




Government  
of Georgia



**FIGHT AGAINST  
CORRUPTION**

**2010**





*Fight against Corruption constitutes one of the main priorities of the Government of Georgia. Measures implemented in 2010 include adoption of National Anti-Corruption Strategy and Action Plan, institution building, legislative developments as well as corruption prevention efforts.*

## **National Anti-Corruption Strategy and Action Plan**

Inter-Agency Council for Fight against Corruption has developed state policy (Strategy and Action Plan) against Corruption with the participation of civil society and international organizations; both documents have been approved by the Presidential Decree.

Strategy and Action Plan identify corruption sensitive areas and provide for targeted actions aimed at:

- **Modernization of Public Service**
- **Development of Administrative Service**
- **Procurement**
- **Reform of Public Finance System**
- **Development of Tax and Customs Systems**
- **Competitive and Corruption-free Private Sector**
- **Enhancing Justice Administration**
- **Increased Interagency Coordination for Prevention of Corruption**
- **Improved system of Political Party Financing**
- **Prevention of Political Corruption**

## **Institutionally strengthened Anti-Corruption Interagency Council**

In 2010 the Law on Conflicts of Interest and Corruption in Public Service was amended and the status of the Interagency Council for Fight against corruption was defined by the Law. Additionally, in 2010 the composition and capacity of the Council was broadened by the Decree of President on “the Approval of the Members of Interagency Anti-Corruption Council and the Regulations of the Council”.

## Reform of State Procurement

The State Procurement system has been reformed substantially in 2010. The Unified Electronic System of State Procurement has been launched. The e-procurement:

- Minimizes tender participation costs;
- Provides efficient and transparent use of public funds;
- Ensures fair and unbiased evaluation process;
- Provides easy access to all procurement related information;
- Streamlines procurement procedures;
- Increases competition.

Consequent to the reform:

- Tender fee decreased 4 times – GEL 50 (instead of GEL 200);
- Tender threshold decreased 20 times;
- Non-competitive procurement procedures are rarely used;
- Administrative and logistic expenses decreased significantly;
- Online purchase/ no need for written contract;
- Less formalities/no need to obtain/submit documents from other state bodies, proving qualitative data;
- Only the winning bidder has to submit relevant documents.
- Objective and quantifiable evaluation criteria - price;
- Pass/fail for others (delivery time; relevant experience; turnover, etc.);
- Web-payment of tender participation fee;
- State Procurement Agency is more service oriented (e.g. e-mail notification);
- *Ex ante* prevention vs. *ex post* enforcement.

**Dispute Settlement Council** was created within the State Procurement Agency. Members of the Council are representatives of the governmental and non-governmental agencies chosen on the basis of parity (equal footing).

## State Treasury Electronic Service System

In 2010 State Treasury Electronic Service System was implemented. Paper-based documents' flow between spending organization and the Treasury Service has been completely eliminated, resulting in significant saving of time and financial resources, as well as improvement of the service quality and enhancement of transparency of the processes.

Advantages of E-Treasury System are:

- Simplified everyday activities of spending organizations
- Accelerated and e-based exchange of information between spending organizations and Treasury
- Speedy exchange of information and high level of process management efficiency
- Reduction of administrative costs.

## Electronic Program for Budgeting

In 2010 E-Budget program was developed and launched. Electronic Program for Budgeting enables all budgetary institutions to plan their budgets electronically. Advantages:

- Simplified and systematized process of budget planning
- Automated stages of budget planning improving time and human resources efficiency
- Significant reduction of mistakes in the budget elaboration process
- Ability to produce reports for different categories of customers
- Storage of information in unified database

## Electronic Auction

Objects seized by the state subsequent to the commission of unlawful acts are put up for auction.

Advantages of E-Auction:

- Participation in online auction from home or office
- There is no necessity of advanced payment
- Free of charge delivery of purchase above 50 GEL
- Flexible system of monitoring of price changes
- Bilingual interface

## Privatization Reform

Privatization process and its procedures were simplified and became more flexible due to several legislative amendments. In addition, e-forms of privatization were drafted and modernization of e-based privatization system was launched.

