

PUBLIC SERVICE HALL

In 2011, Ministry of Justice of Georgia started to implement a new concept of Public Service Hall, which is based on the idea of “everything in one space”. In 2011, 4 Public Service Halls (PSH) were opened in Batumi, Rustavi, Kutaisi and Mestia and 12 more PSHs are scheduled to open before 2013.

PSH is based on the innovative approach to service delivery and offers more than 250 services to citizens in a comfortable friendly environment. Architects of this model utilized various business approaches that are essential to ensure fast, efficient and comfortable service delivery. Georgian Government believes that – as a matter of principle - public service should not be different from the private service and should equally focus on the easiness, speed and quality. PSH will ultimately provide to the citizens (both Georgian nationals and foreigners) every service from the state: including personal documents (ID, birth certificate and passport), business or property registration, notary services, enforcement of court judgments. Driver’s license, vehicle registration and the services from the municipality and Georgian Revenue Service will also be available at PSH.

Citizens have possibility to access PSH via web page www.house.gov.ge and receive different services online saving their time and finances. High quality services of PSH are supplemented with:

- 24/7 online operator;
- Unified call center;
- Daily service statistics;
- Quality management regulations.

STATE PROCUREMENT REFORM

Public procurement was the safe haven of corrupt agreements in Georgia. This system was abandoned and a new platform for public procurement was introduced: www.procurement.gov.ge. Public procurement is now exclusively online. There is zero possibility of corruption as the bidding process is carried out online on the web-site and any interested party can follow it. The competitiveness is fully guaranteed. Tender participation fees and guarantees are paid only through the electronic system.

In order to maximize transparency, a **Dispute Resolution Board** was created with civil society equally represented together with public officials. Electronic module for submitting complaints to the Dispute Resolution Board was developed and users of the Unified

Electronic System are able to submit complaints through this system. This procedure has greatly simplified appeal process and made dispute resolution more transparent.

This innovative approach gave State the possibility to save 202 million GEL of public money that amounts to 14% of the procurement budget. It is planned to further fine-tune the system, find new criteria balancing price and quality, as well as improve the analytical module of the system.

The Georgian Government uses an online platform and online bidding for auctions as well: www.eauction.ge. The principles are the same: full transparency, accessibility and equal competition. It is envisaged to make the e-auction system more user-friendly.

AUDIT REFORM

In 2011, audit process has been enhanced and currently it is in full compliance with international standards, including Lima Declaration (ISSAI 1), International Standards of Supreme Audit Institutions (ISSAI 10-11) and Fundamental Auditing Principles (ISSAI 100-400).

Public Audit Institute was established within the State Audit Office of Georgia. It provides training to the internal and external auditors and issues certificates, conducts research/analysis and offers expert services in the field of public sector audit. Only certified auditors that complete special training are allowed to conduct audits in public institutions.

FINANCIAL AND EFFICIENCY AUDIT METHODOLOGY

Financial Audit Manual was adopted and partially implemented in 2011. Manual provides guidance for conducting financial audits of public sector entities and describes three main stages in details: planning, testing and reporting. Based on the manual pilot of financial audit was conducted at three public institutions in Georgia.

Performance Audit methodology has already been adopted. Accordingly, the State Audit Office of Georgia will be able to conduct proper performance audit from 2012. Pilot Performance Audits are being carried out in two state institutions.

STATE TREASURY ELECTRONIC SYSTEM

In 2011, State Treasury Electronic System was fully implemented. Paper-based document flow between spending organization and the Treasury Service has been completely eliminated. This resulted in significant saving of time and financial resources, as well as improved service quality and enhanced transparency.

