Georgia
#1 reformer in the world
In the past 5 years about 85% of economies made it easier to do business

Five-year measure of cumulative change in Doing Business indicators between DB2006 and DB2011
Georgia went from 112th to 8th place in World Bank’s Ease of Doing Business Index.
### TABLE 1.1 Rankings on the ease of doing business

<table>
<thead>
<tr>
<th>Rank</th>
<th>Economy</th>
<th>DB2013 reforms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Singapore</td>
<td>0</td>
</tr>
<tr>
<td>2</td>
<td>Hong Kong SAR, China</td>
<td>0</td>
</tr>
<tr>
<td>3</td>
<td>New Zealand</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>United States</td>
<td>0</td>
</tr>
<tr>
<td>5</td>
<td>Denmark</td>
<td>1</td>
</tr>
<tr>
<td>6</td>
<td>Norway</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>United Kingdom</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Korea, Rep.</td>
<td>4</td>
</tr>
<tr>
<td>9</td>
<td>Georgia</td>
<td>6</td>
</tr>
<tr>
<td>10</td>
<td>Australia</td>
<td>1</td>
</tr>
</tbody>
</table>

### GEORGIA

**Ease of doing business (rank)**: 9

- **Starting a business (rank)**: 7
- **Procedures (number)**: 2
- **Time (days)**: 2
- **Cost (% of income per capita)**: 3.8
- **Minimum capital (% of income per capita)**: 0.0

**Dealing with construction permits (rank)**: 3

- **Procedures (number)**: 9
- **Time (days)**: 74
- **Cost (% of income per capita)**: 17.7

**Registering property (rank)**: 1

- **Procedures (number)**: 1
- **Time (days)**: 2
- **Cost (% of property value)**: 0.1
| **Area:** | 69,700 sq km |
| **Population:** | 4.5 mln |
| **Life expectancy:** | 75 years |
| **Official language:** | Georgian |
| **GDP 2014:** | USD 16.5 bln |
| **Literacy:** | 100% |
| **Capital:** | Tbilisi |
| **Currency (code):** | Lari (GEL) |
GDP per Capita PPP – 2,150 USD
GDP at Current Prices USD BLN

GDP Real Growth

GDP per Capita USD


9.6% 9.4% 12.3% 10.2 12.8 10.8 11.6 14.4 15.8 16.1 16.5

6.4 7.8 10.2 2.3% 3.8% 7.2% 6.2% 3.3% 4.8%

1,484 1,764 2,315 2,921 2,455 2,623 3,231 3,523 3,600 3,681
FAVORABLE PUBLIC DEBT SITUATION

Total Public Debt to Nominal GDP (%) - External Public Debt to Nominal GDP (%)

- 2004: 34.5%, 26.8%
- 2005: 40.0%, 32.0%
- 2006: 32.0%, 21.1%
- 2007: 25.5%, 16.8%
- 2008: 31.2%, 23.5%
- 2009: 41.0%, 31.7%
- 2010: 42.4%, 33.6%
- 2011: 36.5%, 28.8%
- 2012: 34.9%, 27.6%
- 2013: 34.7%, 27.2%
- 2014: 36.4%, 27.6%
Global Corruption Barometer

Source: Transparency International 2013 (GLOBAL CORRUPTION BAROMETER)
Batumi, Black Sea Coast of Georgia
Radisson Blu Hotel, Tbilisi, Georgia

GDP per Capita PPP – 2,150 USD

GDP per Capita PPP – 7,250 USD
What is the reason behind this rapid growth?
1. POLITICAL WILL

2. ESTABLISHING CREDIBILITY EARLY
POLICE REFORM
80% REDUCTION IN ARMED ROBBERIES FROM 2006–2010

- Annual number of armed robberies

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2160</td>
</tr>
<tr>
<td>2007</td>
<td>1208</td>
</tr>
<tr>
<td>2008</td>
<td>1008</td>
</tr>
<tr>
<td>2009</td>
<td>700</td>
</tr>
<tr>
<td>2010</td>
<td>398</td>
</tr>
</tbody>
</table>

