invest in Georgia," which is much appreciated by the most senior GoG officials. See, <http://www.investingeorgia.org/investingeorgia.pdf>. The project has also proposed a short-term consultant to develop MoED/GNIA capacity to research and write professional quality sectoral overviews.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	50	\$7,599	0	\$0		\$0	\$20,000		\$40,784

5. Public-Private Dialogue: USAID/Caucasus was quite explicit when the Project opened in October 2005 that meaningful public-private dialogue was of the essence of the contract. Making it happen was quite difficult at first. When asked to participate at forums or seminars on reform policy or priorities, Government-officials would say quite openly, 'We know what they need. Why should we talk to them?' After 34 public private dialogue events attended by 1,122 participants which the Project facilitated that altitude hrs charged. Most GoG officials now see the benefits in improved policy and greater public awareness. Now, most of our work in this area is in response to GoG requests. And the new Business Information Center, which was opened by Georgian President Saakashvili with Project support, often hosts events we aren't involved in.

2. National Agency for Public Registry (Ministry of Justice)

Strategic Value: Project support for NAPR, focused on streamlining property registration procedures, including improved IT systems, and implementing a modern comprehensive secured lending regime with a state-of-the-art, web-based collateral registry, will improve the operating environment for business and increase access to credit by reducing transaction costs and risks.

Key Tasks

- Prepare laws and amendments to support modern, comprehensive secured lending regime;
- Reduce transaction risks to buyers and lenders from flawed procedures for filing tax and judgment liens;
- Reduce transaction costs by eliminating mandatory notarization of documents required for property registration; and,
- Provide material support and technical assistance to NAPR in enhancing its IT system, e-services, and electronic processing of registry functions.

Budget Allocations for NAPR		
Resource	Year 1	Year 2
Short-term (expat)	\$14,615	\$60,966
Short-term (local)	\$0	\$0
Long-term (expat)	\$0	\$11,330
Long-term (local)	\$10,906	\$18,997
Training	\$19,125	\$10,000
Strategic Activities Fund	\$122,587	\$222,800
Total	\$156,327	\$324,093

Deliverables:

- Capacity building enables NAPR to make key design decisions about secured financing regime and collateral registry, and to work with project advisors in drafting the necessary framework legislation;
- Package of laws and amendments to support modern, comprehensive secured lending regime submitted to Parliament; and,
- Streamlined, efficient tax and judgment lien filing procedures eliminate risks to buyers and sellers that such liens will prime their interests.

During its first 18 months, project technical and material support was primarily focused on improving the legal and technical foundations for real property registration. With dramatic reductions in the time and expense required to register property achieved, our collaboration has now shifted to creating a comprehensive modern secured lending regime supported by a state-of-the-art, web-based collateral registry.

Our assessment of recent NAPR reforms implemented with project support identifies significant improvements in “Registering Property” indicators of the World Bank Doing Business Survey. The number of steps necessary to register property was reduced from 6 to 3, the number of days from 9 to 2, and the average cost from 0.5 percent of property value to 0.1 percent. Had these changes been in place in time for the Doing Business 2007 Survey, Georgia’s ranking in “Registering Property” would have improved from 16th to 2nd place in the world. The annual savings in time and money for property registrants is an estimated \$24 million. NAPR’s reforms have also created new business opportunities for the private sector (banks, notaries, lawyers, and real estate agencies) to offer electronic services related to property transactions. About 25 percent of registrations are now being conducted with the help of such private intermediaries, although this option was first made available only about six months ago. Assuming no growth in the 25 percent current rate, such intermediate businesses will gain \$2.4 million in additional revenues annually. The project is working with the State Revenue Service to put the Business Registry online, which will further reduce the time and steps required.

Year 2 Work Plan activities with NAPR include:

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0		\$0	130	\$146,770		\$0	\$113,000		\$259,770

- 1. Secured financing and collateral registry:** At the request of USAID and the GoG, the project’s Year 2 Work Plan begins a major initiative to improve access to credit by modernizing Georgia’s secured lending regime and introducing a state-of-the-art, web-based collateral registry. Although primarily focused on security interests in movable property, we are also collaborating with the USAID SME Support Project to support their mortgage market initiatives.

During a seven-week, intensive design phase in April and May, project consultants each week presented key issues that must be addressed, and options for resolving them. The record of preliminary decisions has become the outline for the drafting process that is now underway. Simultaneously with development of the legal

framework, the project is working with NAPR on software design and preparing the documentation necessary for system procurement.

A key design decision is to create a unified, notice-based system for all types of security interests in all types of property. The parties themselves will be responsible for entering notice of the interest claimed in the online, publicly accessible registry. NAPR’s decision to register notice of all material security interests in all property in a central, web-based system represents the leading edge in secured financing. Properly implemented, it produces the most efficient, lowest cost, and least risky system for protecting secured creditors.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	15	\$2,280	10	\$11,290		\$0			\$13,570

- 2. Reducing registration risks from tax and judgment liens:** Prevailing law and practice left buyers and lenders at risk that their interests would be subordinate to intervening or unknown tax or judgment liens. This risk has been significantly reduced by introducing new registration software that allows commercial users like banks, notaries, lawyers, and real estate firms to apply for registration online. This dramatically reduces the time between closing a transaction and registering it, narrowing the gap period of vulnerability to intervening interests like tax or judgment liens. Assistance to the State Revenue Service to automate tax lien issuance increased accuracy and reduced administrative costs for both agencies. This item has been suspended as a separate activity, and will be completed as part of the work on secured financing.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	25	\$3,799		\$0		\$0			\$12,589

- 3. Eliminate mandatory notarization of real property registration documents:** We estimate that this measure, already successfully implemented, will save registry users about \$21.8 million annually. In addition to eliminating costly fees for checking identity cards, statutory amendments broke the monopoly given to notaries to mandate use of their often inadequate forms for property transactions. Now, lenders, sellers, and buyers are free to use lawyers of their own choosing instead of the neighborhood’s only notary to document their transactions.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	90	\$13,677	5	\$5,645		\$0	\$109,800	\$10,000	\$147,912

- 4. Support for IT system improvements:** Ongoing project support for NAPR IT improvements includes purchase of licensed Oracle 10g database software, training in Oracle and Linux, rehabilitation of a secure server room for critical data, design of a back scanning procedure to eliminate paper-based archives, strategic planning, and procurement of hardware and software for the collateral registry.

3. State Minister on Reforms Coordination

Strategic Value: Initiatives with the State Minister on Reforms Coordination focus on business climate reforms that impact the World Bank's Doing Business Survey. Other significant initiatives are ongoing in the areas of construction and electronic commerce/governance. The State Minister has also requested that the project retain flexibility to address urgent priorities as they arise.

Key Tasks

- Draft Construction Code and technical standards appropriate for Georgia;
- Streamline and clarify regulatory regimes in three priority areas identified by the GoG;
- Support GoG procurement of nationwide communications network; and,
- Enact effective e-signature law, promulgate enabling regulations, and implement up to four pilot e-governance applications.

Budget Allocations for State Minister ³		
Resource	Year 1	Year 2
Short-term (expat)	\$143,917	\$174,995
Short-term (local)	\$7,935	\$9,009
Long-term (expat)	\$0	\$223,201
Long-term (local)	\$115,020	\$200,341
Training	\$4,493	\$74,000
Strategic Activities Fund	\$53,200	\$117,500
Total	\$209,545	\$799,046

Deliverables:

- Construction Code enacted, technical standards promulgated;
- Three priority regulatory regimes clarified and streamlined;
- Government agency offices across Georgia linked into nationwide communications network; and,
- Effective e-signature law enacted, enabling regulations promulgated, and up to four pilot e-governance applications implemented.

A Government decree issued November 1, 2005 names Georgia's State Minister on Reforms Coordination as the official responsible for communicating GoG business climate reform priorities to USAID and the project. The decree also appoints him to chair a project steering committee comprised of deputy ministry level officials from our GoG counterpart ministries and agencies. The State Minister has also been designated by the GoG as its "IT czar," coordinating GoG efforts to build a common network infrastructure.

Much of our work with the State Minister during the first two quarters of Year 2 has been focused on reforms targeted at improving Georgia's performance on the World Bank Doing Business 2008 Survey. See table on Page 5. As a result, progress on some Year 2 Work Plan items has been delayed. Given his role as the GoG point person on key reforms, some of our activities begin under the State Minister and are then transferred to other counterparts for implementation once the shape of the reform has been determined.

³ The total discretionary funds allocated for implementation of activities with the State Minister include \$212,534 for construction sector regulatory activities that were initiated by the State Minister, Items Hand 8 below, but are under the jurisdiction of the MoED, and are discussed separately there.

Year 2 activities include:

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
30	\$26,370	90	\$13,677		\$0	60	\$3,003	\$5,000	\$5,000	\$53,050

- 1. Clarify three regulatory framework regimes:** The goal of this activity is assist the GoG in rationalizing the regulatory frameworks of at least three regimes of importance to the business climate. Often, outdated Soviet-era regulations exist side-by-side with hasty reforms, and there are gaps and conflicts. Progress has been delayed by the focus on Doing Business. However, privatization has been chosen as the first subject area, an action plan has been approved, and the project is now reviewing applications for a short term Georgian attorney to undertake the regulatory review. The state Minister has also authorized the project to pursue streamlining of administrative procedures for closing a business, a project and private sector priority, under this activity. This initiative, separately listed as Item 10, has not been a GoG priority.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	25	\$3,799		\$0					\$3,799

- 2. Support implementation of nation-wide GoG network:** Proposals are under review from two vendors to implement a GoG wide area network that will introduce nationwide internet access for both public and private sectors. The two companies expressed interest in building the infrastructure at their own expense during an earlier stage of the competitive selection process. A GoG IT task force chaired by the State Minister on Reforms Coordination issued the Terms of Reference, developed with USG assistance, which define technical specifications for an internet-based communications system, including IP telephony, videoconferencing, and other related services, that will for the first time link all GoG offices and agencies into a single network. Selection will be based on criteria such as the rates they will charge GoG users for the services provided. A guaranteed GoG user base will defray system development costs while private sector demand builds to take advantage of internet services in areas of the country where it was previously unavailable.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	100	\$15,197		\$0		\$0	\$15,000		\$30,197

- 3. Monitor and assess impact of implemented reforms:** The project provides USAID and the GoG with quarterly assessments of the annual economic impact of actually implemented reforms. Through March 31, 2007, \$232.46 million in annual economic impacts from actually implemented reforms had accrued. See table on Page 4.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0		\$0		\$0		\$0			\$0

4. Regulatory Impact Assessment: In Year 1, the project assisted the government in developing a Regulatory Impact Assessment (RIA) tool, which helps set baselines for the current state of the regulatory environment in Georgia and identifies critical areas for regulatory reform. In addition, the project developed a regulatory checklist to accompany draft regulations and legislation that will help lawmakers and the public assess the financial and bureaucratic impact that proposed new regulations will have on the private sector. It was anticipated when the Year 2 Work Plan was developed that the project would assist the GoG in implementing the regulatory checklist, conduct the 2006-2007 Regulatory Impact Assessment, work with the government to map and streamline burdensome regulatory processes identified by the Regulatory Impact Assessment, and draft a white paper on the regulatory environment in Georgia. Whether this remains a GoG priority is unclear. Considerable effort has been devoted to assessing and improving Georgia's performance on World Bank Doing Business indicators which are a part of the RIA.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	120	\$18,236	5	\$5,645		\$0	\$15,000	\$15,000	\$53,881