Consequently, privatization process became more transparent, easy and speedy. Currently, all auctions take place in see-through rooms, which are open to media sources and interested persons. In addition, "one stop-shop" principle was introduced that saves the time and resources of the winner of the auction: Banks and Public Registry branches are located in the same building and can be accessed easily.

Moreover, creation of e-base privatization process increased the level of competitiveness and provided chance for citizens to participate in process distantly, while being abroad or at home.

## Simplified and Enhanced Mechanism of Licensing

Procedures concerning the construction licenses, licenses to obtain natural resources and/or to export, reexport, import and transit product of double-use were enhanced and simplified. For instance, an applicant who applies for the license to obtain natural resources addresses only special Department of the Ministry of Economy and Sustainable Development. The latter is obliged to consult and send all necessary information to the Ministry of Environmental Protection and Natural Resources for the opinion. In case of approval, Ministry of Economy and Sustainable Development pronounces auction and publishes information in newspaper available for all interested persons. Simplification of this process saves time and resources of the applicant, as well as reduces corruption in this area.

## New Tax Code of Georgia

In 2010 Parliament of Georgia adopted New Tax Code of Georgia which entered into force on January 1, 2011.

Purpose of the New Tax Code of Georgia is to increase confidence towards the Georgian tax system and to make administration more rational, remove ambiguities and harmonize the Georgian law with the best international practices and EU directives. The New Tax Code foresees simplified provisions and clearly established rules. Thus double interpretation possibilities are significantly minimized.

With the adoption of the New Tax Code and simplification of the tax regimes, Georgia is ranked 4th by the Forbes Tax Misery and Reform Index after Qatar, UAE and Hong Kong and also 23rd by the 2010 Annual Report on World Economic Freedom by the Fraser Institute. The features and advantages of the recently adopted Tax Code of Georgia include:

- **Unification of the tax and customs codes;**
- **New definitions of the micro and small businesses;**
- **Clarification of the taxpayer's rights;**
- **Advance tax ruling;**
- **Tax refund;**
- **Transfer pricing and thin capitalization;**
- **Communication between the tax authorities and taxpayers.**

## Business Ombudsman

The Business Ombudsman of Georgia will protect the rights and legal interests of tax-payers. The Business Ombudsman will have the right to establish breaches, accept and discuss individual claims, he/she will enhance relationship between state and private sector.

## State Auditors' Ethics Code and Financial Audit Manual

In 2010 the State Auditors' Ethics Code was approved and entered into force. The Code of Ethics is a comprehensive statement of the values and principles which should guide the daily work of auditors. The independence, powers and responsibilities of the public sector auditor place high ethical demands on the SAI and the staff they employ or engage for audit work. The Code of Ethics has been developed in accordance with the standards accepted by the International Organization of Supreme Audit Institutions (INTOSAI), mainly ISSAI 30.

The Financial Audit Manual (including compliance) was developed in accordance with the ISSAI 1000. Manual provides guidance for conducting financial audits of public sector entities. It describes three main stages in detail: planning, testing and reporting.

## Online Asset Declaration System

In 2010 Electronic Asset Declarations System was launched. Public officials fill and submit asset declarations electronically. Electronic Asset Declarations System significantly enhanced and simplified process of the submission of declarations.

47 000 Asset declarations have been uploaded on the web-site of the Civil Service Bureau ([www.csb.gov.ge](http://www.csb.gov.ge)), which are easily accessible for every individual.

## Simplified Personnel Recruitment Process in Public Sector

Amendments to the Law of Georgia on Civil Service establish simplified recruitment procedures in public sector. Consequent to the amendments:

- **Competitions will be announced electronically through the web-site of the Civil Service Bureau;**
- **Deadlines for the submission of applications and competition will be reduced.**

## Houses of Justice

According to the Houses of Justice Concept, services offered by state will be unified at one office on the basis of one-stop-shop principle. At the House of Justice it will be possible to obtain service of National Agency of Public Registry, Civil Registry Agency, National Bureau of Enforcement, Notaries, etc. Concept and Project of Tbilisi, Kutaisi, Batumi and Rustavi House of Justice have been elaborated and implementation processes are underway.