ONE OF THE LEAST CORRUPT POLICE FORCES IN EUROPE

- Transparency International Global Corruption Barometer 2010

Question: "To what extent do you perceive the police to be affected by corruption? (1 - not at all corrupt; 5 - extremely corrupt)

<table>
<thead>
<tr>
<th>Country</th>
<th>Perception</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>1.9</td>
</tr>
<tr>
<td>Georgia</td>
<td>2.1</td>
</tr>
<tr>
<td>Germany</td>
<td>2.3</td>
</tr>
<tr>
<td>France</td>
<td>2.7</td>
</tr>
<tr>
<td>UK</td>
<td>3.1</td>
</tr>
<tr>
<td>Poland</td>
<td>3.2</td>
</tr>
<tr>
<td>Romania</td>
<td>3.9</td>
</tr>
<tr>
<td>Ukraine</td>
<td>4.3</td>
</tr>
</tbody>
</table>
3. ASSAULT ON CORRUPTION

4. ATTRACTING NEW STAFF
ECONOMIC REFORMS
De-bureaucratization

1. Public sector downsized by 2/3
2. 18 ministries consolidated into 12
3. Salaries increased from 30 USD to 1,800 USD/month
De-regulation

BEFORE 2005
• 300 LICENSES
• 600 PERMITS

AFTER 2005
• 86 LICENSES
• 50 PERMITS

• “SILENCE IS CONSENT” RULE IS INTRODUCED
Silence is Consent Rule

The new licensing law and the general administrative code (amended in June 2005) impose the following statutory time limits:

• 30 days after filing an application for a decision on granting a license.
• 20 days after filing an application for issuing a permit.
Regulatory Outsourcing
Simplifying and Strengthening Tax Collection

<table>
<thead>
<tr>
<th>15%</th>
<th>Corporate Profit Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>18%</td>
<td>Value Added Tax (VAT)</td>
</tr>
<tr>
<td>on few selected goods</td>
<td>Excise Tax</td>
</tr>
<tr>
<td>20%</td>
<td>Personal Income Tax</td>
</tr>
<tr>
<td>0%, 5% or 12%</td>
<td>Import Tax</td>
</tr>
<tr>
<td>up to 1%</td>
<td>Property Tax</td>
</tr>
</tbody>
</table>

*According to Forbes Tax Misery Report, Georgia is ranked as 4th least tax burden country in the world after Qatar, UAE & Hong Kong*
Effectively functioning public institutions and rule of law led to a dramatic reduction of informal activities.

<table>
<thead>
<tr>
<th></th>
<th>Before Tax Reform</th>
<th>After Tax Reform</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of taxes</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Potential tax revenue as a percent of GDP</td>
<td>40-45%</td>
<td>28-30%</td>
</tr>
<tr>
<td>Actual tax revenue as a percent of GDP</td>
<td>15.6%</td>
<td>23.4%</td>
</tr>
<tr>
<td>Compliance Rate</td>
<td>35%</td>
<td>78-85%</td>
</tr>
</tbody>
</table>
Privatization
5. LIMITING THE ROLE OF THE STATE

6. ADOPTING UNCONVENTIONAL SOLUTIONS

7. TAILOR INTERNATIONAL EXPERIENCE TO LOCAL CONDITIONS
7. TAILOR INTERNATIONAL EXPERIENCE TO LOCAL CONDITIONS

7. HARNESSING NEW TECHNOLOGY
What are the benefits of funding digital procurement?

$663 for every $1 spent.

In Georgia, it cut the price of the contracts/tenders by 12-15%.
Customs
• Golden List program with 175 companies as “authorized economic operators”
• Since 2005, import and export clearance documents have been reduced from 54 to 3
• Bills of lading and invoices may now be submitted electronically
Public Service Hall

2012 UN Public Service Award Winner
400 services in one space

<table>
<thead>
<tr>
<th>Self service</th>
<th>Quick Service</th>
<th>Long Service</th>
</tr>
</thead>
</table>
| • extract on property or business registration, biometric photo for ID card and passport, cash withdrawal from ATMs | • 2-5 minutes  
• Issuance of already printed ID card and Passports, Birth and Marriage Certificates, Documents certified by appostile or legalization, Extracts on property and business registration | • 5-10 minutes  
• Registration of property and business, receipt of biographical certificates from the Archive |