5. E-Government: A draft e-signature law, prepared by the State Minister on Reforms Coordination with project support, has been approved by the Government and Parliament's Legal and Economic Committees. The first hearing by a plenary session of Parliament on the draft, submitted as a Presidential initiative, is imminent, and final passage should come within two months. Project advisors will provide assistance in drafting regulations for accreditation of electronic signature service providers and are already working with GoG agencies to implement a number of e-government applications, including electronic filing of tax and customs declarations, and property and collateral registration. The list is growing as GoG officials realize the potential for e-government solutions to reduce public sector administrative costs and private sector compliance burdens. The MoED, for example, recently requested USG assistance to evaluate the possibility of implementing electronic issuance of certificates of origin for Georgian exporters.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
20	\$17,580	75	\$11,398	25	\$28,225		\$0		\$50,000	\$107,203

6. Training and information campaign assistance on new legislative and regulatory regimes: To date, the project has sponsored 65 training sessions for 1,331 GoG officials, on topics including Oracle database and Linux administration, new construction permitting procedures, investment promotion and FDI attraction, the new customs regime, customs risk management and valuation, and using the new electronic business registry. The project has collaborated with the USAID SME

Support Project in publishing plain language publications for construction permitting and several customs guides. We also funded three television shows on reforms in customs, property registration, and the GoG's overall reform agenda. We have also supported 34 public private dialogue events attended by 1,122 participants on topics including tax and customs administration, construction reforms, and Georgia's judicial system.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
25	\$21,975	268	\$40,728	10	\$11,290		\$0	\$15,000	\$10,000	\$98,993

7. Implement technical standards for construction: Changes in leadership at the Ministry of Economic Development delayed progress on developing new, modern construction standards for Georgia. A new Minister was named shortly after the project submitted its recommendation that the GoG adopt the International Building Code as a model on which to build. That recommendation was eventually accepted, and work proceeds. Given the delay and the industry's urgent need for standards, the MoED Construction Department has asked the project's construction team to draft provisional regulations which would be adopted piecemeal and later incorporated into the comprehensive building code. The first standard, governing construction of abutting buildings, has been delivered to the Minister for signature.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
25	\$21,975	268	\$40,728	15	\$16,935		\$0	\$15,000	\$15,000	\$109,638

8. Construction Code: As noted in the discussion of this activity in the section covering the Ministry of Economic Development, a draft Construction Code that has been vetted extensively with the private sector in a series of public-private dialogue events is being finalized for submission to Parliament.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	15	\$2,280	15	\$16,935		\$0			\$32,400

9. Bankruptcy: A New Law on Insolvency Proceedings was enacted by Parliament on March 28. The chief virtue of the new law is that it provides an extremely efficient mechanism to privatize state-owned enterprises. This feature, recommended by USG consultants, will help restore valuable assets to productive use and eliminate the majority of the huge accumulation of tax arrears. Although the Law incorporates many other suggestions by USG and EBRD consultants, it also contains a number of deviations from international norms. The pilot implementation program originally envisioned has been discontinued.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	30	\$4,559		\$0		\$0	\$5,000		\$22,744

10. Business liquidation procedures: The 2005 – 2006 Regulatory Impact Assessment (see item 4) identified business liquidation procedures as overly burdensome, time consuming and expensive. The project has mapped the current process and developed recommendations to streamline it. As noted in the discussion of Items, the State Minister’s office has recently authorized the project to pursue implementation.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	45	\$6,839	10	\$11,290		\$0			\$26,919

11. Access to credit: In collaboration with USAID SME Support Project, the project is work to improve access to credit by: revising enforcement laws and procedures; eliminating collateral registration gaps; improving timeliness and accuracy of filing of tax and judgment liens; and finally implementing financial leasing. NAPR’s decision to register notice of all material security interests in all property in a central, web-based system, discussed above, enables us to pursue these objectives in a comprehensive way under this activity.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
15	\$13,185	90	\$13,677	15	\$16,935		\$0			\$43,797

12. Medical licensing: The Ministry of Labor, Health, and Social Affairs approved the draft Concept Paper developed through a cooperative effort with USAID CoReform. A Government issued decree mandating essential standards for hospital licensing incorporates 90% of critical standards recommended in the Concept Paper. The GoG has accepted the joint recommendations on a new streamlined system for medical licensing and accreditation, but has deferred implementation pending privatization of the hospital system.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0		\$0		\$0					\$0

13. Accreditation and certification: Our Year 2 Work Plan technical assistance to the Georgian Accreditation Center’s (GAC) efforts to achieve partner status in the European Accreditation. Partnership status facilitates EU member state acceptance of conformity assessment documents issued by Georgian accredited bodies and greater access for exports to EU markets. E-signature related matters will proceed after enactment of an e-signature law (see Item R 5), but action on other matters is on hold pending clarification of resources and priorities.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	30	\$4,559		\$0		\$0	\$5,000		\$13,954

14. Streamline procedures for paying GoG document fees: As an anticorruption measure, Georgian government agencies are prohibited from accepting direct payments for fees and services. Citizens are required to go to the agency to get an invoice, go to the bank and pay, then return to the agency with the paid invoice. These steps add days and dollars to the time required to obtain many basic services. At the request of the State Minister, the project has been investigating options for eliminating this burdensome requirement. The best option we have identified is to enable citizens to pay using mobile phone technology. The project has been meeting with banks and mobile phone providers, and sharing information about the options available and technologies required. Although some potential providers have parts of the solution, none has assembled all of the technology elements that make such services so popular in other developing economies like the Philippines and South Africa. The project is hopeful that at least one provider will emerge.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
20	\$17,580	90	\$13,677		\$0		\$0	\$12,500		\$43,757

15. Benchmarking: This activity supports the State Minister to identify reform priorities by benchmarking and analyzing Georgia's performance on internationally recognized business climate indices such as the World Bank's Doing Business Survey, the Fraser Foundation's Economic Freedom Index, the Heritage Foundation's Economic Freedom Index, and World Economic Forum's Global Competitiveness Report. The project's analysis of Georgia's 2007 Doing Business performance helped target the reforms discussed on page 5 above.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
30	\$26,370	90	\$13,677		\$0	60	\$3,003	\$5,000	\$5,000	\$53,050

16. Streamline priority business processes: This activity, although similar to the regulatory regime review described in Item 1, focuses on streamlining specific business processes. Reform of the administrative procedures for closing a business, described in Item 10, is taking place under this activity. In addition, recommendations for streamlining burdensome drug registration requirements for imported pharmaceuticals have been approved in principle by the State Minister and the Ministry of Labor, Health, and Social Affairs. Discussions on implementation are underway with the Georgian Drug Agency. If implemented, the recommendations will simplify registration of pharmaceuticals already approved by internationally recognized drug authorities, reducing time and expense for both the private sector and the government. They will also simplify transit of pharmaceuticals through Georgia, increasing the country's attractiveness as a regional distribution hub, and remove certain inefficiencies in drug sales point permitting. The State Minister requested USG assistance after complaints from pharmaceutical companies and healthcare

providers that the current, inefficient system is driving up costs and compromising healthcare.

4. Ministry of Finance

Strategic Value: Project support for the Ministry of Finance and its subordinate agency, the State Revenue Service, are focused on creating the legal foundations and technical systems for a radical change in the relationship between revenue administration and Georgian citizens. In the first years after the current Government was swept to power in the Rose Revolution, the focus was on enforcing compliance and rooting out corruption. The Financial Police was created to lead this effort and was feared by citizens as well as tax and customs officers. In announcing the merger of Financial Police and Tax and Customs Departments several months ago, Georgian President Mikheil Saakashvili said the merger would facilitate a change in relationships between citizens and the state, one based on civil relationships and voluntary compliance. The project’s initiatives are designed to make compliance easier and evasion more difficult.

The project provided organizational recommendations and assistance to the MoF task force developing the framework for the new agency and hosted a study tour to Latvia and Estonia. Both these Baltic States have unified revenue agencies and serve as good models for the GoG in establishing its new revenue agency.

The project’s extensive work with the SRS includes support to improve the tax and customs administration functions, and assistance to the SRS in improving and integrating the formerly separate IT systems to the three merged agency.

A. State Revenue Service

Key Tasks

- Provide ongoing support for integration and upgrading of the Agency’s IT systems.

Deliverables:

- Training for SRS IT personnel in Oracle development and Linux administration;
- Licensed Oracle 10g database software and development tools;
- Recommendations on organizing new SRS IT Department and integrating functions and personnel of merged agencies; and,
- Recommendations on integrating data systems.

Budget Allocations for SRS IT System Activities		
Resource	Year 1	Year 2
Short-term (expat)	\$0	\$16,935
Short-term (local)	\$0	\$0
Long-term (expat)	\$0	\$0
Long-term (local)	\$4,614	\$8,037
Training	\$38,282	\$20,000
Strategic Activities Fund	\$131,379	\$208,620
Total	\$169,661	\$253,592

Integrating IT systems of merged agencies: The project’s support for enhanced tax and customs IT systems began before their merger into the SRS, and included purchase of licensed Oracle 10g database software, training in Oracle development and Linux administration, diagnosis and emergency fixes of the Tax Department IT system that have averted system collapse, and a comprehensive assessment and recommendations for

improving IT system architecture. Ongoing work on IT upgrades for specific tax and customs functions are discussed below. In addition, the project is providing ongoing support to the new leadership of the merged IT department in organizing and implementing a restructured, integrated department. This has included a general description of system components, recommendations on organization structure, and strategic recommendations for an integrated SRS information system.

B. Customs Administration

Key Tasks

- Continuing support for streamlining border clearance procedures;
- Continue implementation of new customs regime, including resolving ambiguities and inconsistencies in new secondary regulations;
- Implement “Gold List” program for high value/high volume importers; and,
- Implement electronic filing of customs declarations.

Budget Allocations for Customs Administration		
Resource	Year 1	Year 2
Short-term (expat)	\$159,283	\$207,736
Short-term (local)	\$0	\$3,754
Long-term (expat)	\$0	\$58,916
Long-term (local)	\$31,041	\$54,067
Training	\$5,982	\$100,000
Strategic Activities Fund	\$55,667	\$131,000
Total	\$220,932	\$555,473

Deliverables:

- Draft operating procedures for clearance offices, checkpoints, seaports, and airport;
- Time measurement study of border and cargo clearance procedures;
- Revised secondary regulations for new customs regime;
- “Gold List” program implemented;
- Electronic filing of customs declarations implemented;
- Web-based import/export guide for private sector traders online; and,
- Recommendations for improvements to import/export processes for specific types of products important to Georgia’s economy.