Advantages of E-Treasury System are the following:

- Simplified work of spending organizations
- Accelerated and e-based exchange of information between spending organizations and Treasury
- High efficiency of process management
- Reduction of administrative costs

ELECTRONIC PROGRAM FOR BUDGETING

The program allows state institutions to plan their budgets electronically. Accordingly, all governmental institutions prepared their budget for 2012 through the electronic program. Electronic Program for Budgeting:

- Simplifies and systematizes process of budget planning
- Automates stages of budget planning increasing time and human resources efficiency
- Reduces inaccuracies in the budget elaboration process
- Provides possibility to produce reports for different categories of customers
- Stores information in unified database

NEW TAX CODE

In 2011, new Tax Code of Georgia entered into force, with the aim to make tax administration more rational, remove ambiguities and harmonize the law with the best international practices and EU directives. The features and advantages of the recently adopted new Tax Code include:

- Unification of tax and customs codes
- New definitions of micro and small businesses
- Clarification of taxpayer's rights
- Advance tax ruling
- Tax refund
- Transfer pricing and thin capitalization
- Mechanism for communication between tax authorities and taxpayers

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 23rd by 2010 Annual Report on World Economic Freedom by the Fraser Institute.

TAX OMBUDSMAN

In 2011, a new institute of Tax Ombudsman was established for the protection of taxpayers' rights - as envisaged by the new Tax Code. The Tax Ombudsman is authorized to require an explanation from tax administration on complaints and applications submitted by taxpayers. The Tax Ombudsman has the right to identify breaches, accept and discuss individual claims, enhance relationship between state and private sector. If Tax Ombudsman discloses a violation of taxpayer's right he/she is mandated to give due recommendations to the relevant body.

DISTRICT TAX OFFICER

District Tax Officer is a client-oriented service aimed to provide taxpayers with all necessary information and services proactively. The main duty of the Tax Officer is to help taxpayers, promote compliance with tax obligations and give consultations on the issues of payment of taxes. Along with consultations, District Tax Officers help entrepreneurs solve their problems "on the spot" and acquaint them with the recent changes in tax policy. Tax

Officers are not authorized to impose any kind of sanctions, but rather prevent tax violations and notify owners about consequences that might follow. Institute of District Tax Officer operates in 26 cities and includes 165 officers.

Advantages of the new institute are:

- Prevention of tax violations
- Encouragement of voluntary compliance with tax regulations
- Better regulated and flexible tax system
- Client-oriented approach.

PERSONAL TAX AGENT

Innovative service - Personal Tax Agent was introduced by the Revenue Service of Georgia. The Personal Tax Agent will consult the taxpayer in tax legislation; assist in fulfillment of tax obligations and simplify the entrepreneur's relationships with the revenue services. Each Tax Agent is responsible for his/her consultations and therefore taxpayers are ensured from any inaccuracies. Currently, almost 130 companies are already using the services of Personal Tax Agent.

CUSTOMS CLEARANCE ZONE

Customs clearance zone is a large clearance center - unprecedented for Georgia, covering territory of several hectares with special parking area for hundreds of trucks. There are three economic clearance zones already in Tbilisi, Batumi and Poti. Advantages of the customs clearance zone include:

- 24/7 service to unlimited number of importers
- No need for a broker, agent or other intermediary
- Postponement of the service fee payment for 5 days upon clearance of the goods
- Reduced fees, number and average time of procedures
- Further streamlined customs clearance process
- Improved customer satisfaction.

TAX AND CUSTOMS SYSTEM REFORM

Modern infrastructure, new technologies, simplified procedures and client-oriented services ensure transparent and effective tax and customs administration. Among the initiatives introduced in 2011, are:

- Elaboration and implementation of 338 situational decisions – manuals
- Improvement of e-declaration system
- Enhancement of risk-based audit
- Development of alternative tax audit mechanism
- Unified customs and revenue taxpayers files
- Enhancement of system of electronic tax administration
- Initiation of mediation process among taxpayers and audit department

- Improvement of automated risk-management system

NEW WEB-PORTAL OF REVENUE SERVICE

A new updated web-page of the Revenue Service of Georgia www.rs.ge was created. Web-portal provides a wide range of electronic services, which simplify and make communication between taxpayers and tax bodies comfortable. These include:

- Electronic registration
- E-declaration
- E-applications; certificates; permits
- Internet-payments
- Postal Parcels Declarations
- Business Map
- E-Notifications
- Electronic Appeals
- E-Mortgage
- Electronic VAT invoice

PRIVATIZATION REFORM

Privatization process and its procedures were simplified and became more flexible as a result of 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 transparent rooms open to media and any interested individual. 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-privatization process increased the level of competitiveness and provided chance for citizens to participate in the process from distance, while being abroad or at home.

