

Addressing Corruption in Infrastructure Services in Georgia

CASE STUDY

Maryam Sekhniashvili
& Tamara Sulukia

Partnering to
COMBAT CORRUPTION

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Addressing Corruption in Infrastructure
Services in Georgia

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A case study

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Tbilisi, Georgia

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1. Setting the context – overview of corruption in infrastructure delivery in Georgia

1.1 Decline in infrastructure service delivery and corruption in the 1990s and early 2000s

The transition from centrally planned to market economies resulted in drastic changes in the political, economic and social systems throughout Eastern Europe and the former Soviet Union. Rapid trends of decentralization, challenges in institution building, fiscal crises and a tremendous growth in poverty were experienced across the region during the 1990s.

Georgia was no exception to these common trends. Market reforms, the emergence of private sector institutions and private property ownership, the establishment of a legal framework for decentralized decision-making and public participation all changed the way in which Georgia was governed during the 1990s. However, decentralization and democratic reforms failed to make public and local institutions transparent, accountable and responsive to local needs. Public agencies often lacked efficiency, effectiveness and professional capacity in addressing public objectives. At the same time, growing social and economic problems in Georgian cities resulted in a drastic decline in the quality of public services and a deterioration of physical infrastructure. Distrust of central and local governments became endemic. The erosion and, in many cases near-collapse of public services in Georgia since the early 1990s has become a reality in many urban areas (see Vardosanidze, 2002).

By the late 1990s, corruption had been acknowledged as one of the key impediments to delivering improved infrastructure services in Georgia, as it kept public resources from being used efficiently and prevented public preferences from being addressed. A presentation by the Georgian Working Group for Partners during the Transition-II Conference in 2001 commented as follows:

‘Corruption has become a foundation of the Georgian state, hindering the country’s economic development, undermining its international prestige and reputation and eroding the moral foundations of civil society.’ (Transparency As One of The Most Effective Anticorruption Measures, anon, 2001: 1)

In many ways, corruption governed the informal relationships that existed between various institutional players at the central and local level in Georgia. In 1999, Georgia was ranked by Transparency International as 85th among 99 surveyed countries, with one of the lowest Corruption Perception Indexes (CPI)¹ (Transparency International, 1999). In the period 1990–2003, this widespread corruption was evidenced by number of surveys conducted by local and international organizations. The effects of corruption were felt most by the poor – the World Bank and GORBI joint survey of 1998 suggests that while overall roughly 2.8 per cent of households’ incomes went to pay bribes, some evidence suggests that poorer households pay a larger share of their incomes in bribes than richer households. This issue requires special attention given the fact that during

¹ Transparency International’s Corruption Perceptions Index (CPI) ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. CPI ranges between 10 (highly clean) to 0 (highly corrupt).

last couple of years, over 50 per cent of the population in Georgia has remained below the poverty line. Some of the studies also showed favouritism, bribes, fraud and state capture all associated with delivery of infrastructure services. A high tolerance of corruption and lack of administrative remedies to keep local institutions accountable, transparent and responsive have led to a strong sense of impunity among local officials; this in turn has created growing public distrust and nihilism towards local institutions.

While there are many publications on how corruption affects growth, foreign direct investment, trade and public sector finances, there is little evidence on how it affects infrastructure performance. Although it is widely recognized that corruption damages the performance of public infrastructure (see Estache, 2004), there is little applied or even theoretical research on this topic.

1.2 Addressing corruption after the Rose Revolution

Despite the fact that the Government of Georgia under the leadership of the President Eduard Shevardnadze (who ruled the country from 1992 and was president from 1995) recognized corruption as key impediment to the country's development, it completely failed to implement any concrete actions to address the problem. As a result, no progress was made until after the Rose Revolution (which took place in 2003) in terms of delivery of improved public services and clear actions oriented towards reducing corruption. For the post-Rose Revolution government under the leadership of the President Mikhail Saakashvili, alleviating poverty and combating corruption became major public objectives linked directly to improving urban wellbeing.

The two years since the Revolution in November 2003 have demonstrated that one of the key tasks of the government in its strategy to fight corruption was the implementation of governance reform in the public and local sectors. The government's anticorruption strategy attacked corruption from numerous directions and earned substantial results. The strategic aim of the authorities continues to be to establish an efficient, professional, decent and transparent civil sector; this will serve to protect democratic principles and improve the quality of life for citizens. Such improvement may be achieved through executing institutional reforms at all levels of government – central as well as local.

The new government has recognized that systemic and widespread corruption undermines the institutional and procedural foundations upon which accountability mechanisms lie. Therefore, increasing accountability represents a key element to anticorruption campaigns. Numerous studies have evidenced that in many ways corruption governs the informal relationships that currently exist between various institutional players at the local level in Georgia. Explicit, high-level management and commitment in the fight against corruption were translated into specific, concrete initiatives by central and local authorities through the introduction of new transparency and accountability mechanisms at the central, municipal and utility levels. President Saakashvili believes that 'A new accountable government... produced with all the complexities that democracy involves can be far more efficient than the authoritarian, corrupt, kleptocratic regimes that we (Georgia) had previously'.²

² Officials Laud Millennium Aid Agreement. *The Messenger*, September 14, 2005, p.8.

1.3 Contents of the study

This paper represents a report on three case studies of the introduction of anticorruption mechanisms in the provision of infrastructure services in Georgia. All three case studies look at reforms that were introduced in 2004; the first two are initiatives of the Tbilisi municipality, while the third one is a nationwide reform. The three mechanisms reviewed in this study are as follows:

(1) Improved water billing introduced by the Tbilisi municipality. This case study looked to identify corruption experiences in water service delivery, and the structure of incentives and opportunities for corruption in the pre-2004 period. The study also attempted to review the new billing and payment system introduced in 2004 by the new municipal government. In addition, it aimed to assess public perceptions towards the pre- and post-2004 billing and collection systems. Finally, it studied the implications of corruption on the quality of water services provided to the population and on the quality of life of the population, specifically the poor.

(2) The introduction of new funding arrangements for the repair of multi-storey residential buildings. This initiative of the Tbilisi municipality aimed at reducing corruption in the maintenance and repair of common areas of multi-storey apartment stock, as well as increasing the efficiency of the system in order to target more buildings and projects. The case study aimed to measure the effects of the new initiative on the efficiency of the system of maintenance and repair, and to identify public perceptions towards the previous and current systems. In addition, the study intended to establish a link between the new funding arrangements for repair of multi-storey apartment stock and quality of life of residents, especially the poor.

(3) The introduction of new mechanisms of property registration across the country. This study intended to look at newly introduced accountability and transparency mechanisms and improvements in the system resulting from such reforms. It also attempted to establish a link between improved property rights registration and increasing opportunities for the population, especially the poor.

It is important to emphasize the fact that the Tbilisi municipal government has been the one municipality in Georgia that has attacked corruption in a major way. Tbilisi is the capital of Georgia with a population over 1 million – about 20 to 25 per cent of the country's overall population. Therefore, two of three reviewed cases encompass Tbilisi-level initiatives. The report is divided into three major parts to reflect the three cases named above.

1.4 Methodology of the study

The methodology of this case study was selected to allow the contextual analysis of real life situations based on multiple sources of evidence and a combination of qualitative and quantitative research techniques.

Specifically, for the water billing and collection case the applied methodology included: a survey of 160 residential customers of Tbilisi Water Utility (TWU), who are residents of Tbilisi's multi-apartment housing stock; and interviews with customers (ten interviews), TWU's new management (five interviews), municipal officials (two interviews), NGO leaders (two interviews) and academics (two interviews).