The project’s Year 1 activities focused on two main areas: providing assistance in the development of the new Customs Code and regulations; and improving customs procedures to facilitate cross border trade. A modern Customs Code took effect on January 1, 2007. The law itself is regarded by our customs advisors as very strong, and the model the GoG used in drafting it has been hailed by private sector organizations like AmCham and the Federation of Georgian Businessmen as a model for public private sector collaboration. Our assistance included technical review and comment, and formal training and workshops for MoF and Customs staff, Members of Parliament and Parliament’s Budget and Finance Committee staff, Customs brokers, and the business community regarding the Revised Kyoto Convention and WTO and WCO requirements and recommendations. The GoG collaborated very closely with a private sector task force led by AmCham in the drafting, adopting more than 140 task force recommendations – 98% of those advanced.

Unfortunately, collaboration takes time. The new Customs Code was only completed in November 2006, leaving insufficient time to draft regulations collaboratively before the GoG’s January 1, 2007 deadline for implementing the new customs regime. The regulations were rushed and as a result are seriously flawed. New leadership at the SRS

has accepted the project’s recommendation to revisit the regulations in cooperation with the AmCham task force. The project will provide technical support to this process.

We also made recommendations to improve Customs operations at road, railroad, seaport, and airport border crossings as well as customs terminals. Most either have been, or are being, implemented. Recommendations that have not been implemented are outside the control of the customs officials and require actions by the Financial Police, Border Guard, or State Railway. We are pursuing formation of a Border Management Task Force composed of all organizations with responsibility for border activities as one means of addressing our unimplemented recommendations. The Task Force would be chaired at the highest level of Government.

Other significant accomplishments include development of a Customs risk assessment action plan and initial procedures; development of a strategic training plan for Customs; and a communications plan to ensure that all stakeholders receive timely and necessary information regarding the implementation of the new Customs Code. We also conducted a time and motion study at Customs border crossings and clearance facilities to provide baseline management information data and serve as a catalyst for additional operational improvements. The project provided IT training for Customs software developers.

The status of project support for the new leadership of the State Revenue Service in improving customs administration is as follows:

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	30	\$4,559	20	\$22,580		\$0	\$10,000	\$10,000	\$47,139

- 1. Streamlining border clearance procedures:** The project worked with former Customs Department leadership to develop detailed operating procedures for clearance offices, checkpoints, seaports, and airports, in an iterative process of drafting, reviewing, and commenting on Customs revisions. The merger of Customs into the SRS took place before they could be finalized. New leadership is taking a fresh look, and the project is optimistic that the result will be more streamlined than was acceptable to prior leadership.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	10	\$1,520	10	\$11,290		\$0	\$5,000	\$5,000	\$27,205

- 2. Creating an inter-agency border management task force:** This activity has been less successful than we would have liked, particularly when it comes to private sector involvement. We were able to convene one meeting of all relevant players to prepare the opening of the new international airport terminal, but the GoG has been resistant to regular meetings. They have accepted a related recommendation to appoint one person to be in charge of all border processes at each checkpoint.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	15	\$2,280		\$0		\$0	\$56,000	\$10,000	\$72,675

3. Document reformed process and inform stakeholders: The project procured a detailed time measurement study of border clearance procedures that documented rather remarkable improvements in time to import and export from the times reported in Doing Business 2007. New SRS leadership has asked us to redo the study during the fall and winter of 2007 to measure the impact of new reforms. We hope to use the results of the study to set customer service standards, which was agreed to by former leadership. New leadership agrees in principle, but has too much on its plate now to address this issue.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	30	\$4,559	20	\$22,580		\$0	\$10,000	\$10,000	\$51,534

4. Continued refinement of new customs regime: As noted above, the collapsed time frame between adoption of a modern Customs Code and the deadline for implementation resulted in a rush to produce the enabling regulations. The project provided drafts on transit, risk management, and, in collaboration with the EU Customs Project, on simplified customs clearance procedures. We also organized two roundtables for public-private dialogue on the new regulations. The project will provide technical support for the joint public-private sector task force that new SRS leadership has agreed to set up to comprehensively review and revise the regulations.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	10	\$1,520		\$0		\$0		\$35,000	\$40,915

5. Training customs officers in new customs regime: The project provided training in the new regime for 418 frontline Customs border and clearance officers, which included training in a computer lab on new forms and procedures.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	15	\$2,280	5	\$5,645		\$0	\$15,000		\$22,925

6. Organizing training for journalists in new customs legislation: The former Customs Chairman was removed the day before a weekend seminar was to take place. New SRS leadership has asked that this activity be delayed until it has tangible achievements to discuss.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0		\$0	74	\$83,546		\$0	\$15,000	\$15,000	\$113,546

7. Implement risk management, including “Gold List” program: The Government of Georgia has adopted risk management as a key Customs priority. USG consultants worked with the former Customs Department to develop an implementation plan, including establishing an Analytical Unit to develop and apply procedures and methodology. Implementation will begin with a pilot “Gold List” program that offers high value/high volume importers a number of incentives such as direct delivery to their own warehouses, bypassing Customs terminals, spot checks of goods instead of 100 percent inspections, and the right to pay once a month instead of for each declaration, in return for adherence to a number of compliance criteria. Georgia’s top 93 traders accounted for 40 percent of total value, 43 percent of total revenue, and 15 percent of all declarations filed. The estimated annual economic benefit to them of the Gold List program is \$15-20 million. The new head of the State Revenue Service has approved the plan and established an implementation working group jointly chaired by an SRS Deputy Chairman and the Project’s Customs Advisor. September 2007 is the target for implementation.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	25	\$3,799	20	\$22,580		\$0	\$5,000	\$10,000	\$41,379

8. Implement electronic filing of customs declaration: New SRS leadership has also approved plans to implement electronic filing of customs declarations. The new Customs Code contains provisions recommended by the project that authorize electronic submission. Implementation will take place after the SRS upgrades its Customs IT system to Asycuda World. This process is underway and is expected to be completed in August. The project is collaborating closely with the UNCTAD advisors who are supporting the upgrade.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	100	\$15,197		\$0		\$0	\$5,000		\$24,592

9. Develop web-based import/export guide: The goal of this activity is to provide persons trading across Georgia’s borders with everything they need to know in one convenient location. A vendor selected in a competitive procurement has prepared the website structure, which has been revised to conform with SRS and project requirements. The content is now being uploaded, although some delays are being experienced because SRS counterparts are distracted by other priorities.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
5	\$4,395	10	\$1,520	10	\$11,290				\$2,500	\$19,705

10. Deliver risk management and general management training: To support implementation of risk management, Project Customs Advisors developed a Risk Management Training Module and delivered a one-week seminar on the subject for about 20 SRS officials involved in risk analysis and management. The course covered general principles applicable to both tax and customs enforcement and then went deeply into customs risk management. The project will also collaborate with the USAID Public Administration Reform Project, which will be providing management training to Customs leaders. The project will provide the customs specific content.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	10	\$1,520	7	\$7,903		\$0		\$2,500	\$11,923

11. Deliver training on WTO valuation principles: The project trained 20 members of the State Revenue Service in the WTO customs valuation methodology. Knowledge assessment based on identical examinations administered prior to and after the course resulted in a 48 percent increase in scores. Practical exercises in applying the GATT agreement produced agreement of trainees and trainers alike that the complex requirements of proper customs valuation must be verified in a post-release environment rather than at the time of release. This would reduce clearance times for importing goods, remove opportunities for corruption at the time of import, and eliminate fears of customs officers that they might be arrested for incorrect assessments of valuation prior to release. USG customs advisors will also recommend that the State Revenue Service institute an outreach program with the trading community on customs valuation as a key component of its Risk Management and Informed Compliance Strategy.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
30	\$26,370	90	\$13,677		\$0	75	\$3,754	\$10,000	\$10,000	\$63,801

12. Streamline Import/Export Procedures for High Value Products: This activity targets specific priority sectors for streamlining. The project is working on reducing barriers for importing pharmaceuticals, see Item 16 in the discussion of activities with the State Minister on Reforms Coordination. We are also preparing recommendations for streamlining for exporting wine samples, because cumbersome procedures and undermining Georgia's efforts to break into new markets.

C. Tax Administration

Key Tasks

- Help design and implement new collections (non-filer, non-payer, and stop-filer) business processes;
- Review and propose improvements to refund business process;
- Support reforms of administrative appeals process;
- Support introduction of binding advisory opinions;
- Support implementation of electronic filing of tax declarations; and,
- Support implementation of electronic business registry.

Budget Allocations for Tax Administration		
Resource	Year 1	Year 2
Short-term (expat)	\$294,653	\$203,220
Short-term (local)	\$0	\$3,053
Long-term (expat)	\$0	\$28,325
Long-term (local)	\$17,198	\$29,956
Training	\$8,600	\$45,000
Strategic Activities Fund	\$227,476	\$170,000
Total	\$530,729	\$479,554

Deliverables:

- New collections business process implemented, supported by IT software modules;
- Recommendations for improving refund business process;
- Binding advisory opinions introduced;
- Electronic filing of tax declarations implemented; and,
- Electronic business registry online.

The project's areas of focus in Year 1 included both short term operational improvements, as well as beginning a comprehensive restructuring of the Tax Department based upon the implementation of a new functional organization structure and redesigned business processes. Both activities have carried over into Year 2 and our work with the new SRS. Specific Year 1 activities including development of a unified business and tax registration process which is producing significant savings to the private sector, and freeing up SRS resources. We also developed formulas to select VAT cases for audit based on risk analysis and other recommendations to improve indirect tax compliance.

The project also conducted a comprehensive review of the tax information (computer) system. We diagnosed the causes of serious performance shortcomings that threatened system collapse and funded short-term fixes that stabilized the problem and yielded a twenty percent increase in computer processing operations. We also provided the IT department with systems administrator training.

