

BUSINESS CLIMATE REFORM

Prime Contractor

Chemonics International Inc.

Client

USAID/Georgia

Project Name

USAID Business Climate Reform

Value of Services

\$12,953,400

Duration

2005-2009

Associated Firms

TSG The Services Group

Objective

To support the Government of Georgia's reform efforts in the three broad areas of regulatory streamlining, fiscal reform, and commercial law.

Situation and Solution

USAID Business Climate Reform is a collaborative activity between USAID and the Government of Georgia (GoG) supporting GoG economic reforms to encourage an improved business environment conducive to economic growth and job creation.

Regulatory Streamlining. The project assists the GoG in public management reform and streamlining of services for businesses and the public, including the simplification of administrative procedures.

Fiscal Reform. The project works with the GoG to improve tax and customs administration, including support in the unification of the Tax and Customs departments into a combined revenue efficiency agency.

Commercial Law. The project assists the GoG in analysis, drafting, amendment, and implementation of commercial laws and improved regulatory environment for business, including areas such as privatization and property registration.

Results*Office of the State Minister on Reforms Coordination*

- The GoG completed actions required for accession to the Hague Convention on Recognition of Foreign Legal Acts. Membership greatly reduces the time and expense for foreign investors to establish operations in Georgia and for Georgian citizens and businesses to legalize documents required by foreign companies.
- Minimum capital requirement for new businesses was reduced from 1,170 to 170 USD, and was responsible for Georgia's jump from 59 to 36 in the Starting a Business category of the 2007 World Bank Doing Business Survey.
- Through adoption of construction permitting procedures, time required for buildings to become operational was reduced by 30 days for commercial and residential facilities and 60 days for industrial facilities.

Customs Department

- The GoG implemented reforms that reduced the time required for export from 54 to 13 days and import from 52 to 15 days.
- Streamlined procedures were adopted that trimmed one day off the time required for commercial trucks to cross the border. The project calculated the savings to traders at \$40 million [daily border crossing of commercial trucks (139,000) x World Bank's estimate of daily operating cost of a commercial truck (\$288)].
- Operations were improved at border posts, including the consideration of standard operating procedures drafted by the project.
- Clearance procedures were streamlined, which elevated Georgia from 149 to 95 in Trading Across Borders in the 2007 World Bank Doing Business Survey.

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Tax Department

- The GoG implemented the project's proposal to unify business and tax registration processes. Due to the increased efficiency in tax payment and registration processes, the number of businesses in compliance with tax requirements has nearly quadrupled. Taxpayers were previously required to complete two long forms, make two visits to notaries, stand in two lines at the Tax Department, and then received two different unique identification numbers. The unified process, with one much shorter form, reduced the registration time by five days, and freed up 22 Tax Department employees for other duties. The total savings to business and government was calculated at \$12.4 million per year.
- The project provided computer hardware and software to the Tax Department that is allowing the Department to digitize its business registration archives and improve the performance of its Oracle database.
- The project promoted the establishment of an electronic database for business registration files and entering registration information for 80,000 businesses. Time saved by Tax Department personnel and private entrepreneurs has translated into over \$1.1 million in savings in the first year.

National Agency for Public Registry (NAPR)

- NAPR accepted USAID recommendations for streamlining implementation of the new Law on Land Registration and is redrafting the initial regulation accordingly. The project is also helping NAPR implement new land registration software, improved electronic document management, and a new pledge registry.
- The project provided licensed Oracle software to NAPR and the Tax and Customs Departments, which will improve efficiency and lower operating costs for the agencies and streamline their regulatory processes, thus decreasing cost and time incurred by the private sector in activities relating to doing business.

Georgia National Investment Agency (GNIA)

- The Business Information Center of the Georgian National Investment Agency was opened in May 2006 by Georgia's president to serve as a key focal point for public-private dialogue and access to accurate information about doing business in Georgia. The BIC recently received a mandate in legislation drafted by the project stating that businessman who file an application for a license or permit with the BIC may rely upon the BIC for following up with the licensor.

Monetizing Benefits

- In just over one year, the project has documented a savings to businesses and government of \$159.25 million. For every dollar that USAID has invested, the project estimates a return of \$35.95.