ELECTRONIC HUMAN RESOURCES MANAGEMENT SYSTEM

Minimum unified standards of automated electronic HR Management system were established by Civil Service Bureau of Georgia. The standards are obligatory for all governmental agencies and will serve as compatibility guarantee of a variety of software programs implemented. All public institutions are obliged to create an electronic system by June 1, 2012. Successful implementation of electronic system will:

- Increase the efficiency and transparency of the work of HR departments
- Raise effectiveness of staff evaluations
- Develop unified HR database

TRANSPARENT RECRUITMENT PROCESS IN CIVIL SERVICE

A number of legislative initiatives were introduced in order to ensure transparent and competitive system of recruitment in civil service, among them:

- Creation of a new web-page for employers of civil servants www.hr.gov.ge
- Obligatory announcement of a vacancy on the web-page
- Reduction of deadlines for submission of applications
- Simplified procedures of vacancy announcement and recruitment

LIFE-TIME APPOINTMENT OF JUDGES

In 2010, Constitutional Commission of Georgia elaborated Constitutional Amendments, *inter alia*, on lifetime appointment of judges. Parliament of Georgia adopted the amendments. Life-time appointment of judges increases the independence of judiciary. The amendment will enter into the force in 2013.

JURY TRIALS

In 2011, first jury trial was held in Georgia giving citizens the opportunity to take direct part in the administration of justice. Introduction of jury trials in Georgia is aimed at increasing transparency and accountability for the public and engaging citizens. Currently, jury trials are being held for murder in aggravated circumstances and only in the capital city. It is planned to gradually expand this institution throughout the country and for other offenses as well.

IMPLEMENTATION OF GRECO RECOMMENDATIONS

GRECO Second Evaluation Round Report included 14 recommendations on three major themes – proceeds of corruption, public administration and corruption, legal persons and corruption. GRECO concluded that out of 14 recommendations 13 were implemented satisfactorily and 1 recommendation was partly implemented.

In order to ensure better legislative regulation of transparency of political party finances and implement GRECO Third Evaluation Round recommendations on incrimination and transparency of party funding, the Anti-Corruption Council of Georgia proposed amendments to the legislation.

Amendments were introduced to the Criminal Code of Georgia:

- Revising the definition of bribery, commercial bribery and trading in influence
- Specifying jurisdictional issues
- Improving the mechanism of exclusion from punishment in case of effective regret

The new law on political party financing endorsed by the Venice Commission was adopted in 2011. The law creates completely new framework for political party financing, ensuring transparency and better accountability. Financial declarations of political parties and the information about contributors will be open to public.

A new framework is based on the recommendations issued by GRECO, OECD and other relevant international organizations as well as best practices of different countries. The new legislation foresees:

- Prohibition of donations to political parties from legal persons
- Restrictions on taking loans by parties and limitations of membership fees
- Annual cap on donations accepted by parties and made by citizens
- Regulations for those legal persons related directly or indirectly to political parties
- Determination of State Audit Office as the monitor of compliance with party financing legislation
- Harmonization of sanctions for violations of party financing regulations.