Survey respondents were households owning apartments in three different multi-storey apartment buildings, which were selected in different residential districts of the city (relatively high-income residential areas, as well as lower-income areas). Respondents

were selected from all sizes of apartments (studio, one-bedroom, two-bedroom and three bedroom apartments). The survey was conducted by the specifically designed questionnaire. Both the questionnaire survey and interviews aimed to identify corruption experiences in water service delivery and the structure of incentives and opportunities for corruption in the pre-2004 period; they also tried to assess public perceptions towards post-2004 water service delivery. Respondents for the in-depth interviews were selected from residents of the same pilot buildings, two or three residents from each building. They were selected randomly from those who agreed to participate in interviews.

The multi-storey apartment building maintenance repair study also used methodology that included a survey of 120 respondents – residents from two multi-storey apartment buildings that were repaired under the old system in 2003, and two other buildings that were repaired under the current system in 2004. While the selection of the buildings was based on the latest date of their repair and maintenance, respondents from within the buildings were chosen at random. By including respondents of various buildings, the study tried to compare client satisfaction between the buildings and so compare the effectiveness of two systems. The survey was conducted by specifically designed questionnaires – one for respondents residing in the buildings repaired under the old system and another for respondents residing in buildings repaired under the current system. In addition, interviews were conducted with representatives of Tbilisi municipality (three interviews), the district government (three interviews), Tbilisi Corps (one interview), NGO leaders (five interviews) and representatives of the homeowners' association (HOA; three interviews). Respondents from the HOA were selected from residents of the pilot buildings, one from each of the three pilot buildings in this study. They were selected randomly from those who agreed to participate in interviews.

The third case study involved desk-research alone in order to identify improvements in the system of property rights registration, a reduction in corruption incentives and opportunities and potential benefits to the livelihoods of the population.

All three case studies tested the application of new transparency and accountability mechanisms in the delivery of public and municipal services by comparing realities and experiences under the previous and the new systems.

1.5 Summary

Based on these case studies, the experience of post-revolutionary Georgia suggests that it is essential to translate an anticorruption policy into highly specific mechanisms at the institutional level. Despite the fact that the government had an anticorruption policy before the revolution, this had not been translated into the concrete accountability mechanisms. Utility- and institution-level reforms, supported by the high level of political will to combat corruption, resulted in improved efficiency of public service delivery to the Georgian population, including the poor. The three case reports outlined below suggest that the introduction of even relatively simple (easy to design, introduce and implement; cost-efficient and inexpensive) mechanisms of accountability and transparency in the delivery of public services result in a substantial increase in the efficiency of services through decreasing corruption and improving public opinions towards the public and municipal institutions concerned.

The report makes an assumption that while improved accountability and increased transparency lead to improved public services, such improvements also lead to incentives for the population to pay for services. In this way, improved collections translate into more funds being available to deliver services, leading to indirect benefits

for the population, including the poor. However, the report also recognizes that the direct effects of reforms in the provision of public services may to some degree hurt the poor as people on low incomes may fail to obtain services; such effects should be considered and addressed by the state or local government. At the same time, the report recognizes that it is somehow premature to discuss the pitfalls of reforms as the reforms were introduced in 2004 and are still under implementation.

2. Improved water billing by Tbilisi Water Utility

2.1 Current status of water supply in Tbilisi

Since 1990, the water supply and sanitation sector has experienced a constant deterioration in its ability to provide continued, reliable and safe water and wastewater services in Georgia's cities, including Tbilisi. In the case of Tbilisi Water Utility (TWU), its networks and treatment plants reached a state of a severe disrepair due to poor planning, inadequate design, the low quality of materials and equipment used and a lack of appropriate periodic maintenance. Inefficiency in the sector adversely affects costs of production and results in over consumption of water resources and energy. While TWU has identified all elements of rehabilitation, repair and upgrading needed by Tbilisi's water system, the utility lacks funds to cover these needs. Low tariffs and low collection rates contribute to a consistent inability to recover costs.

TWU provides water and sewerage services to about one million people in Tbilisi – about 20 per cent of entire country's population, with almost 50 per cent of these living below poverty level. In 2004 TWU had 343,179 residential customers (households). The population pays a fixed tariff equal to 1.2GEL (Georgian Lari; approximately US\$0.7) per person per month for water and sanitation services. Current tariffs for domestic consumers are estimated to be about one tenth of actual costs so are well below cost-recovery rates. These low tariffs are subsidized by the municipality.

Per capita water production is extremely high, between 800 and 960 litres per capita per day (l/c/d). This is partly the result of wasteful consumer habits, which are encouraged by artificially low prices and the absence of metering, and partly the result of high physical losses. Nearly 50 per cent of leakages may be attributable to defective plumbing fixtures and domestic water fittings, such as faucets and toilet flushing systems. There is essentially no metering of actual consumption levels and bills are assessed on a flat rate basis. Over 90 per cent of the municipality has never been metered.

An intermittent and unpredictable water supply is common in many districts of Tbilisi, contributing to water quality problems. The deteriorated distribution system exposes consumers to the risk of cross-contamination with sewage from leaking sewer lines, which results in water-borne diseases; confirmed cases include the 1998 Tbilisi epidemic of amoebiasis. Therefore, improving the quality of services and ensuring their sustainability is a high priority for the city government.

The Leakage Pilot Study Report of 1998 (Georgian Technical University) identified that 45 per cent of the water supplied was lost through leakages. In addition to the very high leakage rates, the remaining per capita consumption of water represents a daily usage that is significantly higher than in other European cities. The major part of this very high consumption rate represents wastage. Thus, part of the problem is leakage as a result of life-expired and damage assets, but a significant part results from the attitude, formed during the Soviet era, that water is a free good of infinite supply. TWU identified leakage and waste as issues of critical importance, crucial to both the financial and the technical recovery of the utility.

2.2 Poverty and water services

Georgia's Economic Growth and Poverty Reduction Program, adopted by Georgia in 2003 as a major policy document, calls for radical reform in water supply and sewage treatment in order to improve the quality of services provided to the population. The measures outlined include: granting greater independence to water supply services providers; enhancing financial planning and management capacity; the establishment of sustained financial mechanisms to secure water supply systems and mobilization of the necessary funds for their repair and maintenance; and initiating the involvement of the private sector into the management of water supply and sewage systems in major cities.

The Millennium Development Goals for Georgia also call for the implementation of these measures given that they will aid attainment of the Goals by providing sustainable/improved access to drinking water for an increased number of people, including the poor.

2.3 Management and accountability

In 2004 and 2005 following the Rose Revolution, all high-level officials were dismissed and new officials were appointed, including key positions in large state and municipal enterprises. Tbilisi Water Utility was no exception to this process and by 2005 a new supervisory board had been appointed with its key tasks to increase the efficiency of the system and improve the quality and quantity of water provided. Prior to the appointment of the new management team, collection rates were as low as 30–35 per cent.

Since the 1990s, households had been provided with incentives and opportunities to become involved in widespread corruption in terms of avoiding payments for various infrastructure services such as electricity, gas and water. Although metering of electricity and gas supplies decreased the opportunities for such deals, corrupt arrangements remained common in the water sector until April 2004. This was when a new billing and collection system was introduced as part of the framework of the major anticorruption reforms initiated after the Rose Revolution.

2.4 Review of the pre-2004 water billing and payment system

The World Bank and GORBI joint survey of 2000 found that 3 per cent of expected monthly unofficial payments could be attributed to local water companies. During the old system of water billing, customers did not receive bills for their water payments. Indeed, bills did not exist. TWU had two methods of collection: (1) through assigned persons, so-called 'outreach collectors', or (2) through chairs of housing cooperatives. The latter collected various utility fees, but unlike collectors their involvement was limited to their building alone. Collectors meanwhile were hired on a contract basis by TWU and were responsible for walking from door to door and collecting service fees in cash from customers in their designated areas. If the customer paid, then the outreach collector registered the payments in his or her book and left a receipt of payment with the customer. If the customer refused to pay, there was no way to enforce the payment. The collectors would then turn in collected money to TWU's accounts office.