## Anti-Corruption Department at the Chief Prosecutor's Office of Georgia

In 2010 Anti-Corruption Department was created on the basis of the Investigative Division of the Chief Prosecutor's Office of Georgia. Main direction of its activity is fight against corruption and coordination of activities in this direction within the Prosecution Service of Georgia. Head, 2 Deputy Heads, 5 prosecutors and 12 investigators of the especially important cases work at this Department.

## Public Council of the Prosecution Service of Georgia

In October 2010 Public Council of the Prosecution Service of Georgia was created in order to increase transparency and exercise public supervision over the system of recruitment, attestation, dismissal of the staff of the Prosecution Service of Georgia. The Council participates in the selection process of interns and organization of trainings for them. It also supervises the implementation of the Strategy and Action Plan of the Reform of the Prosecution Service of Georgia. Function of the Council is public monitoring of the activities of the of the Procedural Management Unit of the General Inspection of the Ministry of Justice of Georgia. Members of the Council are members of the Parliament of Georgia, representatives of Judiciary, Council of Europe and USA Department of Justice, as well as experts.

## Debtor Registry of the National Bureau of Enforcement

In 2010 Debtor Registry was created within the National Bureau of Enforcement. Debtor registry is an electronic database that registers all physical and legal entities that are subject to forced enforcement. As individuals and legal entities are entered into the debtor database, the entity has limited management abilities of own fixed or liquid assets, making enforcement process far more effective.

Any individual or legal entity is entitled to receive information on the persons registered in debtor database and excerpt from debtor registry, which is an important step for successful management of business-related risks.

## Electronic Enforcement Auction

From February, 2011 it is planned to hold online auctions that will enable interested parties to seek and acquire assets of interest. Today clients need to visit relevant enforcement bureau in order to buy appropriate assets, but after installation of online system, citizens will be able to acquire assets from any part of the country, regardless of the location.

## Life-Time Appointment of Judges

In 2010 Constitutional Commission of Georgia elaborated Constitutional Amendments, inter alia, on life-time appointment of judges. Parliament of Georgia has adopted with 3rd hearing the above mentioned amendment. Life-time appointment of judges ensures judiciary independence.

## Court System Customers' Satisfaction Survey

Survey was conducted in 6 regions and 2000 customers were interviewed. According to the results 63,20% consider that court system is reliable. 62,80% consider that court system is fair; 69,50% consider that court procedures are speedy. 71,20% are satisfied with court services.