MORE DETAILS ABOUT THE ADOPTION OF LEGISLATION ON PREVENTING AND FIGHTING CORRUPTION

1. **A number of significant legislative amendments were introduced to the Georgian Criminal Code in November 2011 – in response to GRECO 3rd Round Recommendations: revising the definition of bribery, commercial bribery and trading in influence; specifying jurisdictional issues and improving the mechanism of exclusion from punishment in case of effective regret. The law was adopted by the Parliament and entered into force in November 2011. With these amendments, Georgia complied with all 5 recommendations issued by GRECO on incriminations.**
 - 1.1. The bribery of foreign arbitrators and foreign jurors is unambiguously covered by the Georgian Criminal Code (CC). Articles 338 and 339 of CC Chapter XXXIX criminalise passive and active bribery. The wordings of the articles are, respectively, “*promising, offering or giving, directly or indirectly, of money [etc.] to a public official or a person with an equal status” and “*receipt or request by a public official or a person with an equal status”.* According to the remark to CC Art.332, for the purposes of Chapter XXXIX, “persons with an equal status to a public official also include... foreign arbitrators and jurors”.*
 - 1.2. The Commercial Bribery article (221) of the CC was also amended. Situations in which someone other than the bribe-taker benefits from the bribe were clearly included. CC Article 221 uses the wording “*for the interest of the briber or other person”.*
 - 1.3. The mechanism for using “effective regret” both in private and public sector was enhanced, eradicating possibilities for abuse by bribe-givers. Under CC articles on Commercial Bribery (221), Active Bribery (339) and Trading in Influence (339¹), it is under the discretion of a prosecuting body, whether to release a person from criminal liability or not in case of effective regret. Remarks to articles 221, 339 and 339¹ stipulate that “*the prosecuting body takes a decision about releasing a person from criminal responsibility”.* There is no mandatory release.
 - 1.4. Amendments were introduced to the article about Trading in Influence (339¹), ensuring that third party beneficiaries of the undue advantage are covered. The wording of the article reads as “*for the interest of himself/herself or other person”.*
 - 1.5. Dual criminality and jurisdictional issues were specified.

- i) Dual criminality requirement for the corruption offences committed abroad by Georgian nationals was abolished. According to CC article 5.4: “A Georgian national... who has committed abroad an act described by articles 221 [Commercial Bribery], 338 [Passive Bribery], 339 [Active Bribery], 339¹ [Trading in Influence], will be prosecuted under the Georgian CC, irrespective of whether these crimes are foreseen by the legislation of the foreign state in question”.
- ii) Jurisdiction was expanded over the citizens of a foreign State who exercise public authority for Georgia and who commit a crime on the territory of a foreign State. Article 5.5 of the Georgian Criminal Code stipulates that “A foreign national or a stateless person, exercising public authority on behalf of Georgia, who has committed abroad an act described by articles 221 [Commercial Bribery], 338 [Passive Bribery], 339 [Active Bribery], 339¹ [Trading in Influence], will be prosecuted under the Georgian CC, irrespective of whether these crimes are foreseen by the legislation of the foreign state in question”.

Consequently, the Georgian legislation captures corruption-related offences, leaving aside the dual criminality requirement, when committed by its nationals, who are public officials, including members of a Georgian public assembly, Georgian officials of international organizations, Georgian members of international parliamentary assemblies and Georgian judges or officials of international courts. The same is true for non-nationals working in any similar capacity for Georgia.

2. Georgia introduced new rules for political party financing based on GRECO 3rd Round Recommendations on Political Party Funding, OECD 2nd Round Recommendations on Political Corruption, Council of Europe Committee of Ministers Recommendation (2003)4 on Common Rules against Corruption in the Funding of Political parties and Electoral Campaigns and Report of Non-governmental Organizations on Political Party Funding. Amendments to the Law on Political Union of Citizens (LPUC) were adopted in December 2011.

- 2.1. The LPUC creates completely new framework for political party financing, ensuring transparency and better accountability. Financial declarations of political parties and the information about contributors will be open to public. The framework foresees: (i) Prohibition of donations from legal persons; (ii) Restrictions on taking loans by parties and limitations of membership fees; (iii) Annual cap on donations accepted by parties and made by citizens; (iv) Regulations for legal persons related directly/indirectly to political parties; (v) Determination of monitoring body of legality and transparency of party funding – State Audit Office (former Chamber of Control); (vi) Harmonisation of sanctions for violations of party financing regulations.
- 2.2. According to the Venice Commission, “The draft amendments and additions to the Organic Law on Political Unions of Citizens have successfully addressed many international standards in the field of political finance and in particular many GRECO recommendations with a view to establishing a more uniform and transparent legal framework. In particular, the following positive points should be underlined: (i) the ban of corporate donations (donations by legal persons); (ii) the introduction of a requirement for bank wire transfers of donations; and (iii) the inclusion of the Control Chamber (Audit Office) as a body controlling the reports of the parties.”
 - i) Under Amendments, legal persons are prohibited to donate to the political parties. Donations can be made only by natural persons – citizens of Georgia. A citizen can donate to political party maximum 60 000 GEL per year or can provide a service of the same value (Art. 25 LPUC).
 - ii) The Amendments foresee bank transfer as a method of donations to ensure transparency and better accounting of party finances (Art. 25.2. LPUC).