Year two activities include:

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	45	\$6,839	20	\$22,580		\$0	\$25,000	\$10,000	\$64,419

- 1. Implement New Collections Procedures:** A new non-filer business process and a software module to support it have been developed with Project support, and regional collections officials were trained in the new system. Actual implementation has been delayed as SRS officials try to sort out how to distinguish non-filers who have an obligation to pay and those who are exempt from filing because they owe no

obligation. The Project has just subcontracted for development of a new software module to support the new non-payer business process developed with project support. Political will to implement the new non-payer system is very high.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	15	\$2,280	15	\$16,935		\$0			\$19,215

2. Assess Refund Business Process: After initial work on this activity, a leadership change was followed by merger of the Tax Department into the SRS, which delayed progress. The Minister of Finance has expressed interest in moving this activity forward in connection with reforms of the administrative appeals process, Item 3.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	45	\$6,839	40	\$45,160		\$0	\$5,000	\$10,000	\$75,789

3. Improve Administrative Appeals Process: This initiative, which had stalled during initial months of consolidating the merger that created the SRS, has been reshaped and is now in high gear. The Ministry of Finance requested Project assistance in improving the Ministry's tax and customs dispute resolution system. At the Ministry's request, a project consultant consulted widely with GoG, Parliament, and business leaders and prepared a strategy and recommendations. The Ministry accepted most of the recommendations. The Minister's presentation of the plan to the private sector was warmly received. The Ministry is accepting private sector feedback on details during June, and then in July the project will field an advisor to finalize the action plan and strategy and begin implementation. Key provisions of the reform include:

- Amending the Tax Code to eliminate the numerous ambiguities that generate appeals;
- Splitting decision-making between making recommendations (professional staff) and acting on recommendations (senior officials);
- Introducing a hearing officer level at the Ministry of Finance Appeals Board and a Dispute Resolution Unit within the SRS;
- Explicitly allowing discretion to settle cases, at the highest official levels first, in specific cases such as ambiguous legal provisions;
- Publishing recommendations and decisions; and,
- Implementing case management and tracking systems for statistical analysis and performance monitoring.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
	\$0	10	\$1,520	5	\$5,645		\$0			\$7,165

4. Introduce binding advisory opinions: This is a higher priority for the project and the private sector than for the MoF. Binding advisory opinions allow an investor to get a ruling on how the tax law will be applied to the specific facts of his case before he makes an investment. The MoF initially accepted the project's recommendations to implement binding advisory opinions and drafted the necessary amendments to the

Tax Code. However, the dialogue with the private sector over plans to reform the administrative appeal process helped alert the Ministry to the many ambiguities in the Tax Code. Fearing that introducing binding advisory opinions before clarifying the Tax Code will produce a flood of requests, the Ministry has decided to delay until after the ambiguities are resolved, not an unreasonable position.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	30	\$4,559	10	\$11,290	61	\$3,053	\$50,000	\$10,000	\$87,692

5. Ongoing support for IT system improvements: A new web portal developed with Project support enables taxpayers to download forms and check the status of their taxpayer accounts online. At the request of foreign investors, the screen views are being implemented in English. A new VAT and special invoicing software module procured by the Project analyzes VAT invoices filed by taxpayers to identify unregistered VAT taxpayers and mismatches between invoices filed for the same transaction by buyers and sellers. The software also maintains a register of special invoices on excise goods, automates issuance of corrected VAT invoices and certificates for zero rated VAT payers, and integrates modules for VAT processing and transfer of invoice information from one tax inspectorate to another. The Project also provides ongoing technical advice in overhauling the tax information system, which is increasing stability, performance, and operational effectiveness.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	45	\$6,839	30	\$33,870		\$0	\$50,000	\$15,000	\$114,499

6. Implement electronic filing of tax returns: New SRS has set September as the target for introducing electronic filing of VAT returns, with other taxes to be added in coming months. With Project support, a working group headed by a Deputy SRS Head has defined the new business process for taxpayers and their agents to apply for and receive credentials and authorization to engage in online transactions, including electronic filing of tax returns. A greatly simplified VAT return was also developed that will be used for both electronic and paper filing. The project is now helping the working group finalize a Request for Proposals to develop the software to implement the new business process, which the project will procure.

LT Expat	LT Expat (\$)	LT GE	LT GE (\$)	ST Expat	ST Expat (\$)	ST GE	ST GE (\$)	SAF	Training	Total Budget
10	\$8,790	15	\$2,280	0	\$0		\$0	\$40,000		\$51,070

7. Digitize Business Registry: A project subcontractor has completed entry of more than 50,000 paper-based business registration records into the electronic business registry maintained by the SRS. Registration officials say the first of many benefits will be to eliminate 63,000 visits a month to Tax Inspectorates by persons seeking business abstracts. The SRS now issues about 63,000 abstracts a month each of which required two visits – to ask and to receive – and an average of six hours to prepare. Now, using the electronic registry, abstracts can be issued on demand in minutes. The

project is assisting the SRS in putting the new registry online. Public access, expected in June 2007, will eliminate the need for the remaining 63,000 taxpayer visits each month. The project is also helping to develop direct, online access for NAPR property registrars, which will reduce one step and one day in the “Registering Property” category of the World Bank Doing Business Survey.

Appendix 1 – Year Two Work Plan

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
MoED	ED 0	Strategic Value: An improved business climate and increased investment will result from enhancing capacity of Ministry to engage in economic policy planning and of GNIA to serve as focal point of public-private dialogue, provide comprehensive investor information, and act as a one-stop shop for licenses and permits.	09/30/07	Work plan progress is delayed by the appointment of a new Minister in late November 2006, and the departure of GNIA's Director. A new Director was appointed in April, and shortly thereafter reassigned to head the Business Information Center. A new director has now been named, and is eager to restructure and refocus GNIA on attracting FDI. The project will be working with him to revisit the work plan.	
MoED	ED 1	<i>Continued technical assistance and material support to the GNIA Business Information Center as contemplated by the Year 1 work plan.</i>	04/12/07	Completed.	
MoED	ED 1.1	Support BIC operations until GoG can assume full funding	12/31/06	Completed. Project provided extra month of support in January, to allow transition time for new leadership.	GoG assumed full funding of BIC beginning 1/1/07.
MoED	ED 1.2	Develop training/capacity building program for BIC staff	12/31/06	Completed. GIPA provided special training in basics of public administration, micro and macro economics, public finance and tax policy, and business English.	GNIA/BIC members received training in aspects of public administration essential to their work.
MoED	ED 1.3	Create a scope of work detailing the composition and functions of an advisory committee comprised of public and private sector representatives that will advise the BIC on ways to increase its effectiveness.	10/31/07	Completed. MoU incorporating SOW signed between GNIA and five business associations to form Board of Advisors. Implementation awaits appointment of new GNIA Director.	SOW for GNIA Advisory Committee.
MoED	ED 1.4	Assist GNIA and the office of the State Minister on Reforms Coordination to develop internet-based tools to publish info about GoG initiatives, solicit private sector feedback, and report on it to GoG in a form useful to decision makers.	04/12/07	In progress. RFPs were issued for: a) GNIA web database of investors, investment projects, and Georgian businesses. Completed but awaits new GNIA Director for implementation. b) four websites for trade-related agencies (Customs, SMRC, NAC, BIC), are likely to be delayed by changes in leadership/personnel at BIC, Customs, and SMRC.	Web tools online and in use.
MoED	ED 1.5	Provide consultancy to GNIA aimed at developing strategy for positioning and promoting Georgian wine in the context of international competition	01/31/07	Completed.	1. Seminar for Wine Producers; 2. Report, recommendations; 3. Wine production cost template.
MoED	ED 2	Provide strategic/competitiveness advisory services to MoED	Ongoing	FDI expert is working on intermittent assignment. He recommends Georgia develop a strategy, refocus on FDI product development, investor servicing, and move targeted marketing. GoG focus on Invest in Georgia forums area distraction.	MoED implements mechanisms for benchmarking and selling competitive advantages and identifying and redressing competitive disadvantages.
MoED	ED 3	Implement one-stop licensing and permitting and conditional licensing and permitting procedures for activities that require multiple licenses.	TBD	New director wants to implement this important investor service, but is unlikely to be able to do it well with current focus on Invest in Georgia forums.	One-stop and conditional licensing actually implemented and available to investors.
MoED	ED 4	Assist GNIA in improving design and content of investment brochure ("10 Reasons to Invest in Georgia") and developing professional quality sectoral overviews.	TBD	Partially completed: Investment brochures updated. SOW being developed for STA to prepare high priority sectoral overviews and build local capacity to develop and update others.	1. Updated investment guide; 2. Professional quality sectoral overviews.

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
MoED	ED 5	Continue holding roundtables and/or focus groups with private sector to identify areas of concern and communicate findings and recommendations to appropriate government bodies	09/30/07	Ongoing. In the Sixth Quarter, 303 persons participated in nine public-private dialogue events on topics ranging from transportation and tourism issues to changes in the new construction code. In the Fifth Quarter, 341 persons attended nine public-private dialogue events, including 7 at BIC, on topics ranging from customs, tax, construction, to property rights.	Regular public-private dialogue events on key reform issues.
NAPR	N 0	Strategic Value: NAPR activities are designed to improve the operating environment for business and increase access to credit by reducing transaction costs and risks.	09/30/07		
NAPR	N 1	<i>Establish centralized, modern secured financing system for Georgia, building local capacity to decide what's best for Georgia, and to implement, maintain, and use the system effectively. Implement web-based, notice registry of claims against movable property, including technical assistance in drafting modern secured transactions/registry laws, and IT implementation support.</i>	09/30/09	<i>In progress.</i>	<i>Modern secured financing system including implemented legislation and an operational registry is actively used by Georgia's lenders and creditors.</i>
NAPR	N 1.1	Detailed action plan prepared, submitted to, and approved by USAID and NAPR	03/15/07	Completed.	Detailed action plan incorporated into project work plan.
NAPR	N 1.2	Pre-implementation Phase Preparatory and Assessments - Purpose of this activity will be to allow local counterparts to make an informed decision as to the extent of the reform to be pursued. This activity is important for two main reasons: 1. to ensure the local counterparts understand and undertake commitments they are willing and able to fulfill subsequently, and 2. to ensure the development and implementation work (including the legal, IT, training timeline and costs) are targeted to the areas agreed for reform. The following information under this section lists the components included under item 1- Preparatory and Assessment.	05/04/07	Completed.	NAPR and local counterparts understand all reform components and options and agree on a revised work plan.
NAPR	N 1.2.01	Legal Reform - Creation of pledge - The local counterparts will determine the method of creating an ordinary pledge including all modern components of it. Since there are a number of possibilities, the project will present the possibilities and the implication of each, they will determine the most appropriate way for Georgia.	03/30/07	Completed.	NAPR, and local counterparts understand and agreed on reform component N1.1.01
NAPR	N 1.2.02	Legal Reform - Determining scope of transactions to be included - this component will involve analyzing and determining with the local counterparts (NAPR) all relevant commercial transactions for secured financing. It will involve step by step analysis of the significance and implications of including each of the relevant interests arising out of these transactions within the scope of the new law for the purpose of registrations and priorities.	03/23/07	Completed	NAPR, and local counterparts understand and agreed on reform component N1.1.02