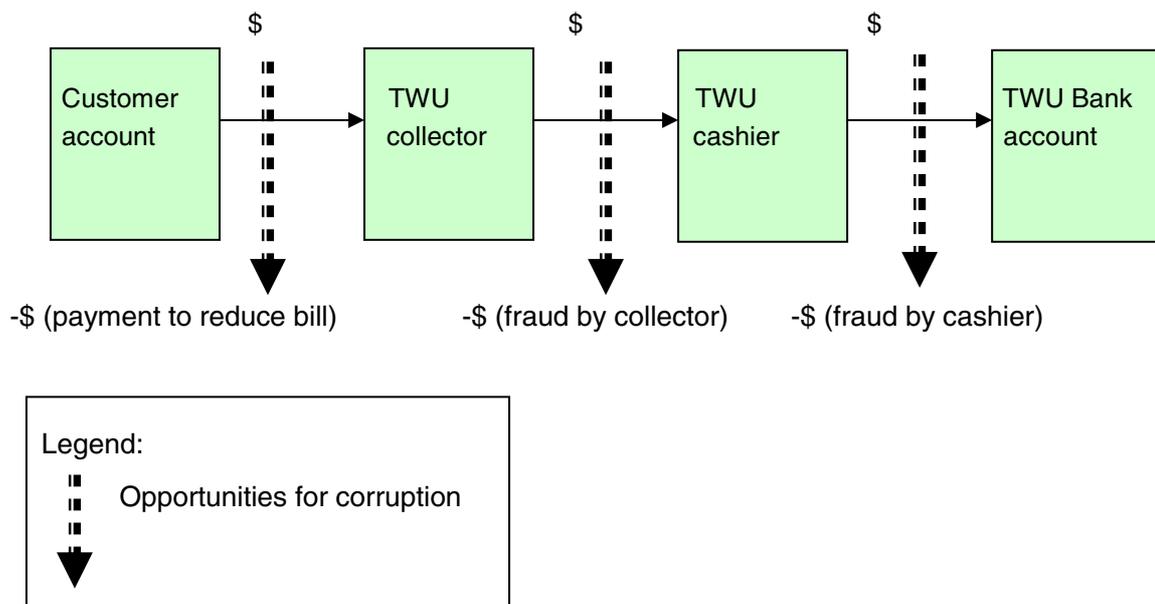
This system, which was based on face-to-face dealings between collectors and customers and cash payments, encouraged opportunities for corruption at several stages. These included:

1. A deal between the customer and collector to arrange a reduced payment, part of which was paid as a bribe to the collector. For instance, if a four-person household had to pay 24GEL (US\$14 equivalent) to the collector (4.8GEL each month for services over five months), the customer might negotiate paying just 50 per cent, of which half would go into the collector's pocket and only 25 per cent would reach the service provider;
2. Fraud by the collector (recording a lower amount than was collected overall); and
3. A deal between the company's accounts office and the collector – in this case, the cashier recording a lower amount in the company's books than the collector delivered.

This system failed to include any mechanism of accountability or transparency in the process; by contrast, it was arranged in such a way as to provide opportunities for corrupt practices and money leakage from the system. There was no mechanism for reconciliation of the following (also see Figure 1):

1. That the household really paid the amount it owed, rather than negotiating a reduced payment with the collector;
2. That the collected sum recorded in the collector's book was the actual amount paid;
3. That the amount recorded in the company's book was the amount delivered to the cashiers' office.

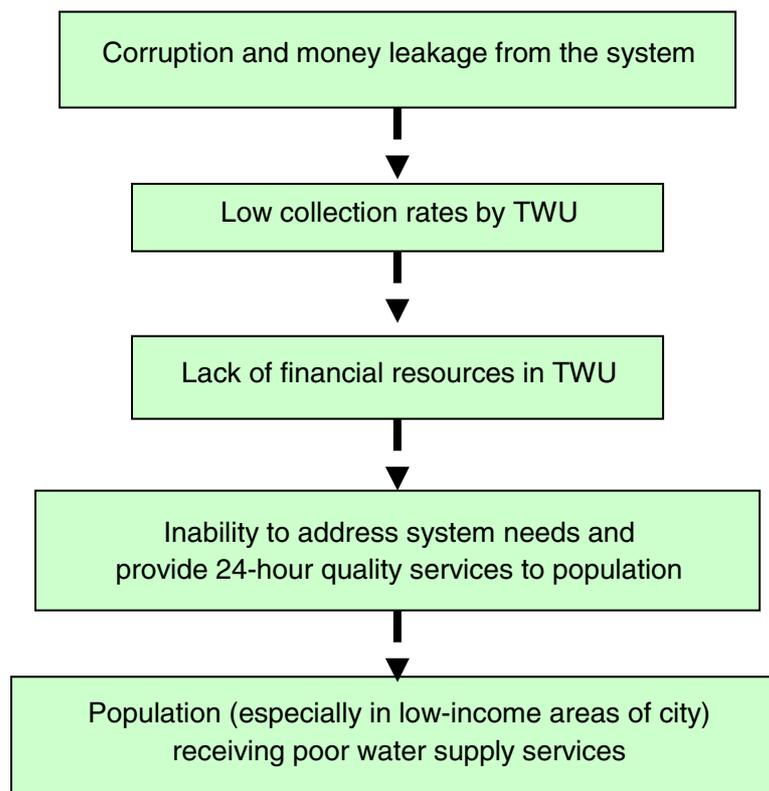
Figure 1. Corruption opportunities with the old billing and payment system



2.5 Corruption incentives and opportunities

While only 2 per cent of respondents admitted to such arrangements with the collectors under the previous system, 51 per cent claimed to be aware of such opportunities.

Figure 2. Effects of corruption on the livelihoods of the population, including the poor



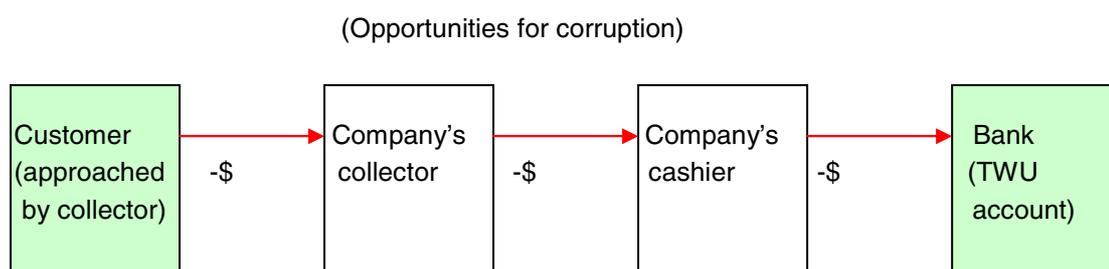
The non-transparent and inefficient collection system created opportunities for money leakage from the water system, which in turn had a substantial negative impact on the quality of services and therefore on the livelihoods of customers. Water infrastructure has depreciated because of the lack of funds to cover its urgent repair and rehabilitation needs, and this has resulted in an irregular water supply in some parts in the city. Such unreliable water services have had a direct impact on the livelihoods of the poor in particular, because they tend to live in those districts of Tbilisi that suffer such problems (see Figure 2).