*Services can be fast tracked for additional fees*
Example: Registering Property

• Processing dropped from 39 days to 1 day
• Cost decreased from 2.5% of property value to 0.1%
• Number of procedures fell from 8 to 1
• Public Registry Agencies revenues increased by 85 times
• & Georgia became # 1 in the world in the ease of Registering Property
International Recognition

UK Parliament about Georgian Public Service Hall

Hillary Clinton at the Public Service Hall
8. HARNESSING NEW TECHNOLOGY

9. USING COMMUNICATIONS STRATEGICALLY
Kazakhstan today is 41st on World Bank’s Ease of Doing Business Index
Ease of Doing Business in Indonesia
## MEETINGS WITH KEY STAKEHOLDERS

1. Teten Masduki, President’s Chief of Staff
2. Thomas Lembong, Chairman BKPM
3. Dr. Lukita Dinar Syah Tuwo, Secretary General Economy Coordinating Ministry
4. Edy Junaedi, Head of One Stop Service Agency, DKI Jakarta
5. Tri Widodo, Deputy Chair, LAN – State Administration Agency
6. Tuti Kusumawati, Head of BAPPEDA, DKI Jakarta
7. Farah R. Indriani, Deputy Director, BKPM
8. Rosan Roeslani, Chairman, KADIN (Chamber of Commerce)
9. DR. Wahyu Utomo and Bambang Adi Winarso, Senior Advisors on National Economic competitiveness, Coordinating Ministry of Economic Affairs (CMEA)
10. Various chambers, think tanks, former Ministers and gov’t officials
Challenge 1:

Most reforms are sparked by crisis. But Indonesian economy is stable and growing.

Answer 1:

You can create a sense of urgency to motivate change.
EODB is directly correlated with entrepreneurial activity (2014)

<table>
<thead>
<tr>
<th>Economy</th>
<th>Business Density (new registrations per 1,000 people ages 15-64)</th>
<th>Number of New Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>0.29</td>
<td>47,549</td>
</tr>
<tr>
<td>Senegal</td>
<td>.32</td>
<td>2,357</td>
</tr>
<tr>
<td>Sierra Leone</td>
<td>.30</td>
<td>1,062</td>
</tr>
<tr>
<td>South Sudan</td>
<td>.33</td>
<td>2,110</td>
</tr>
<tr>
<td>Nigeria</td>
<td>0.76</td>
<td>71,941</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.37</td>
<td>49,203</td>
</tr>
<tr>
<td>Brazil</td>
<td>2.88</td>
<td>73,614</td>
</tr>
<tr>
<td>Russia</td>
<td>4.2</td>
<td>427,388</td>
</tr>
<tr>
<td>Singapore</td>
<td>9.51</td>
<td>38,306</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>31.3</td>
<td>167,280</td>
</tr>
</tbody>
</table>
Challenge 2:

85% of reforms take place in the first 15 months of a new government. Time has passed.

Answer 2:

You can still achieve a lot by simplifying administrative procedures. And by tagging along international obligations.
How can Indonesia achieve top 40?
Step 1
Authority & Accountability Frameworks
Best Practices from Mexico, S. Korea & other top reformers

TOP DOWN APPROACH

To help overcome resistance to change in lower levels of the public administration, the reforms are orchestrated by a small group of skilled reformers assembled by the President/ PM and placed in key positions.
Best Practices from Mexico, S. Korea & other top reformers

• Accountable to President and/or PM
• Separate from the Ministries being reviewed
• Staffed with professionals (mix of lawyers, economists and business experts) that are completely neutral to the process/outcomes

Examples: COFEMER in Mexico, Presidential Commission on Regulatory Reform in Korea, DB Unit and Committee in Rwanda, HITRORez (Rapid Cut) unit in Croatia
Presidential Commission, chaired by PM and civilian co-chair. Consists of 20 members, 7 of them cabinet ministers.
How can this be achieved in Indonesia?
Building an Effective Reform Pipeline