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.2.03	Legal Reform - Determining priority ranks among all creditors - this component is perhaps the most significant and complicated one as it involves deep policy considerations. The local counterpart will determine to what extent each creditor's right is to be compensated for when the debtor's obligations value exceeds his/her assets' value. The counterparts will be in a position to understand what the policy considerations and implications are in order to determine which priority scheme appropriate for the Georgian reform.	04/05/07	Completed.	NAPR, and local counterparts understand and agreed on reform component N1.1.03
NAPR	N 1.2.04	Legal Reform - Mortgage - the local counterparts will evaluate and examine in detail the implications of inclusions of mortgages in the new secured financing system. What is the reform necessary, public reaction, financial sector reaction, necessary steps to ensure smooth transition in terms of public awareness and administrative procedures (ensure old practice ends and mortgagees and registry institution nationwide follow the new procedure).	03/23/07	Completed.	NAPR, and local counterparts understand and agreed on reform component N1.1.04
NAPR	N 1.2.05	Legal Reform - Other components such as proceeds collateral, inventory financing, accessions, fixtures, future property small value property exemptions will be presented and determined whether should be considered as part of the law reform.	04/20/07		NAPR, and local counterparts understand and agreed on reform component N1.1.05
NAPR	N 1.2.06	Institutional Reform - Notice system - local counterparts will learn about the notion of notice system. What minimal information needs to be included, what is involved if modern approach is to follow? What the implication are of registering in a national public registry even before an agreement is signed.	04/13/07		NAPR, and local counterparts understand and agreed on law reform component N1.1.06
NAPR	N 1.2.07	Institutional Reform - Institutional Registry Logistical Requirement - Local counterparts will learn about the logistics involved in the creation and maintenance of the modern registry. Here they will learn about the human and financial resources necessary, annual expenditure and running costs, income generated from the work of the registry will be estimated (based on the assessment what transaction are included). The local counterparts will be in a position to determine if the reform is possible and they will be able to run the new undertaking.	04/27/07		NAPR, and local counterparts understand and agreed on law reform component N1.1.07

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.2.08	Institutional Reform - End User Registration - An important component is the determination whether a self registration by the creditors (or other users) is appropriate. Will procedure of digital submission be acceptable, will the business community accept situation where debtor does not have to sign the registration request, what are the mechanisms to protect against fraud. Shall public institutions such as tax department, courts (in case of liens created by court decisions) and other institutions have the capacity to use this method? The local counterparts will determine if the burden of data entry can be delegated to the end public user or NAPR needs to participate in the process of data entry.	04/27/07		NAPR, and local counterparts understand and agreed on law reform component N1.1.08
NAPR	N 1.2.09	Enforcement Reform - Determining enforcement reform - the scope of the law will determine what transactions included in the reform so far as registration requirements are involved. This component here is particularly important as it will focus on the enforcement of each of these transactions. Since, the legal reform may apply as well to the enforcement of the transactions included (where necessary), the local counterparts will determine which to what extent they want to spend effort on reforming enforcement of each transaction included within the scope of the law.	04/27/07		NAPR, and local counterparts understand and agreed on law reform component N1.1.09
NAPR	N 1.2.10	Old Claims and Transition period - in order to transform the existing system to a more modern one, there are a number of options for transition of old claims. The local counterparts will learn the various options to reduce legal liability on the part of the government, the special priorities and their implication on the public sector before, during and after the transition period and the long term positive effects. The local counterparts will learn what logistical implication one system has over the other and decide which law reform they would prefer.	05/04/07		NAPR, and local counterparts understand and agreed on law reform component N1.1.10
NAPR	N 1.3	Implementing Legal Reform - Reform to existing legislation will be conducted including amendments to existing legislation and establishment of new secured financing law.	09/30/07		Final draft package "Modern Secured Financing Law and related legislation reform." (with commentary)
NAPR	N 1.3.01	Examination of required reform in existing legislation - related legislation such as civil code, bankruptcy law, leasing law, enforcement law and tax law will be examined to identify needed reform.	05/30/07		Project assists local counterparts in determining the specific legislation reform required

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.3.02	Drafting Legislation Reform Draft 1 - Work on drafting amendments to all existing legislation and proposed new secured financing law. The emphasis here will be put on the main local counterparts (NAPR) doing the drafting and providing commentary on the draft. This will be possible following activity number 1.1 where the local counterparts are familiar with all the major concepts important	07/15/07		First package draft - modern secured financing law and reform to existing legislation (with commentary).
NAPR	N 1.3.03	Drafting Legislation Reform Draft 2 - First package draft is reviewed by selected local counterparts. All legislation will be examined. Further meetings with counterparts will be conducted and discussions on the main points of the reform will be conducted with the financial and legal sector representatives. NAPR with the assistance of the project will prepare a revised package of law reform.	09/15/07		Second package draft - modern secured financing law and reform to existing legislation (with commentary).
NAPR	N 1.3.04	Drafting Legislation Reform Final Draft - Second package draft is reviewed by selected local counterparts. All legislation will be examined. Further meetings with counterparts will be conducted and discussions on the main points of the reform will be conducted with the financial and legal sector representatives. NAPR with the assistance of the project will prepare a revised final package of law reform.	09/30/07		Final package draft - modern secured financing law and reform to existing legislation (with commentary).
NAPR	N 1.3.05	Assistance During the Legislative Procedure - the project will assist the local counterparts during the procedure of the package law reform in the Government and parliament procedure. It will provide upon request, opinion paper, and any presentation and will appear in meetings as necessary. This activity has proven important in other jurisdiction as the decision makers become more supportive as they understand better the secured financing reform.	09/30/07		Project assists local counterparts during the parliamentary procedure
NAPR	N 1.4	Implementing Georgian National Secured Financing Registry (Simulator and real registry) - A computerized registry system simulator will be established to facilitate recording and searching of all types of rights held by credit grantors and some other property right holders as agreed with the local counterparts.	02/28/08		National Georgian Secured Financing Simulator throughout Georgia

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.4.01	Determining the specifics of the national registry system and producing it - together with the local counterparts the specifics of the registry features will be determined and produced. These may include among other features; form of reports, e-documents or paper documents, administrative financial reports, user method of fee payments, accounting procedures, required reports to financial control bodies, administrative and control of registry employees, security level and back up procedures, system handling of e-tokens (should they be used) of NAPR an of the shelf software will be acquired based on the specifications or produced by NAPR programmers, customization of system to Georgian language, type of accounts and handling of request for opening accounts (some platform licenses will be necessary to purchase)	02/28/08		Project assists NAPR to determine and produce all items in N1.3.01
NAPR	N 1.4.02	Preparation and establishment of security back up policies and procedures - An important aspect of the work of the registry involves the security and back up procedure of data inserted and saved on the database. This aspect will be new to the local counterparts as they work for the first time with procedure which involves the entire registration procedure to be done by the end user. This part will include method of identification of the user and back up on internal and external media. Finally, storage and archive procedure will be established.	08/30/07		Project assists NAPR to prepare and establish all items in N1.3.02
NAPR	N 1.4.03	Payment Procedure - The project together with NAPR will establish a new administrative method of pre-payment of fees. The effort will focus on fee payments procedure to relay on pre deposits by registry clients not directly at NAPR premises but to a NAPR or treasury bank account. NAPR will establish direct work flow with the bank and treasury account with reporting Bank-NAPR done electronically.	09/30/07		Project assists NAPR to determine and establish payment procedure as provided in item N1.3.03
NAPR	N 1.4.04	Procuring Registry Hardware and Software - equipment and software platform will have to be procured and installed. The equipment should be such that it provides security for on-line operation. It may also be used and can also operate in local network. Specifications and procurement will be done in cooperation with NAPR (possibility with the use of e-tokens).	09/28/07		Project assists NAPR to determine what hardware and software is necessary and helps procure it. (from US if cheaper) all items in N1.3.04
NAPR	N 1.4.05	Testing of Entire Registry System - the project will establish a system to test the operation of the system under pressure, back up performance, disaster recovery and regular work flow. Testing will be made over a period of time in collaborating with NAPR	02/28/08		Project assists NAPR to test and establish final product as provided in item N1.3.05

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.4.06	Services for the Public - Assisting NAPR in facilitating emergence of network of private service providers to the public. This will include procedures, functions and customer services they will have to provide.	04/30/08		Project assists NAPR to determine and produce all items in N1.3.06
NAPR	N 1.4.07	Drafting of Secured Financing Regulations - in order to provide for the operation of the computerized registry, administrative regulations will have to be drafted in collaboration with NAPR. These regulations may be a separate draft or may be incorporated into existing administrative regulations.	04/30/08		A Final Draft Secured Financing Regulations
NAPR	N 1.4.08	Employees Guide - The project will assist NAPR in preparing a guide for the employees who work with the new registry. This guide may be a new or may be incorporated into existing rules at NAPR.	04/30/08		Project together with NAPR prepares relevant instructions and work procedures as provided in item N1.3.08
NAPR	N 1.4.09	Client guide - this guide will be designed to assist financial institutions, lawyers and other users of the system, in understanding the operation of the new system and how to interact with it.	04/30/08		Project together with NAPR prepares relevant instructions and work procedures for end clients as provided in item N1.3.09
NAPR	N 1.4.10	Official Inauguration - official ceremony of the opening of the new secured financing registry when the law comes into effect - project will assist NAPR to prepare and execute.	05/31/08		Project assists NAPR in preparing the inauguration as provided in item N1.3.10
NAPR	N 1.5	Implementing - Training - Training of legal community, registry staff and the financial community must be provided before, during and after the transition period (initial period of operation of the new secured financing system). Training to public service providers.	09/30/09		All interested parties are provided with training and are ready for beginning of work with the National Georgian Registry
NAPR	N 1.5.01	Preparation of database for simulator - a full data base of moot debtors, creditor, and property will be established to be used in the simulator. All data will be in Georgian.	02/28/08		Project will establish the database base for use during the simulator
NAPR	N 1.5.02	Simulator hands on Training Sessions - the project will provide introductory training sessions on the use of the simulator, what it represents and how to use it before advancing credit as risk management tool. The sessions will involve representatives from the private sector (financial institutions) and public sector interested parties (government tax department primarily) who will obtain hands on training and subsequently will be able to use the simulator.	02/28/08		Project provides 4 training sessions for private and public sector
NAPR	N 1.5.03	Simulator Training Support - the project will provide support during the simulator period via interaction on line with the users. The training support will include interaction through the simulator web site, observation of work flow and commenting to clients and if necessary more meetings with users towards the beginning of the operation of the real registry. Simulator will be available thought 2009 and will be used for further presentations and workshops.	09/30/09		Project provides full time support during the simulator as well up to 4 more training sessions.