2.6 Introduction of the new system

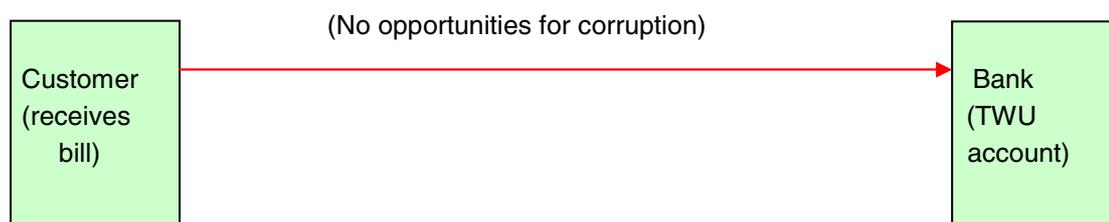
Following the Rose Revolution of November 2003, major anticorruption reforms were launched across the country by the new president and government. Defeating corruption has become a major slogan and cornerstone of the reforms, which were planned in all areas of Georgia's social and economic life and at the central and local levels. Institutional reforms were oriented towards improved governance through the introduction of transparent and efficient mechanisms and new systems of accountability.

Figure 3. System change in 2004

Before May 2004

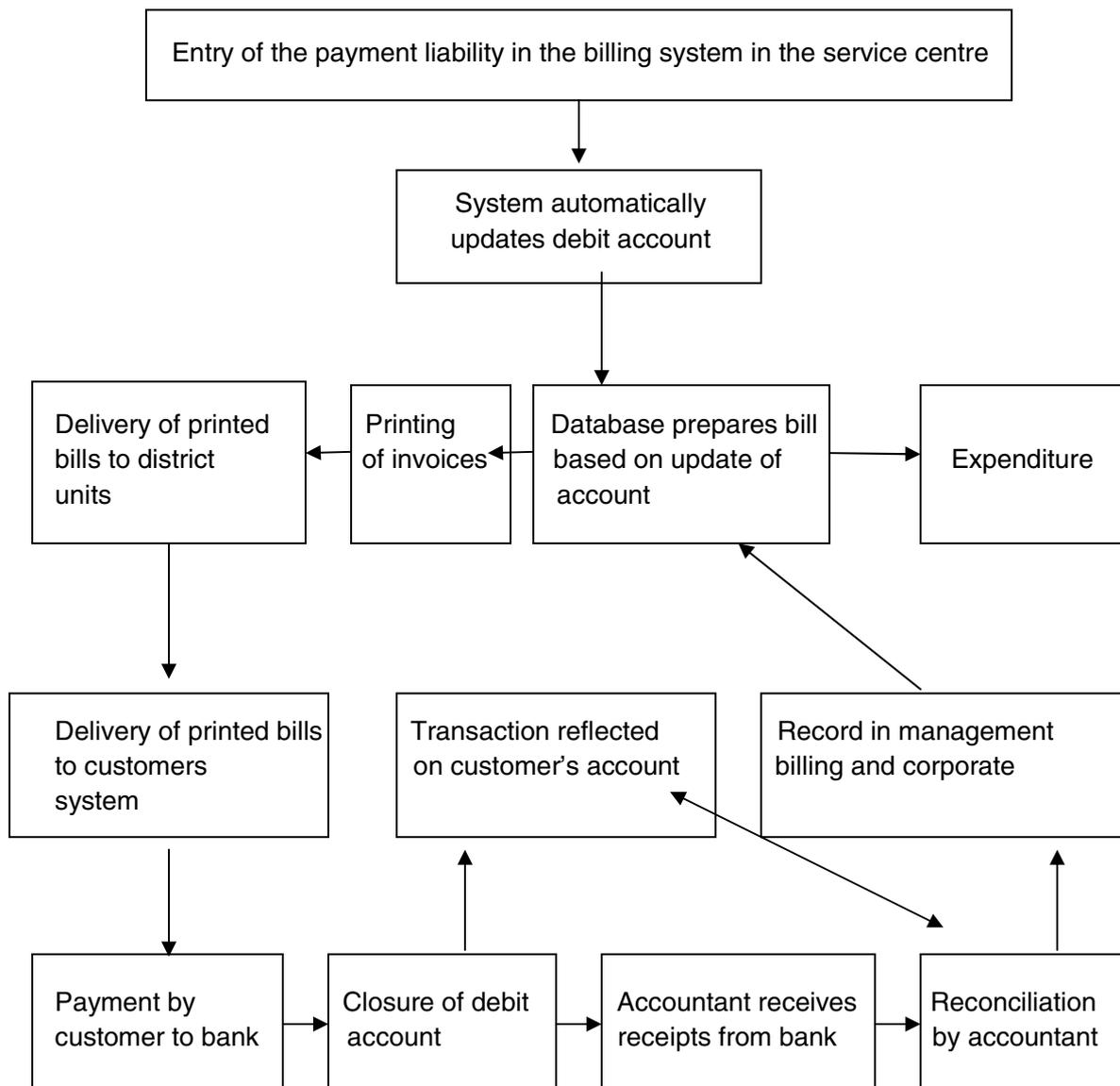


After May 2004



With common understanding of the fact that the existing system of fee collection for water and municipal services was offering high incentives and opportunities for corruption and that system was severely corrupt as a result, the municipality made a major decision to introduce transparency and accountability into the billing and payment collection system in Tbilisi's water sector. In order to introduce the necessary reforms, the municipality appointed a new board of directors and financial management team. The reforms aimed to improve water services through mobilizing an increase in funds from improved collection rates. Such improvements would result from reducing corruption, which itself was to be achieved through streamlining the billing and payment process (see Figure 4).

Figure 4. Detailed description of the new system



Specifically, TWU entered into a contractual relationship with Tbilisi Power Utility (Telasi), which already had an established billing and collection system that would be able to implement billing, distribution and collection for TWU. This new mechanism is based on the water bill arriving at the household along with its electricity bill from Telasi (both recorded on the same piece of paper); the household is then responsible for paying both bills at the bank. This system does not involve any cash changing hands other than the payment from household directly into TWU's bank account. The involvement of outreach collectors was abandoned for residential collections and this has resulted in an immediate and substantial increase in collection rates.

2.7 Effects of the new system

In 2002, the actual collection rate from residential customers was 32.2 per cent, in 2003 it was 31.7 per cent, in 2004 46 per cent while during the first five months of 2005 it had risen to 56 per cent. The significant improvement since 2004 is obvious and can be attributed to the introduction of the new billing and collection system (see Figure 5).

Figure 5. Improvement in collection rates, 2002-2005

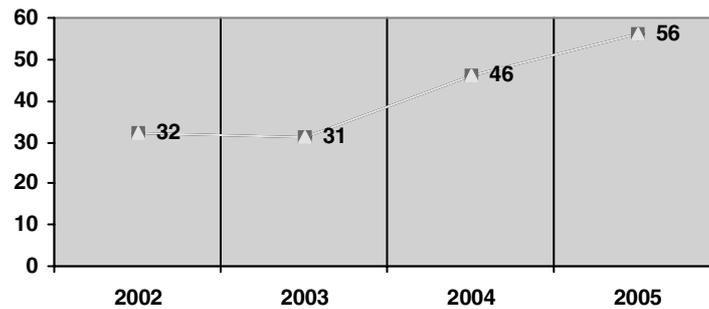
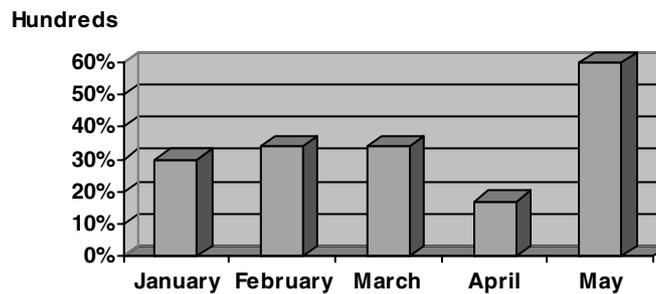


Table 1. Improvement in collection rates; 2004 and 2005 data compared on a monthly basis

Month	Percentage increase in collection rates in 2005 compared to same month of 2004
January	22.3%
February	17.4%
March	30.7%
April	14.5%