- iii) Issues related to loans/credits are also regulated under amended provisions. According to the Amendments parties are allowed to receive loans/credits not exceeding 1 000 000 million GEL from a commercial bank only for electoral reasons and after their registration as an electoral subjects. The Amendments also establish maximum limit of membership fee - 1200 GEL per year (Art.25 LPUC).
 - iv) The law (Art.34¹ LPUC) establishes the State Audit Office as a monitoring body that is chaired by a person elected by the Parliament for a 5-year term – position defined by the Constitution of Georgia: a person who is independent and inviolable.
 - v) According to the Amendments, the State Audit Office is authorized to: (a) elaborate standardized format for financial declaration; (b) define adequate auditing standard of financing of electoral subjects; (c) check the accuracy, legality and completeness of the financial declaration and report of electoral campaign fund; (d) ensure the transparency of political party funding; (e) consult the interested persons on political party funding; (f) request the information on political party funding in case of necessity from political parties, administrative bodies and commercial banks; (g) address the violations of political party funding regulations and apply sanctions prescribed by law; (h) address the prosecutor in case of detection of a crime (Art.34¹ LPUC).
 - vi) The amendments ensure that all financial transactions of the fund are adequately reflected in the reports on the use of the election campaign fund. According to Article 57 of the Election Code: “Election subjects, no later than 1 month from the announcement of election results, and those election subjects, which, based on the preliminary data, receive required number of votes stipulated by this Law, - no later than 8 days from the polling day, shall submit to the State Audit Office a statement on election funds indicating the source of funds along with the auditor’s (audit firm) report. An auditor (audit firm) operating in the territory of Georgia shall be authorized to carry out an audit inspection”.
 - vii) Financial declarations of a political party should be kept for 6 years (Article 32.6 of the LPUC).
 - viii) The State Audit Office elaborates a template for the financial declarations of political parties and standards for auditing (Art. 32.5 on the LPUC). (These have already been elaborated and are available on State Audit Office web-page).
 - ix) Declarations of political parties are available on the web-page of the State Audit Office (the previous page www.control.ge is currently being replaced by www.sao.ge).
 - x) According to article 38 of the Code on Administrative Offences, administrative sanctions – which include those provided by the Election Code and LPUC – have to be imposed within 2 months after the offence had been committed (or in case of an on-going offence, no later than within two months after its detection).
 - xi) The sanctions and respective procedural issues provided by the LPUC, Election Code and the Code on Administrative Offences have been harmonized. They are fully consistent and where necessary, supplement each other (Article 34² of the LPUC, Chapter X of the Election Code and Articles 173¹⁰, 174¹³ and 174¹⁴ of the Law on Administrative Offences).
- 2.3. Important measures were taken to prevent further the misuse of administrative resources. New Election Code was adopted in December 2011. The new Code (art. 48) establishes the Interagency Commission under the National Security Council. Political parties and other electoral subjects take part in the work of the Commission. The Commission is authorized to discuss any alleged misuse of administrative resources, irrespective of whether the respective information is submitted by the

political parties or independent observers or whether the allegations are aired by the media. Local and international observers can be invited to the meetings of the Commission to ensure increased transparency of its work. The Commission can address a public servant, a public agency or the Central Electoral Commission if there are any established cases of the misuse. The sanction for the violation of the rules prohibiting the misuse of administrative resources has been doubled (Art. 88 of the Election Code).

NB! Link to Georgia's rankings in international anti-corruption surveys for 2012:
http://www.justice.gov.ge/index.php?lang_id=GEO&sec_id=878&lang_id=ENG