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.5.04	Financial Sector Training Sessions on the Law - the project will provide training sessions to the financial organizations including, banks, micro credit organizations, leasing companies and sellers on credit. The training will be divided based on the type of creditors involved so to emphasis for each group the legal aspects important to the particular group, such as priorities, registration amendments and search requirements, enforcement, important provisions to be included in the contracts and presentations of arguments in court cases. Training sessions will be timed so to be provided also during the time the registry system is operational.	10/29/07		Project will provide 4 Training sessions to financial sector
NAPR	N 1.5.05	Judiciary Training Sessions - Training will be provided to the judiciary. The training will involve the potential use of the registry by the court system and the cases where court may order the registry specific actions, the training on the legal aspects of the a new secured financing law, new enforcement procedures, the importance of court judgments for the work of the registry and the enforcement officers. The method will be case studies to allow active participations of the participants. Training sessions will be timed so to be provided also during the time the registry system is operational.	09/30/09		Project will provide 3 training sessions to the judiciary
NAPR	N 1.5.06	NAPR registry staff - Training - project will provide training to staff of the new registry on the new procedures, maintenance of the new database, client services, adjusting to on-line customer service rather than service in person, representation of registry in disputes, management of e-tokens, management of user accounts, work with new payment procedure with designated bank account and one or two training trips to jurisdictions with similar systems (including notice based mortgage registration procedure), second trip will be provided should the need arise.	03/31/08		Registry staff fully trained on operation of the registry and ready to operate it independently
NAPR	N 1.5.07	Enforcement Officers Training Sessions - workshops to enforcement officers. Training sessions will be timed so to be provided also during the time the registry system is operational.	09/30/09		Project will provide 3 training sessions to the judiciary
NAPR	N 1.5.08	Providing Workshops at Law School - The project will provide lectures for upper year law students with demonstration of the work of the new law and registry. The project will also provide written material to be included in curriculum of universities for specific course on secured financing or as part of related courses such as contract law, land law, commercial transactions or similar.	09/30/09		Project will provide 4 one day seminar for law schools up year students and will prepare material to be used in law school future courses

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
NAPR	N 1.5.09	Real Cases and Enforcement Procedures - The project will continue to monitor cases that come to the court in the context of priority disputes among creditors and enforcement. Assistance will be provided to the judiciary and enforcement agencies in understanding the practical implementation of the law. An effort will be made to target courts and enforcement agencies where relevant cases or enforcement proceedings are introduced.	09/30/09		Project will be available for any opinion it may be asked to provide on cases decided by the courts.
NAPR	N 1.6	Implementing - Public Awareness Campaign - Public awareness campaign through the media will take place sometime before the system starts its operation to ensure the public is familiar with the new system and the ways it can take advantage of it. Project will assist NAPR in constructing material for effective public awareness.	09/30/09		Project will provide consultancy for NAPR on how to create and execute public awareness
NAPR	N 1.7	Monitoring & Impact Assessment - Following the establishment of the system a monitoring and impact assessment activity would be established. Every four months surveys will be conducted through questionnaires to users of the systems and statistical reports with recommendations for further improvements of the system will be produced based on the result of the surveys.	09/30/09		Periodic (every three months) statistical reports and recommendations for further improvements as of the date the registry starts its operations
NAPR	N 2	Reduce registration risks for lenders and buyers that arise from tax liens and court liens, by amending legislation, changing current registration practices, and public awareness campaign to educate stakeholders	09/30/07	Suspended as a separate activity. These issues will now be undertaken as part of Task N 1.	Year 2, Qtr. 1: Project helped Tax Dept. automate tax lien process, reducing error rate, administrative costs, and risks to registry users.
NAPR	N 3	Eliminate mandatory, redundant requirement that documents related to property transactions be notarized before submission to NAPR for registration.	04/01/07	Completed. Amendments to Civil Code enacted in December will take effect in March, eliminating mandatory notarization for property transactions.	Registry users able to submit property transaction documents directly to NAPR, reducing transaction costs and delay risks.
NAPR	N 4	Material support and technical assistance to NAPR in enhancing IT system, e-services, and electronic processing of registry functions at regional and central offices.	Ongoing	The Project is providing ongoing support for IT improvements to reduce transaction costs and risks, helping to increase access to credit.	Year 2, Qtr. 1: a) Licensed Oracle 10g database software procured; b) NAPR IT staff trained in Oracle and Linux; c) long-term NAPR IT Strategy Document prepared, which will provide framework for future procurements.
Reforms	R 00	Strategic Value: Initiatives with the State Minister on Reforms Coordination will focus on business climate reforms that impact World Bank's Doing Business Survey. Other significant initiatives are ongoing in the areas of construction and electronic commerce/governance. The State Minister has also requested that the Project retain flexibility to address urgent priorities as they arise.	09/30/07		Georgia ranks in the top 25 on the World Bank's Doing Business Survey

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
Reforms	R 01	Assist GoG in clarifying regulatory frameworks of three regulatory regimes of importance to the business climate.	09/30/07	Ongoing.	Recommendations on eliminating redundant, obsolete regulations, filling gaps, and streamlining in three selected priority areas.
Reforms	R 01.1	Identify three priority areas.	Ongoing	Privatization has been chosen as first subject area and action plan approved. ST Georgia attorney will be recruited to undertake the task. By agreement with SMRC, activity will be carried out one regime at a time instead of three simultaneously.	
Reforms	R 01.2	Develop an action plan for each identified area.	04/15/07	Completed.	Action Plan delivered to SMRC.
Reforms	R 01.3	Compile periodic reports listing regulations affecting the business environment which need to be abolished, amended or duly registered in the registry of statutory acts.	Ongoing		Reports with the list of regulations to be abolished, amended or registered delivered to GOG for consideration.
Reforms	R 01.4	Follow up work with the targeted ministries to ensure the decisions made by the Government Commission are implemented.	Ongoing		Implementation Report delivered to GOG.
Reforms	R 01.5	As Project recommendations are implemented, complete monitoring and impact assessment.	Quarterly		Impact assessment delivered to USAID and GoG.
Reforms	R 02	Technical support to Government Committee for "Georgian Governmental Network"	-6/30/2007	In progress. RFP has been released with a May 21 deadline for proposals from vendors.	Vendor(s) selected to connect Government offices throughout Georgia on a national wide area network that includes IP telephony and video conferencing.
Reforms	R 02.1	Define action plan for project assistance	03/08/07	Completed	SOW and tender requirements delivered to GOG
Reforms	R 02.2	Prepare draft TOR and requirements	03/20/07	Completed	Draft of the TOR and requirements
Reforms	R 02.3	Assist in preparation of RFP and selecting vendor	04/30/07	Completed.	RFP published and vendor selected
Reforms	R 02.4	Develop recommendations for monitoring and evaluation of services provided by the nominated company	04/11/07	Completed	Recommendations delivered to GOG
Reforms	R 02.5	Select vendor.	06/30/07	RFP has been released with a May 21 deadline for proposals from vendors.	
Reforms	R 03	Ongoing monitoring and impact assessment of implemented reforms.	Ongoing	\$232.46 million in annual economic impacts from actually implemented reforms have accrued through March 31, 2007.	Quarterly assessments of annual economic impact of actually implemented reforms.
Reforms	R 03.1	Monitoring and impact assessment of implemented reforms	Ongoing		Monetized impact assessment memoranda delivered.
Reforms	R 03.2	Quarterly impact assessment of implemented reforms	Quarterly	Economic impact of reforms implemented during the 6th Quarter totaled \$73.2 million, including \$65.8 million in increased tax revenues attributable to project activities.	Quarterly Impact assessment delivered.
Reforms	R 04	Support next year regulatory environment assessment and publishing GOG white paper on business climate status, achievements, and priorities.	TBD	Unclear whether this remains a GoG priority. Considerable effort has been devoted to assessing and improving Georgia's performance on World Bank Doing Business indicators which are a part of the RIA.	TBD

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
Reforms	R 05	Draft and implement an effective e-signature law and implementing regulations, selecting 1-4 pilot, high impact transactions and assist GoG to introduce online government to business transactions	09/30/07	In progress. GoG review of revised draft has been completed. Final revisions are being completed for submission to Parliament.	E-signature law enacted and 1-4 high impact e-government transactions implemented.
Reforms	R 05.1	Assist SMRC Office to draft law on e-signature	12/31/06	Completed.	Draft law elaborated and delivered to SMRC
Reforms	R 05.2	Review of the draft law by ST international e-signature specialist.	03/01/05	Completed	Comments and recommendations on the draft law delivered to SMRC and incorporated into revised draft
Reforms	R 05.3	Identify 1-4 pilot implementation projects.	2/1/2007	Completed. Pilot implementations will include e-filing of VAT declarations, customs declarations, and pledge registry.	3 e-government pilots identified.
Reforms	R 05.4	Assist SMRC office to identify prospective e-signature service providers and organize round-table to discuss the new opportunities to do business	06/15/07	Original target 4/30/07, but delayed by GoG until after draft law submitted to Parliament. Now scheduled for first half of Jure.	Roundtable with prospective e-signature service providers.
Reforms	R 05.5	Support NAPR and SRS to implement the new business processes, including training of staff and public awareness campaign	Ongoing,	Implementation of pilot e-government initiatives separately reported: N 1--NAPR Pledge Registry; C 08--customs declarations; T 6--VAT returns.	
Reforms	R 05.6	Assist the National Accreditation Agency to draft technical regulation for accreditation of e-signature service providers; Identify the need for other implementing regulations.	08/31/07		
Reforms	R 05.7	As regulations are adopted, produce process maps	Ongoing.		
Reforms	R 06	Ongoing training for GoG officials on the new legislative and regulatory regimes, and plain language publications documenting new procedures that are implemented	Ongoing	Ongoing. 1) Trainings held for construction permitting officials from Tbilisi (23), and Mtsketa-Tianeti and Kvemo Kartli (22). 2) Content for Construction Permits plain language publication developed in collaboration with SME support project. SME has published booklet.	Training plans and materials delivered to appropriate Government counterparts as necessary to support other project activities.
Reforms	R 07	New Building Code that includes key technical standards for building design enacted by GoG.	12/31/07	Action plan elaborated, conference held to enlist stakeholders.	Draft Building Code submitted to MoED and SMRC
Reforms	R 07.01	Identify a base set of standards from which Georgian technical standards will derive (IBC, Euro Codes, etc.)	11/01/06	Completed. IBC recommended by project.	Base standard chosen
Reforms	R 07.02	Presentation of findings to MoED to let them choose the basic set of standards	01/31/07	Completed. MoED accepted project recommendation to use IBC as base.	Presentation delivered to the MoED
Reforms	R 07.03	Identify those parts of IBC that should be adapted first, taking into account most problematic and important local issues	3/20/2007	Completed.	Action plan submitted for approval to MoED and SMRC
Reforms	R 07.04	Presentation of IBC to scientific institutions and industry associations to identify their readiness to participate in drafting process	3/30/2007	Completed.	Roundtable.
Reforms	R 07.05	Form working subgroups consisting of representatives of relevant stakeholders	4/13/2007	Underway.	
Reforms	R 07.06	Translate relevant parts of IBC in close cooperation with Working Group on Construction Technical Standards	11/1/2007		
Reforms	R 07.07	Adapt standards so they are practical for use in Georgia	11/15/2007		