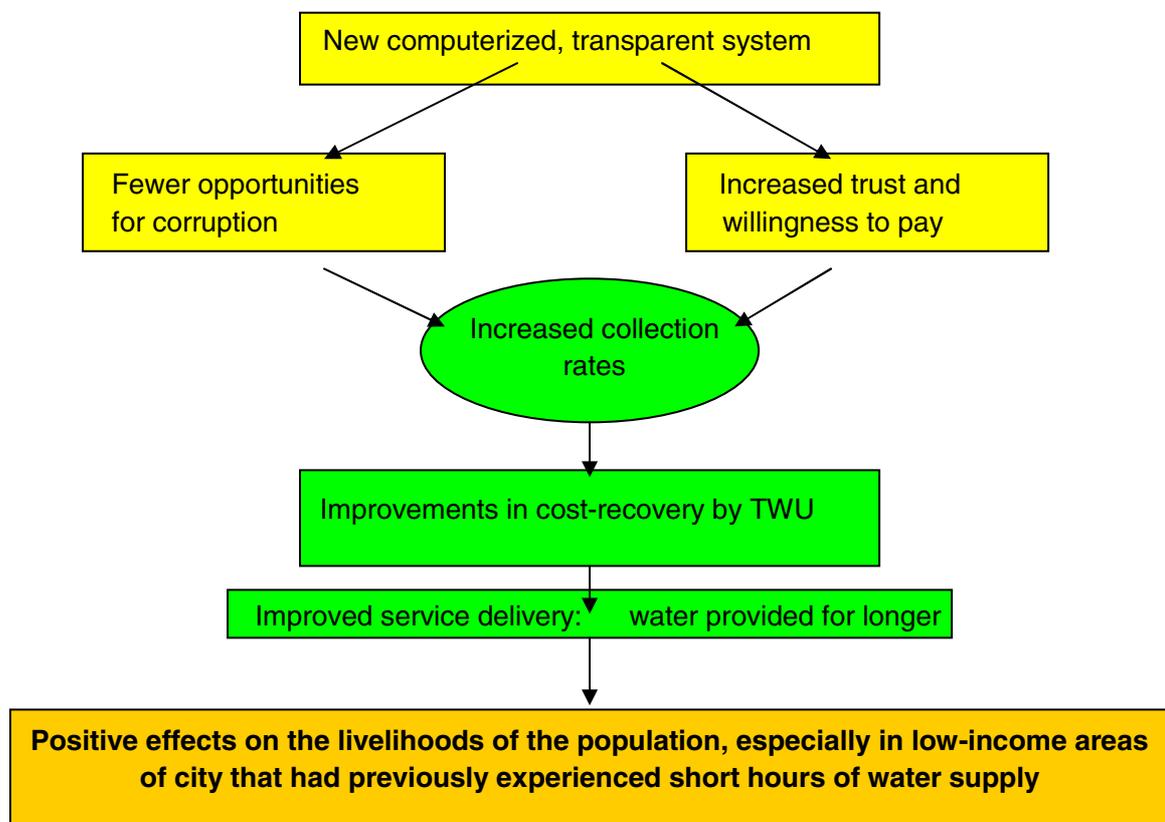
Moreover, looking at monthly collection rates in 2004 convinced the researchers that the collection rates had actually improved from the specific month when the new billing was introduced, May 2004. During this month, the collection rate reached almost 60 per cent, an improvement of almost 80 per cent compared to the best previous result (37 per cent) of 2004 (see Figure 6).

Figure 6. Improvement in collection rates in 2004



So, how did the change in the billing and collection system result in such drastic improvements in collection rates? The survey and interviews with the new management of Tbilisi Water Utility suggested the following two explanations: (1) The new system reduced on opportunities for corruption in the collection system, so all paid bills actually started to arrive to the provider's account; and (2) the transparency of the new system created an incentive for people to pay their bills in the proper way, since clients recognize that their payments contribute directly to improvements in services (see Figure 7).

Figure 7. Effects of the new system



2.8 Improved public opinion towards TWU and its services

Respondents discussed their experience, as well as their knowledge and perceptions, of corruption. However, respondents were happy about there being fewer incentives and opportunities for such deals and that all their payments now reach the service provider and potentially translate into a greater capacity by the utility to deliver improved services.

The survey suggested that 100 per cent of citizens recognized that corruption had decreased in the provision of infrastructure services in Tbilisi over the course of 2004 and the first half of 2005. All of the respondents also suggested that they prefer the new water billing and payment system to the pre-2004 one. Ninety-six per cent of the respondents believed corruption opportunities had substantially decreased.

The study found that as of 2005, 69 per cent of respondents pay their water bills regularly, while 19 per cent pay irregularly. Only 12 per cent admitted they do not pay their water bills at all. Sixty-two per cent of respondents claimed not to have any debts on their water service account, while 38 per cent said they had some debt (see Table 2).

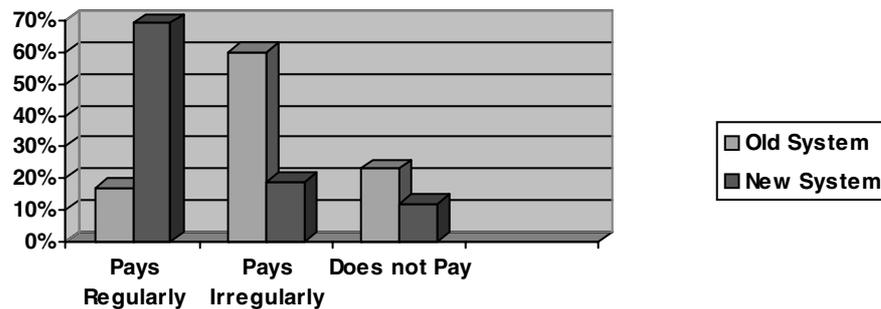
This suggests substantial improvements in payment rates, as the study found that before the introduction of the new billing system only 17 per cent of respondents were paying their water bills regularly, 60 per cent were paying irregularly and 23 per cent were not paying for water at all.

Table 2. Payment rates with the old and the new systems

	With old system	With current system
Pays regularly	17%	69%
Pays irregularly	60%	19%
Does not pay	23%	12%
Total	100%	100%

It is evident from these results that most respondents who paid irregularly or did not pay their water bills with the old system, started to either pay regularly or at least irregularly; the number who do not pay their water bills has also decreased substantially.

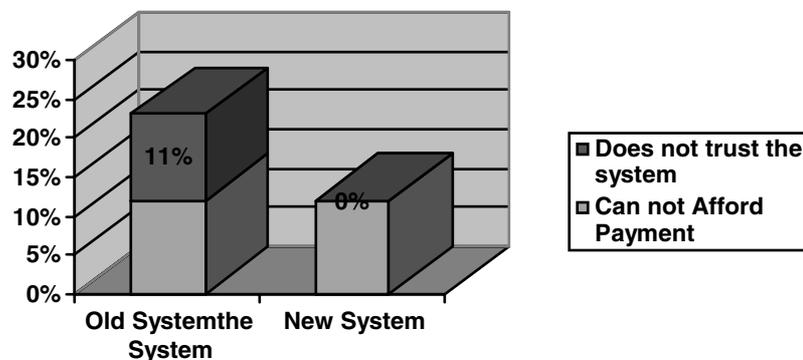
Figure 8. Payment levels with the old and the new systems



While all of those who do not pay their water bills within the new system claimed the reason for non-payment to be poverty (they simply could not afford it), only 52 per cent of respondents who did not pay their bills within old system claimed this to be the reason for non-payment. (see Figure 9). The other 48 per cent claimed to be unsure the ‘system was transparent and that the payment would reach the service provider (water utility)’. All respondents consider the current system to be transparent and none doubt that their money reaches the intended recipient/service provider. This fact points directly to increased customer trust in the new billing and payment system. Customers no longer consider the system corrupt and non-transparent, which has translated into an increased willingness to pay and higher actual payment levels.