**President**
- Ensures Milestones are Achieved
- Hosts National Leadership Retreat

**Steering Committee**
- Brings Together all Relevant Ministries & Agencies
- Oversees Implementation
- Commits to New Priorities

**DB Unit**
- Identifies Reform Opportunities
- Monitors Implementation
- Donor coordination, Manages Funding
- Explains Reforms to Public Sector

**Technical Taskforce**
- 10 Taskforces based on DB Indicators
- Includes Private Sector Representatives
- Approves Reform Proposal
National Steering Committee on Doing Business Reforms in Rwanda

- Chairman: Minister of Trade & Industry
- Ministers of Finance, Justice, Land, Local Government & Infrastructure
- Mayor of Kigali
- Governor of Central Bank
- CEO of Rwanda Development Board
- Chairman of Rwanda Revenue Authority
Measurement

A method for measuring the total administrative burden and for mapping the distribution of burdens on individual regulations and ministries has been developed. This Standard Cost Model (SCM) enables a targeting of simplification efforts for the most burdensome regulations and makes it possible to monitor the development of overall administrative burdens.

Independent Monitoring

The Advisory Board on Administrative Burdens (Actal) played the role of independent watchdog, monitoring progress towards meeting the reduction target and assessing the initiatives of individual ministries. Actal assisted in guiding and advising ministries and provided independent and horizontal advice to the Cabinet on ways and means to strengthen the programme.

Link to the Budget Cycle

Reporting to Cabinet and Parliament on progress on the program has been linked to well-established reporting procedures related to the budget. This led to unavoidable deadlines for reporting and ensured recurring attention from the Cabinet and Parliament. It also made clear to ministries that performance on the program would be of relevance in budget discussions with the Ministry of Finance.

Quantitative Target

By establishing a timebound target, and communicating this widely, the government accepted to be held accountable on a highly prioritized policy goal. The target has been divided among ministries and over years, thus providing a strong instrument for steering and monitoring simplification efforts across the administration.
Discussion points for Steering Committee Meeting

1. Commit to a target reduction in the administrative costs of issuing and regulating permits. Set up a measuring system to ensure that it is achieved.

2. Identify who specifically is accountable.

3. Cut next years budgets for uncooperative agencies/ministries. Increase salaries or provide incentives (promotions, bonuses) – for best performing.
Step 2
Simplifying & Streamlining
Major Reforms that can be implemented before 2018 Ease of Doing Business Report

1. Evaluating all 561 agencies (central & local) that can issue licenses, regulations & permits.
   Consolidating or reducing their powers.

2. Reducing the number of licenses and regulations by 50%.
EXAMPLE: Korean Regulatory Reform

• There were 11,125 regulations in 1998
• President ordered to eliminate 50% of existing regulations within a year.
• Each Ministry had to prove the need for its regulations before the Regulatory Reform Committee during the process.
• By the end of 1999, the total number of regulations decreased to 6,308.
• In the next 5 years, over 1 million new jobs were created, government costs were reduced by 590 billion won, FDI increased by $36.5 billion.
Major Reforms that can be implemented before 2018 Ease of Doing Business Report

Consolidating and simplifying services by introducing REAL One Stop Shops

- Provide all services in one space
- Introduce “fast track” payments for services
- Separating front office & back office staff / operations
- Partnership with Private Companies can be considered to reduce start-up costs (shopping centers)
Major Reforms that can be implemented before 2018 Ease of Doing Business Report

✓ Embracing Technology

Combine procedures, speed up processing times, create transparency and provide better services.