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
Reforms	R 07.08	Seek wider comment from government agencies and construction industry	12/1/2007		
Reforms	R 07.09	Finalize standards in light of comments	12/20/2007		
Reforms	R 07.10	Submit final draft construction technical standards to the GoG	12/31/2007		
Reforms	R 08	<i>New Construction Code enacted.</i>	9/30/2007	<i>New Construction Code enacted into law.</i>	<i>New Construction Code enacted.</i>
Reforms	R 08.1	Complete first draft.	12/15/2006	First draft Construction Code.	Draft Code.
Reforms	R 08.2	Vet draft code with private sector stakeholders.	Ongoing.	Six Public-private Dialogue events held as of 3/31/07.	Public-private Dialogue events
Reforms	R 08.3	Revise draft to incorporate private sector feedback	3/31/2007	Completed.	Revised draft.
Reforms	R 08.4	Submit draft Code to GoG.	4/15/2007	Delayed by GoG.	Comments received from GoG
Reforms	R 08.5	Revise draft Code based on GoG comments.	6/15/2007		Revised draft submitted to Parliament
Reforms	R 08.6	Parliament enacts draft Code.	9/30/2007		Construction Code enacted.
Reforms	R 09	<i>Revise bankruptcy law and assist in its effective implementation through pilot project that trains bankruptcy professionals while privatizing insolvent SOEs.</i>	09/30/07	<i>Bankruptcy law enacted with significant deviations from international norms. Pilot implementation project discontinued.</i>	<i>Bankruptcy law enacted. Pilot implementation project trains trustees while privatizing insolvent SOEs.</i>
Reforms	R 09.01	Review and comment on draft bankruptcy.	12/31/07	Completed. The draft law was significantly revised following our recommendations. We believe significant problems remain.	Comments and recommendations on initial draft law delivered to SMRC
Reforms	R 09.02	Review of the revised draft law	03/15/07	Completed. By agreement with USAID and EBRD, project supported EBRD recommendations.	Comments and recommendations on revised draft delivered to SMRC
Reforms	R 09.03	Elaborate Bankruptcy Law Pilot Implementation Program 30 days after the Law is passed by the Parliament	N/A	Pilot implementation project discontinued.	Action Plan delivered to MoED
Reforms	R 10	Streamline non-bankruptcy business closure procedures.	TBD	This activity, a project and private sector priority, was delayed for lack of a GoG champion, SMRC in early May authorized project to undertake this activity under Item R 16.	Streamlined administrative winding down procedures for closing businesses outside of bankruptcy.
Reforms	R 11	Collaborate with USAID SME Support project to improve access to credit. <ul style="list-style-type: none"> • Revise enforcement laws and procedures; • Eliminate gaps in the registration process that create uncertainty for lenders and buyers; • Improve timeliness and accuracy of filing of tax and judgment liens; • Enact financial leasing law. 	TBD	1) Automated tax lien generation has improved the accuracy and timeliness of tax lien filing. 2) Reforms and MPs are working on draft mortgage enforcement amendments that fix some flaws and create others. The project is actively lobbying for changes.	Efficient enforcement laws and procedures; collateral registration gaps eliminated; timeliness and accuracy of filing of tax and judgment liens improved; financial leasing law enacted.
Reforms	R 12	In collaboration with USAID CoReform draft the recommendations for healthcare licensing and accreditation reform.		Completed. Ministry of Labor, Health and Social Affairs approved the draft Concept Paper developed through a cooperative effort with USAID CoReform. Concept delivered to SMRC. Government issued decree mandating essential standards for hospital licensing, which incorporates 90% of critical standards recommended in the Concept Paper.	Recommendations for regulatory streamlining of medical licensing processes submitted to GOG.
Reforms	R 13	<i>Capacity building for Georgian Accreditation Center, including training on modern standards, protocols and compliance with the European Conformity Assessment System.</i>	TBD	<i>E-signature related matters will proceed after enactment of an e-signature law (see Item R 5). Progress on other matters subject to clarification of resources and priorities.</i>	

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
Reforms	R 13.01	As needed provide assistance in drafting legislative amendments to facilitate international recognition of Georgian conformity assessment system	TBD		Draft legislative amendments and analysis submitted to appropriate GOG counterparts as requested
Reforms	R 13.02	Support GAC in building capacity for accreditation of personnel certification bodies with special focus on certification of construction professionals	TBD		Materials and implementation plan delivered to GAC
Reforms	R 13.03	Support GAC in building capacity for laboratory accreditation, including translation of materials and training	TBD		Materials and implementation plan delivered to GAC
Reforms	R 13.04	Assist GAC in developing an action plan for achieving partner status in the European Accreditation	TBD		Action Plan delivered to appropriate GOG counterparts
Reforms	R 13.05	Private sector roundtable meetings to increase awareness of accreditation and conformity assessment systems and to encourage development of private conformity assessment and certification bodies (with focus on construction, agriculture, healthcare, electronic signatures)	TBD		Round table meetings held
Reforms	R 14	<i>Develop alternative payment methods, such as fee stamps, mobile phone transfers, etc. to replace current bank-based system for paying GoG fees.</i>	TBD	<i>Delayed until questions of resources and priorities are clarified. We are not sure document stamps are an appropriate solution. Best solution may be to subcontract an in-agency payment system as NAPR has done.</i>	
Reforms	R 14.01	Analyze alternative payment methods for paying GOG fees and develop recommendations.	Ongoing	Ongoing. Initial analysis of introducing fee stamps for paying GOG fees delivered to SMRC. Project is exploring mobile phone banking options.	Recommendations for introducing alternative payment methods delivered to SMRC.
Reforms	R 14.02	When recommendations for introducing alternative payment methods for paying GOG fees are accepted by SMRC and appropriate counterparts, assist in drafting of implementation plan, which will include pilot project at NAPR.	Ongoing		Provide draft implementation plan as requested by SMRC.
Reforms	R 14.03	Support implementation of the pilot project at NAPR.	Completed.	NAPR has contracted with subsidiary of Bank of Georgia to handle fee payments at NAPR offices.	Training plans, materials and other support provided to appropriate Government counterparts.
Reforms	R 15	<i>Support SMRC to benchmark reform priorities and recommendations utilizing internationally recognized business climate indices such as the World Bank's Doing Business Survey, the Fraser Foundation's Economic Freedom Index, the Heritage Foundation's Economic Freedom Index, World Economic Forum's Global Competitiveness Report.</i>			
Reforms	R 15.01	Benchmark reform priorities against top performers in business climate indices	Ongoing	Ongoing. To date the Project has delivered benchmarking results and recommendations related to paying taxes, protecting investors, trading across borders and closing business.	Benchmarking results and recommendations delivered to SMRC.
Reforms	R 15.02	Map different factors of internationally recognized indices and follow changes in methodologies to support SMRC in identifying high impact reform areas.	Ongoing	Matrix prepared. It is updated as Indices change their methodologies.	Matrix and recommendations on reform priorities

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
Reforms	R 15.03	Hold roundtable meeting with local contributors to the World Bank's Doing Business survey to discuss reforms that have been implemented and ensure that all reforms are considered for the next survey.	02/30/07	IFC and GoG agreed to delete this activity because of risk that it might create unwarranted perceptions.	Roundtable held
Reforms	R 16	As requested by Reforms, assess effectiveness of identified laws or regulations, provide streamlining recommendations, and review and comment on proposed new laws or regulations.	Ongoing	1. Recommendations on streamlining import and registration of pharmaceuticals and drug store permitting submitted to and approved by SMRC after vetting with USAID Co-Reform. Project working to implement with Drug Registration Agency. 2. SMRC has authorized project to streamline business closing procedures. See Item R 10. 3. Attempt to recommend improvements in construction permitting processes at Tbilisi Urban Planning Office deferred with consent of Reforms because of resistance of municipal employees.	Draft recommendations, analysis and legislative amendments submitted to SMRC as requested
SRS	C 00	Strategic Value: Initiatives are focused on improving the professionalism and proficiency of Customs Administration so that clearance procedures are convenient, efficient, and promote compliance.	09/30/07		
SRS	C 01	<i>Continue technical assistance for streamlining border clearance procedures</i>	09/30/07		
SRS	C 01.1	Submit draft operating procedures to the Customs	10/01/06	Completed	Draft Customs Operating Procedures for clearance offices, checkpoints, seaports and airport
SRS	C 01.2	Customs reviews and provides comments	10/15/06	Completed	BCR Review of comments to the proposed procedures
SRS	C 01.3	Submit revised customs operating procedures to the Customs	10/30/06	Completed	Revised Customs Operating Procedures
SRS	C 01.4	Assist Customs in implementing of proposed customs operating procedures	05/31/07	Likely to be delayed as new management at New Revenue Service takes a Freshlook.	Adopted and Implemented Customs Operating Procedures
SRS	C 02	Support for creation of inter-agency Border Management Task Force to address delays caused by poor coordination	Ongoing	A first meeting of the Border Management Task Force was held regarding opening new airport.	Establishment of Inter-Agency Border Management Task Force
SRS	C 03	<i>Document reformed processes and present findings to the public</i>	Ongoing		
SRS	C 03.1	Conduct time measurement study to document reformed processes	10/02/06	Completed	Report on Time Measurement
SRS	C 03.2	Present findings of the time measurement study to the stakeholders	11/30/06	Completed	Time Measurement Study Presentation
SRS	C 03.3	Conduct follow up time measurement study to document reformed processes	TBD	New SRS Chairman suggests Fall/Winter 2007 as a target date to measure the impact of new reforms in time for annual report.	Follow up Time Measurement Study
SRS	C 04	<i>Continue assistance in implementing new Customs Code, including development of secondary regulations as requested by Customs.</i>	09/30/07		

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GOG	Task No.	Initiative	Due Date	Status	Deliverable
SRS	C 04.1	Develop and submit draft secondary regulations	10/01/06	Completed	Proposed secondary regulations on transit, risk management, and (in cooperation with EU Customs project) simplified customs clearance procedures.
SRS	C 04.2	Assist Customs in organizing public-private dialogue on secondary customs regulations	12/30/06	Completed	Two sets of round tables, public-private dialog regarding new customs secondary regulations (11/25/06-11/26/06 and 12/2/06-12/3/06).
SRS	C 05	Assist Customs in implementing of Training for Customs employees in new Customs regime.	03/15/07	Completed. A total of 418 frontline Customs border and clearance officers were trained in the new Customs regime that took effect Jan.1, 2007.	Frontline Customs border and clearance officers trained in new Customs regime.
SRS	C 05.1	Training of Customs employees	12/30/06	Completed. First set of Trainings for 191 Customs employees on New Customs Legislation.	
SRS	C 05.2	Training of Customs employees	03/15/07	Completed. Second set of Trainings for 227 Customs employees on New Customs Legislation.	
SRS	C 06	Public awareness	09/30/07		
SRS	C 06.1	Organize training for journalists on new customs legislation	03/31/07	Delayed. Customs Chairman terminated on eve of planned training, New SRS Chairman requests delay until he has tangible progress to report.	Media Workshop
SRS	C 06.2	Support Customs in printing materials on new customs legislation	01/31/07	Completed. 1) BCR assisted writing and financed printing of booklets on new customs rules for physical persons crossing the border in English, Georgian, Russian, and Turkish. 2) USAID SME Project in coordination with BCR published brochures on new customs rules for trucks, and hotline flyers.	Booklets and brochures on new customs rules
SRS	C 06.3	Assist Customs in advertising new customs regimes	TBD	On hold pending clarification of resources and priorities.	PSAs on new customs legislation
SRS	C 07	Provide assistance in implementing risk management, including creation of "Gold List" program			
SRS	C 07.1	Develop and submit to the Customs Authorities Customs Self-Assessment Program Handbook	11/13/06	Completed	Customs Self-Assessment Program Handbook
SRS	C 07.2	Submit revised version of the Customs Self-Assessment Program Handbook based on Customs comments	12/29/06	Completed	Revised Customs Self-Assessment Program Handbook
SRS	C 07.3	Identify participants for pilot "Gold List" program for high volume/high value importers.	11/28/06	Delayed. Customs Analytical Unit had made preliminary selection of potential participants and requested info about their compliance records from tax and financial police when leadership changes and merger intervened.	Identified pilot and potential future participants of the program.
SRS	C 07.4	Develop cargo selectivity criteria for risk management.	05/30/07	Delayed and rescheduled at request of Customs, based on their decision to implement "Gold List" first and cargo selectivity only after Asycuda World is in place. Project has provided Customs Analytical Unit with sample criteria and conducted preliminary training in preparation for development.	