All 100 per cent of respondents claimed to like the new system (no one claimed to prefer the previous system). Forty-one per cent like it for being ‘transparent and for knowing that their payment reaches the water utility’s account directly’, and 59 per cent like it for being ‘convenient and for providing the opportunity to pay for water at once with the electricity bill’ (see Figure 8).

Figure 9. Reasons for non-payment



2.9 Evaluation of the mechanism

The case study suggests that the introduction of the new transparent billing and collection system in water service provision in Tbilisi resulted in a rapid improvement in collection rates – these just a month after the introduction of the mechanism. The design and introduction of the bill-based payment and bank-based collection system took a few months and limited human and financial resources, while its positive effects on the system are substantial. Increased transparency in the billing and payment systems came as a result of computer-based bills and bank-based payments and earned immediate positive results because they provided fewer incentives and opportunities for corruption and improved public opinion towards the water utility; these translated into increased collection rates and hence improved cost-recovery and service delivery opportunities.

As of 2005, the municipality and TWU were trying to reduce leaks by increasing funds targeted at rehabilitation of the system, maintenance and repair of water infrastructure. However, this does not address the problem of internal leaks within buildings or inside apartments. In other words, the ongoing reform still fails to address the problem of high consumption and waste as the price is fixed per capita, rather than based on actual consumption. The municipality and TWU recognize the issue and understand that this problem could be dealt with by measuring consumption levels and introducing consumption-based payments. However, as stated above, residential users are not provided with water meters in Tbilisi, and the municipality does not plan commencement of metering and the introduction of a meter-based payment system in the near future.

In addition, the reforms remain unable to enforce collections, as the current system does not allow for measures to be taken against non-payment. For example, the current system and mechanisms do not allow disconnection of non-paying customers, therefore despite the improvements this report has identified, incentives for paying for water services are still low.

3. New funding arrangements for repair of multi-storey housing stock in Tbilisi

3.1 Setting the context

After the break-up of the Soviet Union, privatization of apartments in multi-storey housing stock was among the reforms that touched upon the lives of a majority of Tbilisi's households directly; over 95 per cent of the city's population resides in multi-storey apartment buildings. The Decree of Cabinet of Ministers On Privatization of Apartments of February 1, 1992, allowed for the privatization of apartments by resident households for a nominal (very low) fee. As a result, 86.6 per cent of apartments in multi-storey apartment buildings had been privatized by 1999.

However, the enabling legislation was not the result of a specific housing policy with all issues considered and addressed in a systematic way. Specifically, while the privatization of apartments proceeded at an accelerating rate, the issue of ownership and responsibility for common areas in multi-storey apartment buildings had neither been considered nor addressed. The transfer of housing stock from the government to the private sector took place without any consideration given to the status and condition of that stock. None of the buildings had been repaired or renovated before the transfer; therefore some citizens received apartments that were in poor condition. Such people failed to realize the risks associated with becoming owners of apartments in buildings that were in such bad shape and that required major investment.

While in the Civil Code of 1997 addressed the issue of housing associations and allowed joint ownership and shared responsibility (paragraphs 200–232 of the law), the government did not facilitate the creation of such associations. Citizens of Georgia who had become accustomed to the state taking care of their housing needs never realized or nor were educated about the new situation. As a result, citizens failed to acknowledge joint ownership of common areas (such as roofs, elevators, basements, adjacent territory and so on) or responsibility for the maintenance of such areas. People still expected the government to repair and maintain common areas in the building where their private apartments were located. At the same time, the municipal government's financial position did not allow it to allocate sufficient resources to deal with accumulated problems in such areas. This resulted in the drastic deterioration of multi-storey housing stock in Tbilisi.

While the civil code has specifically allowed the formation, registration and functioning of homeowners' associations in 1997, the creation of such associations was not put into practice until 2004, when the Tbilisi government created specific incentives to facilitate their formation. Prior to 2004, there were several isolated cases of homeowners' associations, sponsored and facilitated by international organizations. Specifically, the first such case was that of six associations created by the U.S. organization The Urban Institute under funding from USAID in Zestaponi, a secondary city in Western Georgia, with the goal of creating a successful showpiece to be replicated in other cities around the country.

Prior to 2004, Tbilisi municipality had also been allocating money for the repair of elevators and roofs of multi-storey residential buildings. However, with a constant shortfall of resources the amounts allocated hardly covered even 5 per cent of those needed. Once demand for such allocations exceeded supply, the selection of buildings

to be repaired became a non-transparent process. The system of planning, procurement, implementation and quality control of repair works also lacked transparency and accountability. This was the reason behind a major change in the system implemented by the new municipal government in 2004.

3.2 Project funding mechanisms prior to 2004

The Tbilisi municipality allocated funding in its budget for repair and maintenance of multi-storey housing stock annually; however, it could not afford to allocate even close to the amount required to respond to the growing demand. The figures convinced the researchers that the demand prior to 2004 was not being met: in 2004, of the approximately 22,000 housing blocks in Tbilisi, 8,000 required immediate repair; of these, the municipality managed to fix just 288 roofs and 178 elevators.

Tbilisi is divided into 10 administrative districts called 'gamgeoba', and until 2004 the municipality used to distribute its building-block repair and maintenance budget among these. The gamgeoba were then responsible for implementing all phases of the repair and maintenance projects in their area. Each gamgeoba used to receive around 200,000 GEL (approximately US\$100,000).

A resident or group of residents of a specific housing block used to file a written request for a repair – mainly to fix a leaking roof or non-functional elevator. The gamgeoba would have already contracted a construction company to do repair and maintenance works for the year, and a representative of that company would go and diagnose and evaluate the status of the problem and required intervention. Only in cases in which the company representative provided a positive review of the existing problem, did the building get onto that year's maintenance list; basically the building's 'destiny was dependent on that specific individual's decision.

Where a review was successful, the company would calculate potential costs and then present the budget to the gamgeoba. Only after the vice-gamgebeli (deputy head of gamgeoba responsible for the housing and utilities sectors) had given the green light, would the project get onto the official schedule of works for that year, and budget was allocated. Simultaneously, the information about the project (address, scope of work, size of allocation etc.) was provided to the capital construction department of the mayor's office, which provided some management to project implementation.

The construction company contracted was provided with a single-year, fixed price contract, so it had little incentive to price the project efficiently. Neither was the validity of the project budget checked by the gamgeoba or the municipality, so the contractor was pretty much free to name any sum. Thirty per cent of the project costs were transferred to the contractor in advance. After completion of the project, a gamgeoba representative would visit the site to evaluate the work; if he or she provided a positive review, the contractor would receive the outstanding amount from the gamgeoba.

There were no instances when the contractor's work was evaluated negatively or the company was not paid or penalized. Despite the fact that the municipality's new management team deny any clear evidence of fraud, its analysis suggests costs were neither competitive nor efficient. Lack of quality control is evident as of the buildings fixed in 2003 and 2004, 20 have reapplied to fix a roof or elevator that was fixed just a year before (the life expectancy of the roofs should have been seven years). In addition,

comparison of costs incurred by the municipality in 2005 for the same type and scope of works suggests a drastic decrease.

The new mayor (appointed by President Saakashvili in spring, 2004) recognized the old system as being corrupt, inefficient, non-transparent and lacking accountability. The new system has been designed and introduced since mid-2004 to respond to these problems.

3.3 Current practice

The municipality addressed inefficiency and non-transparency in the maintenance and repair of multi-storey housing stock in systematic way. It introduced major institutional reform in the area and completely changed the procedures and mechanisms through which maintenance and repair were applied for, selected, funded, implemented and evaluated. The process started with the formation of a new unit in the municipality called Tbilisi Corps, which is responsible for management of the process.