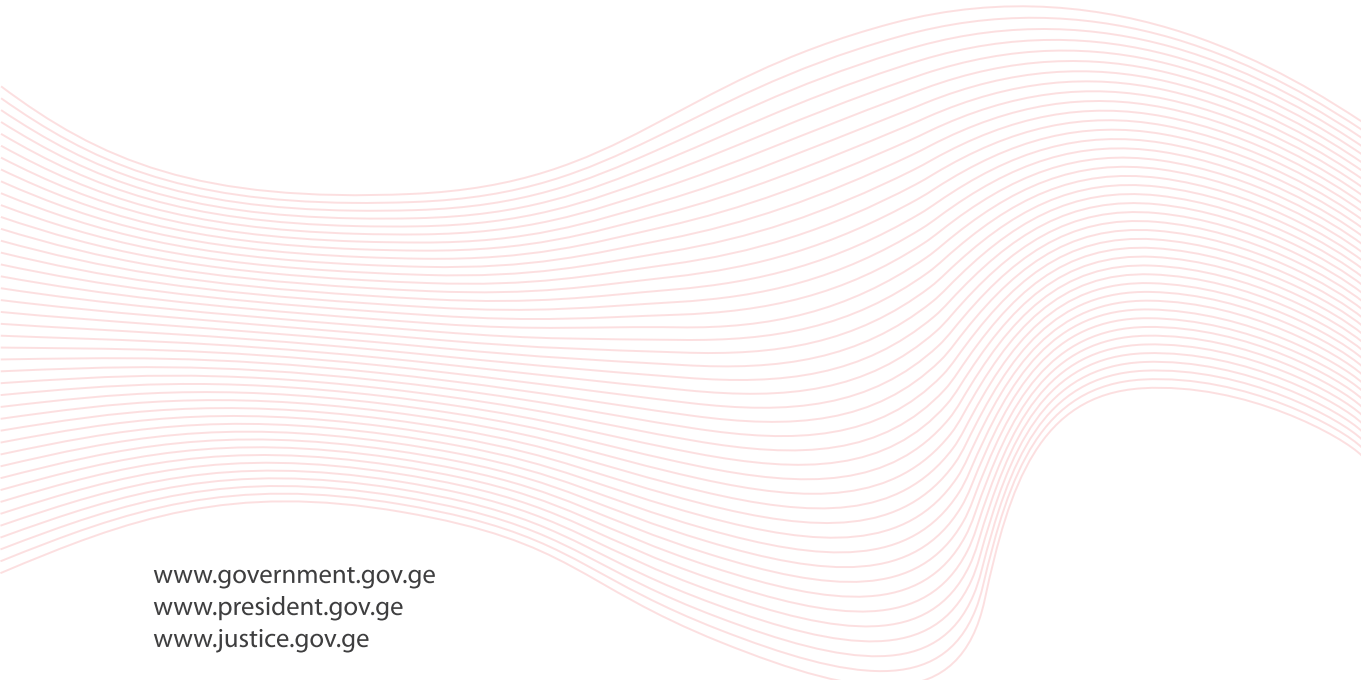
## Global Corruption Barometer

According to the 2010 Global Corruption Barometer survey by Transparency International, Georgia has the highest rate by 78 % of respondents surveyed stating that corruption has "decreased a lot" or "decreased" in the past three years (next comes Kenya at 48 %). Only 9 % of respondents surveyed said corruption had increased in the past 3 years in Georgia - the lowest number of all countries surveyed. 77% of the respondents state that the Georgian Government has been effective or extremely effective in fighting corruption. Compared to other countries included in this poll, Georgia has the highest rate of respondents who say that their Government's actions to fight corruption have been "effective" or "extremely effective". In addition, according to the report, in the past 12 months, only 3 % of Georgians surveyed had to pay a bribe, one of the lowest numbers amongst all countries surveyed.

**Percentage of respondents who paid a bribe in the last year**

<b>%</b>	<b>Country</b>
<b>50 &gt;</b>	Afghanistan, Cambodia, Cameroon, India, Iraq, Liberia, Nigeria, Palestine, Senegal, Sierra Leone, Uganda
<b>30-49.9</b>	Azerbaijan, Bolivia, El Salvador, Ghana, Kenya, Lebanon, Lithuania, Mexico, Moldova, Mongolia, Pakistan, Ukraine, Vietnam, Zambia
<b>20-29.9</b>	Armenia, Belarus, Bosnia & Herzegovina, Chile, Colombia, FYR Macedonia, Hungary, Papua New Guinea, Peru, Romania, Russia, Solomon Islands, Thailand, Turkey, Venezuela
<b>6-19.9</b>	Argentina, Austria, Bulgaria, China, Czech Republic, Fiji, France, Greece, Indonesia, Italy, Japan, Kosovo, Latvia, Luxembourg, Malaysia, Poland, Philippines, Serbia, Singapore, Taiwan, Vanuatu
<b>&lt; 6</b>	Australia, Brazil, Canada, Croatia, Denmark, Finland, Georgia, Germany, Hong Kong, Iceland, Ireland, Israel, South Korea, Netherlands, New Zealand, Norway, Portugal, Slovenia, Spain, Switzerland, UK, US

**Source: Transparency International Global Corruption Barometer 2010**

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