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
SRS	C 07.4	Develop a presentation outline and provide a brief training session to the Customs team members on making effective presentations of Gold List program to business managers.	02/14/07	Completed	Training session including role-playing practice exercises
SRS	C 07.5	Provide assistance in implementing pilot Gold List program.	05/10/07	Underway.	Customs Self Assessment Pilot Program implementation
SRS	C 07.6	Provide assistance in implementing risk based management	06/14/07		Expansion of the pilot "Gold List" program and application of risk management based cargo selectivity to small and medium enterprise importers
SRS	C 08	<i>Assist Customs in implementing electronic submission of Customs declarations</i>	09/30/07		
SRS	C 08.1	Assist Customs in drafting legal provisions on electronic submission of Customs declarations	01/01/07	Completed. Provisions of the Customs Code allowing e-filing of customs declarations came into effect January 1, 2007	Drafted provisions of the Customs Code allowing electronic submission of the customs declarations
SRS	C 08.2	Assist Customs in developing procedures for implementing electronic submission of Customs declarations	July, 2007		Proposed operating procedures for e-filing of customs declarations
SRS	C 09	<i>Complete development of the Customs Export/Import web guide</i>			
SRS	C 09.1	Select vendor for development of the Customs Export/Import web guide	12/31/06	Completed	Announce RFP and vendor selected
SRS	C 09.2	Present preliminary version of the Customs Export/Import web guide to Customs	01/18/07	Completed	Customs Export/Import guide management system and draft design
SRS	C 09.3	Complete and present final version of the Customs Export/Import web guide to Customs	04/30/07	SRS merger and change in Customs leadership produced long period of no action that delayed this activity. New leadership is now engaged in finalizing the deliverable.	Customs Export/Import web guide with import/export calculator
SRS	C 10	<i>Training on risk management and general management</i>			
SRS	C 10.1	Preparation of risk management training module	02/10/07	Completed.	Risk management training module
SRS	C 10.2	Conduct training on risk management for customs officers	05/30/07		Risk Analysis and Management training
SRS	C 10.3	In collaboration with USAID Public Administration Reform conduct general management training	05/30/07		Risk Analysis and Management training
SRS	C 11	Training on effective application of WTO Valuation Agreement principles.	07/03/07		A two to three day train-the-trainer course on the WTO Valuation Agreement
SRS	C 12	<i>Map and recommend improvements to import/export processes for specific types of products that are complicated to import (i.e. pharmaceuticals) and export (i.e. wine).</i>	Ongoing.	<i>GoG has selected 1) wine export procedures, particularly for samples, because cumbersome procedures are complicating attempts to break into new markets; 2) pharmaceuticals. Recommendation re imports of pharmaceuticals are included in R 016. 3) Certificates of origin for exports.</i>	
SRS	C 12.1	Develop List of Licenses required for import/export operations	04/30/07		List of Licenses required for import/export operations

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
SRS	C 12.2	Conduct analysis of existing import/export procedures and recommendations to improve import/export processes	06/30/07		Analysis of existing import/export procedures and recommendations to improve import/export processes
SRS	SRS 1	Provide IT support for the new Revenue Service information management system that would support needs of the new agency and permit information sharing	Ongoing		
SRS	SRS 1.1	Provide IT training for the Tax and Customs Bodies	01/31/07	Completed	Training for IT staff of customs and tax bodies in following areas: <ul style="list-style-type: none"> • Oracle web-form development • Oracle report development • Linux administration • Linux performance administration
SRS	SRS 1.2	Purchase licensed Oracle RDBMS 10g software	01/31/07	Completed	Purchased Oracle RDBMS 10G Licenses for NAPR (for existing operational software), Customs (for existing operational software) and Tax (for ASYCUDA World) agencies
SRS	SRS 1.3	Propose general description of Information Technology components for New Revenue Service	01/26/07	Completed	General description of Information Technology components for the New Revenue Service
SRS	SRS 1.4	Assist SRS in determining organizational structure of the SRS IT Division.	05/31/07	In progress. Initial recommendations provided, including identifying issues that must be decided before final organizational structure can be determined.	Paper presenting the organizational structure of the IT division along with description of the role and responsibilities and skills requirements for each position within the Division
SRS	SRS 1.5	Assist SRS in development and implementation of Integrated SRS IS	05/31/07		A paper on high-level plan for development and implementation of Integrated SRS IS.
SRS	T 00	Strategic Value: All activities are focused on supporting GoG's goal of moving Tax Administration to voluntary compliance rather than enforced collection by a) improving the collections function, and b) reducing compliance costs.	09/30/07		
SRS	T 1	<i>Continue with implementation of new non-payer, non-filer, and stop-filer business processes and operating procedures</i>			
SRS	T 1.1	Assist Tax authorities in developing new business processes for non-payers and non-filers and relevant IT specifications	12/20/06	Completed. New business processes designed.	Report of New non-payer and non-filer business processes and technical specifications for the IT System
SRS	T 1.2	Assist Tax authorities in developing methodology on provisional assessment	03/31/07	This item is back on track after delay caused by SRS merger and leadership changes. Project has assisted Methodology Dept. in working out methodological approach and provided algorithms and formulas for IT Dept to implement.	Proposed changes to the tax regulations and draft methodology on provisional assessment

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
SRS	T 1.3	Develop standard form and provide IT support for filing of request for extension of time to file tax declaration.	05/31/07	Completed.	Standard form for filing extension; software for filing extension applications and granted extensions register
SRS	T 1.4	Assist Tax Authorities in designing non-filer case management system.	03/31/07	Completed. Will be implemented first for VAT then for other taxes.	Paper for software component - non-filer case management
SRS	T 1.5	Provide IT support for implementation of new non-filer and non-payer business processes.	05/31/07	Underway.	Report on developed and implemented software
SRS	T 2	<i>Complete a review of refund business process and propose improvements or redesign the business process.</i>	06/30/07		<i>Recommendations for improved refund business process.</i>
SRS	T 2.1	Describe current business processes on tax refunds and propose improvements or new business process	06/30/07		Description of the current process
SRS	T 2.2	Draft standard form for refunds; design and develop electronic refund requests register	06/30/07		Refund request standard form and requirements to the software and database design.
SRS	T 3	<i>Provide assistance to the Tax Department in improving tax appeals system and procedures</i>	09/30/07	<i>The MoF has accepted the Project's recommended strategy and action plan and is preparing to present its appeals reform plan to the private sector. Project will work with MoF to create a more detailed project work plan to support the MoF in implementation.</i>	
SRS	T 3.1	Develop recommendations to improve tax appeals system	12/14/06	Completed. Initial set of recommendations completed on time. MoF accepted recommendation to implement advisory opinions, which is now broken out as a new activity, T4. The MoF has requested additional assistance in improving its internal appeals systems. Our tax advisor will return next quarter for this assignment.	Proposed recommendations to improve tax appeals system
SRS	T 3.2	Introduce standard forms for appeal and appeal notice and develop and maintain electronic appeals register	11/02/06	Completed	Standard appeals forms and plan for software development and implementation to maintain electronic appeals register
SRS	T 4	<i>Assist the Tax Department and MoF in introducing advisory opinions</i>	05/31/07	<i>MoF has accepted the Project's recommendations implement binding advisory opinions. Necessary amendments to the Tax Code have been drafted.</i>	
SRS	T 4.1	Draft changes to the Tax Code allowing advisory opinions	12/14/06	Completed and Submitted to the MoF	Proposed changes to the Tax Code allowing advisory opinions
SRS	T 4.2	Develop detailed guidelines for issuance of advisory opinions	03/31/07	Completed and Submitted to the MoF	Guidelines for issuance of the advisory opinions
SRS	T 5	<i>Continue IT support for short and long term improvements to the Tax Administration information management system</i>	<i>Ongoing</i>		
SRS	T 5.1	Provide assistance in improving tax enforcement mechanism against bank accounts and other property of the tax payer.	March, 2007	Tax lien process automated. Preliminary discussions on automation of account seizure process have not progressed because of SRS merger, leadership changes, and higher GoG priorities.	Reports on improved bank accounts attachment (INCASO) and improved tax liens processes.

Work Plan Status as of May 15, 2007					
GOG	Task No.	Initiative	Due Date	Status	Deliverable
SRS	T 5.2	Provide support to the Tax Authorities to develop software components to maintain registers of different documents, their distribution, and persistent data from documents reported by the taxpayer.	04/01/07	Completed.	Additional software modules for entire Tax Information System
SRS	T 5.3	Provide support to the Tax Authorities to develop software component to analyze VAT invoices filed by taxpayers.	04/01/07	Completed.	Additional software modules for entire Tax Information System
SRS	T 5.4	Provide support to Tax Authorities to develop reports for entire Tax Information System on: a. VAT invoices issued by non VAT payers b. Invoices (VAT & special) submitted with 45 days delay	04/01/07	Completed.	Additional reports for entire Tax Information System
SRS	T 5.5	Provide support to the Tax Authorities to develop unification of software components for processing VAT invoices and transferring invoice information from one to another tax inspectorate, when taxpayer changes its tax office.	04/01/07	Completed	Additional software modules for entire Tax Information System
SRS	T 6	<i>Assist the Tax Authorities in implementing electronic filing of tax returns</i>	09/30/07	<i>After delay during SRS merger, this activity is now back on track. VAT has been chosen as the first tax for e-filing, the credentialing business process has been designed, and burdensome VAT information requirements eliminated.</i>	
SRS	T 6.1	Draft changes to the Tax Code enabling e-filing of tax returns	01/01/07	Completed. Provisions of the Tax Code allowing e-filing of tax returns came into effect January 1, 2007	Drafted changes to the Tax Code allowing e-communication between taxpayer and tax authorities
SRS	T 6.2	Assist Tax authorities in selecting pilot taxes for e-filing	12/31/07	Completed and submitted to the Tax Authorities and MoF	A high-level plan for development and implementation of online services for e-filing of returns.
SRS	T 6.3	Assist Tax authorities in implementing of e-submission of various tax applications and taxpayer's notices.	Ongoing	Requires clarification of resources and priorities	A high-level plan for development and implementation of online services for e-submission of different applications / taxpayer's notices.
SRS	T 6.4	Assist Tax authorities in implementing electronic filing of tax returns	10/30/07	Working group established. VAT chosen as first tax. Business process to obtain credentials developed Work underway for VAT electronic form.	E-filing implementation
SRS	T 7	Assist the Tax Department in implementing a digitized database of registered companies in Georgia.	04/30/07	Completed.	All business registrations in one central electronic database