The new procedure envisages provision of funding by the municipality (through Tbilisi Corps) based on applications made by homeowners' associations (HOAs). Therefore, a precondition to funding a project is the creation and registration of a homeowners' association, which is a legal entity under private law. Another difference is that the association itself evaluates the cost of the project and designs the scope of work. After residents are mobilized into an association and the application is submitted, Tbilisi Corps reviews the application and provides a grant to the HOA for any necessary repairs. The HOA then becomes responsible for hiring a contractor and supervising the works in place of the *gamgeoba* and its contractor.

The provision of a grant to the HOA introduces substantial transparency and accountability mechanisms into the whole process. The application (scope of work and costs), recruiting of a contractor and payment for and quality control of the works all involve the official participation of members of the association, in most cases them signing papers approving the project at various stages. In addition, the HOA is requested to co-finance the project with 25 per cent of total costs on elevator projects and 15 per cent on roof projects. This takes away any incentive to increase the costs artificially; rather, there is a clear incentive to keep the costs low so that each resident's share is correspondingly low. Because the HOA is motivated to accomplish the works at the lowest possible price, there are no incentives or opportunities for corruption.

This new system improves the efficiency of the municipality, which is able to accomplish more projects with same budget and can increase the number of completed projects. More households experience a positive change in their physical environment and, correspondingly, more poor residents also see positive results.

During the first five months of 2005, the municipality received applications for 1,187 building repairs. The number of applications has been increasing every month: in April there were 220 applications; in May 237; in June 320; and in July 410. As of June 2005, 30 per cent of works based on received applications had been accomplished (361 projects).

In 2004, when the new system was introduced and HOAs started to emerge, the number of completed projects was lower. The 2005 figures assured the researchers of the popularity of the system and of growing trust and demand on the part of the public. The budget for 2005 was 2, 230,000GEL (approximately 180,000GEL per month). This was higher than the 2004 budget. By September 2005 854 homeowners' associations had

already been created in Tbilisi. While until then multi-storey housing stock repair and maintenance had been concentrated on the roofs and elevators, the municipality plans to expand such works to water and sanitation infrastructure and backyards.

The Draft Law on Homeowners Associations was prepared and to be submitted before parliament during its autumn 2005 sessions.

3.3.1 Public education campaign and technical assistance to HOAs

Tbilisi Corps advertises its programme widely and is involved in an intensive public education campaign in order to inform people of opportunities to repair their multi-story apartment buildings. Many television programmes and newspaper articles have covered the issue. In addition, with funding from the GTZ land management programme, Tbilisi Corps has designed and published a guidebook on the creation of homeowners' associations. This is a comprehensive publication, explaining not only each step required to form and register a homeowners' association and to design an application for funding, but also guiding the reader through the steps necessary in project management and oversight, as well as suggesting the benefits of such an approach and prospects for the future of HOAs.

In addition, Tbilisi Corps's representatives are actively involved in providing technical assistance (TA) to HOAs in the early stages of their formation and existence. According to Tbilisi Corps, they have 200 visitors per day in average.

Another important innovation is recruitment of volunteers by Tbilisi Corps. The existence of volunteers guarantees more technical assistance to HOAs, more citizens approached as part of the educational campaign and also improves the transparency of procedures. This initiative is funded by the European Commission.

3.3.2 Application procedures

The application forms are publicly available for the HOAs to collect from Tbilisi Corps's office. Each comprises a brief (three-page) form requesting the following information: date; title and address of HOA; HOA chairman or woman's name and contact information; an indication of the work object (the elevator or roof, for example); a description of the existing problem/condition; the scope of works; the project timeframe; the costs and cost-sharing suggestions; the title, contact information and bank information of the partner/contractor; and the names, contact information and signatures of the HOA members.

After the HOA is formed and registered and the application form submitted, Tbilisi Corps reviews the application and assigns it scores based on the overall scope of the project and the suggested cost-sharing arrangement.

3.4 Anticorruption mechanisms

The service provider – the municipality and Tbilisi Corps – considers that by introducing the new funding system it has diminished corruption opportunities in the system substantially. This is mainly because it has shifted responsibility for the design, cost estimation and management of implementation of the project to the HOA. Below the major anticorruption remedies of the system are outlined:

- The system does not allow for illegal deals (bribes) between municipal employees and citizens for providing a grant to an HOA. The availability of funding for the HOA is based on clear merits: (1) the HOA should be registered; and (2) those projects that suggest higher cost sharing, win the grant.
- The system has an incentive for keeping the costs of each project at a reasonable level and does not provide the opportunity for illegal deals that might top up the real cost. It is in the HOA's interest to keep the cost of a project as low as possible, as it is obliged to co-finance. The lower the cost, the lower the co-funding level and the cost paid by every household.
- It is the HOA's responsibility to select the contractor for repair works; therefore, the system does not provide opportunities for corrupt deals between municipal workers and private companies.
- It is in the HOA's best interests to oversee project implementation: to keep control over the quality of materials, the qualities used and the overall quality of work. Therefore, the system does not provide an opportunity for the construction company to do a poor job.

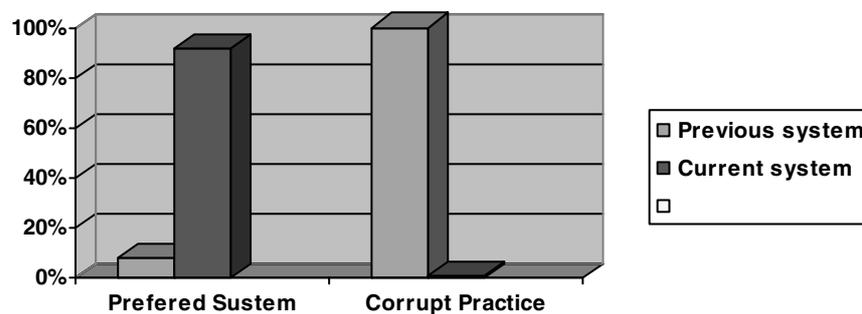
The results of these anticorruption mechanisms are evident in various ways:

- A substantial reduction in the cost of a standard project. According to Tbilisi Corps, the cost of a standard elevator project (fixing an elevator) has decreased from 10,000–20,000GEL in 2003–04 to 5,000GEL in 2005;
- Increased public satisfaction with the quality of works, the financial aspects of the project and the contractor's performance;
- An increased number of projects, which allows the municipality to address problems in a greater number of buildings; this in turn has a broader effect on the quality of life of the population.

3.5 Citizen satisfaction with the current system

Public opinions towards the system proved to be identical to those of the provider. Despite the fact that knowledge of the system was not extremely high (only 53 per cent of respondents knew about it), nearly all respondents (92 per cent) who knew about it strongly preferred the new system to the old one. Of those familiar with both the previous and current systems, 100 per cent believed the previous system had provided incentives and opportunities for corruption and had been in fact corrupt, while only 1 per cent thought the current system was providing such incentives and opportunities (see Figure 9). Those who made these claims could not specify where gaps or problems in the new system exist.

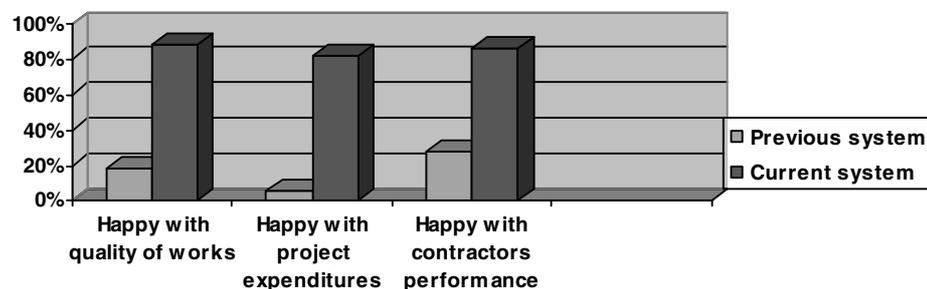
Figure 10. Public opinions towards corruption in the current and previous systems



The survey also revealed higher satisfaction on the part of residents with projects completed under the new system, as compared to under the prior system (see Figure 10). The HOA residents were found to be satisfied to a substantially higher degree with the quality of works than residents of buildings repaired under previous system (88 per cent as against 18 per cent), with expenditure (85 per cent as against 6 per cent), as well as with contractor performance (82 per cent compared to 28 per cent).