• Customs - ASYCUDA - Automated SYstem for CUstoms DAta
• E-filing of taxes, e-assignment of cases for tax officers
• E-auctions
• E-procurement
• Electronic filing systems, case management system for courts, e-assignment of cases for judges
Step 3
Working with Specific Indicators
Case Study: Enforcing Contracts

Indicator
Enforcing Contracts in Indonesia
Rank - 170th

<table>
<thead>
<tr>
<th>Economy</th>
<th>Enforcing Contracts rank</th>
<th>Enforcing Contracts DTF</th>
<th>Time (days)</th>
<th>Cost (% of claim)</th>
<th>Quality of judicial processes index (0-18)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cambodia</td>
<td>174</td>
<td>34.53</td>
<td>483.0</td>
<td>103.4</td>
<td>6.0</td>
</tr>
<tr>
<td>Indonesia - Surabaya</td>
<td>..</td>
<td>32.86</td>
<td>510.0</td>
<td>107.3</td>
<td>5.5</td>
</tr>
<tr>
<td>Papua New Guinea</td>
<td>169</td>
<td>36.21</td>
<td>591.0</td>
<td>110.3</td>
<td>8.5</td>
</tr>
<tr>
<td>Indonesia</td>
<td>170</td>
<td>35.37</td>
<td>471.0</td>
<td>115.7</td>
<td>6.3</td>
</tr>
<tr>
<td>Indonesia - Jakarta</td>
<td>..</td>
<td>36.08</td>
<td>460.0</td>
<td>118.1</td>
<td>6.5</td>
</tr>
<tr>
<td>Mozambique</td>
<td>184</td>
<td>27.32</td>
<td>950.0</td>
<td>119.0</td>
<td>9.0</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>189</td>
<td>6.13</td>
<td>1,285.0</td>
<td>163.2</td>
<td>2.5</td>
</tr>
</tbody>
</table>

*official cost of going through court procedures, expressed as a percentage of the claim
<table>
<thead>
<tr>
<th></th>
<th>Allow</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Allow</td>
<td>Provide simple legal forms and require plain Bahasa in the courtroom, so ordinary people can understand and use small claims procedures. <strong>Not</strong> considered a reform if not commonly used.</td>
</tr>
<tr>
<td>02</td>
<td>Allow</td>
<td><strong>Electronic Filing System for Commercial Cases</strong>, allowing attorneys to submit initial summons online. Considered a reform <strong>only</strong> if paper copies are not required to be submitted to the court.</td>
</tr>
<tr>
<td>03</td>
<td>Allow</td>
<td><strong>Enforcing Deadlines for Processing Documents</strong> and introducing case time limits.</td>
</tr>
<tr>
<td>04</td>
<td>Allow</td>
<td><strong>Making Judgments Publicly Available</strong>. Case files must be accessible and catalogued efficiently so that they can be conveniently searched.</td>
</tr>
<tr>
<td>05</td>
<td>Allow</td>
<td><strong>Requiring Judges to Disclose Their Assets</strong> and introducing performance measurement for judges.</td>
</tr>
</tbody>
</table>
Case Study: Dealing with Construction Permits Indicator
MAKE INFORMATION EASILY AVAILABLE.
Help businesses navigate the process for a license or permit by making all the forms and requirements, including step-by-step charts on procedures, available online.

INTRODUCE ONLINE APPLICATIONS.
It drastically reduces costs, speeds up the processing times and removes personal contact (and the chance for bribe payments). Monitoring of rejection rates is crucial and shouldn’t exceed 3%.

REDUCE INSPECTIONS AND/OR PRIVATIZE THEM.
Number of Inspections in Indonesia during the construction Process:
1. Receive inspection from City Planning Office
2. Receive inspection upon completion of foundation
3. Receive inspection upon completion of the structure
4. Receive inspection upon completion of roofing
5. Receive final inspection from the Fire Department
6. Receive final inspection from the Supervision and Control Office
Number of Inspections in Denmark during the construction Process – 1
Other Initiatives

• Introducing standardized documents/forms
• Building a Licensing Repository (example: Thailand’s Licensing Facilitation Act, 2015)
• Introducing Time Constraints: “One for One” & “Silence is Consent” Rule
What are the benefits of Ease of Doing Business Reforms?

A hypothetical improvement on all aspects of the Doing Business indicators to reach the level of the top quartile of countries is associated with an estimated 1.4 to 2.2 percentage points in annual economic growth.

This is after controlling for other factors, such as income, government expenditure, investment, education, inflation, conflict, and geographic regions.