A substantial proportion (38 per cent) of HOA building residents indicated that they participated to some degree either in designing the project application, selecting the contractor or in project management. The vast majority – 77 per cent – of all HOA building residents knew what the repair project cost, while just 1 per cent of residents of buildings repaired under the previous system had any idea of the cost of the project in their building. Residents of HOAs claimed that a group of residents mainly oversaw the works, while in earlier repaired buildings the vast majority of citizens did not know who was responsible for or who actually oversaw the works.

Figure 11. Public satisfaction with repair works completed in their buildings



Apparently, the works accomplished during the previous system did not follow quality standards as according to Tbilisi Corps many of the roofs and elevators fixed by the municipality's contractor were out of order and required fixing no more than 18 months after completion of the project.

Statistics suggest that the popularity of the current system is gradually increasing: there were 17 applications in March 2005, 220 applications in April, 230 in May and 320 in June.

3.6 Effects on livelihoods of citizens, including those on low incomes

Introducing a new approach to the financing and implementation of repair of common areas of multi-storey apartment stock has had an important positive effect on the livelihoods of the poor. It is commonly known that the quality of his or her residence is one of the key determinants of an individual's quality of life and plays an important role in determining poverty levels. The condition of common areas of multi-storey apartment buildings – in terms of roof leakage, a broken elevator etc. – greatly determines the overall quality of the residence and therefore quality of life. By increasing the budget for repairs of multi-storey apartment blocks, Tbilisi municipality has addressed existing demand and the number of implemented projects has increased substantially since mid-2004 (see Table 3).

Table 3. 2004 data for Tbilisi Corps's repair projects

March, 2004

#	District of Tbilisi	Roof	Elevator	HOA	GEL	%
1	Isani-Samgori	2 (1441m ²)	3	4	8258.75	8%
2	Mtsatsminda-Krtsanisi	0	0	0	0	0%
3	Didube-Chugureti	2 (319m ²)	3	5	14330.44	14%
4	Vake_saburTalo	2 (3775m ²)	4	3	38228.11	38%
5	Gldani-Nadzaladevi	0	3	3	40207.1	40%
		6 (5535m ²)	13	15	101024.4	

April, 2004

#	District of Tbilisi	Roof	Elevator	HOA	GEL	%
1	Isani-Samgori	9 (7920m ²)	5	13	69382.55	26%
2	Mtsatsminda-Krtsanisi	0	1	1	8625	3%
3	Didube-Chugureti	2 (700m ²)	2	4	11763.05	4%
4	Vake_saburTalo	11 (6686m ²)	3	14	69042.53	26%
5	Gldani-Nadzaladevi	12 (9119m ²)	11	19	103685.77	39%
		34 (24425m ²)	22	51	262498.9	

May, 2004

#	District of Tbilisi	Roof	Elevator	HOA	GEL	%
1	Isani-Samgori	14 (7639m2)	8	18	111819.75	27%
2	Mtsatsminda-Krtsanisi	1 (410m2)	0	1	8857	2%
3	Didube-Chugureti	6 (4554m2)	0	6	59531.47	15%
4	Vake_saburTalo	15 (10157m2)	3	17	138928.95	34%
5	Gldani-Nadzaladevi	9 (7547m2)	8	15	90344.9	22%
		45 (30307m2)	19	57	409482.1	

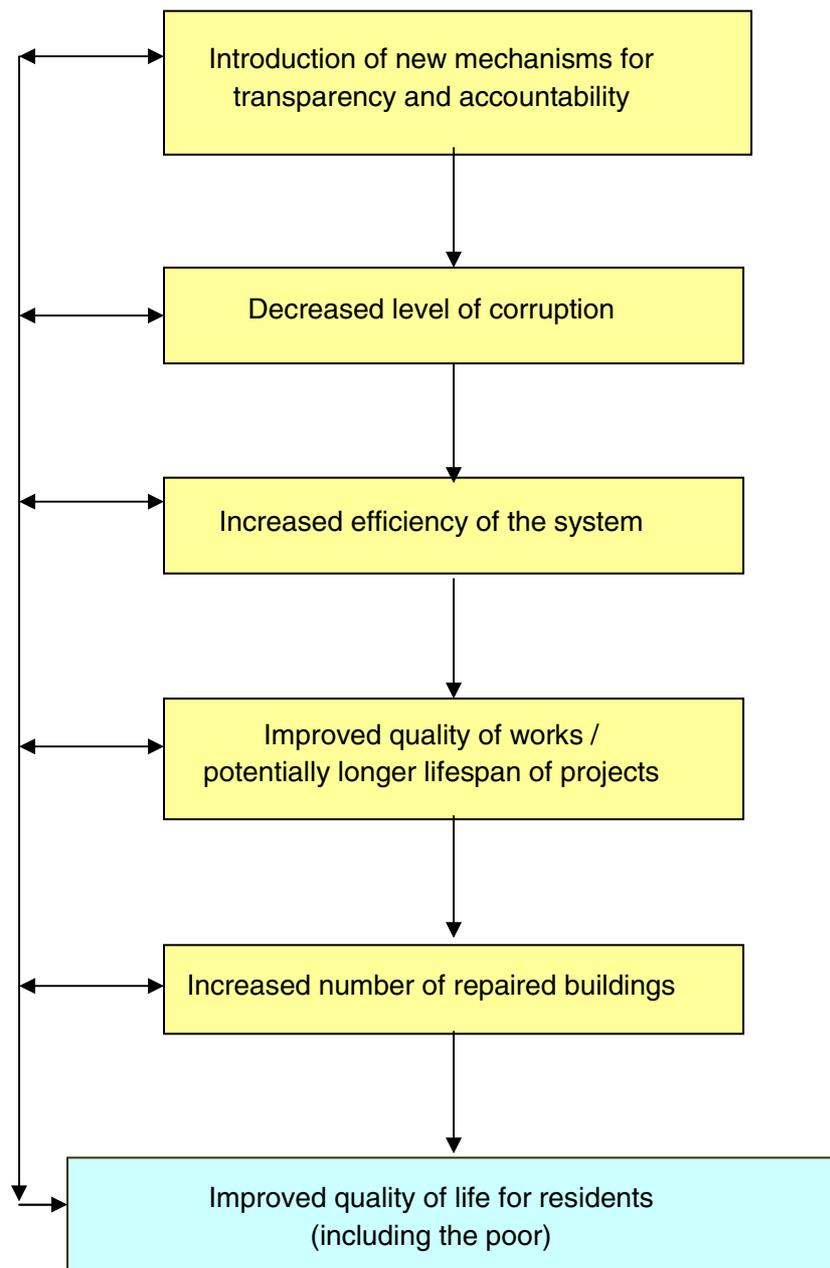
By introducing anticorruption mechanisms into the system of application, selection and implementation of the projects, the municipality managed to decrease the cost of projects and therefore managed to accomplish more projects for the same range of funding. Residents of the buildings in low-income areas are more in need of grants/municipal funding for the repair of their buildings, as compared to residents of buildings located in high-income areas. Gldani-Nadzaladevi represents one of the lowest-income areas of Tbilisi and Table 3 above clearly suggests that during March–May, 2004, most money was spent on the projects in this particular district. Specifically, 40 per cent of funding was spent in this district in March, 39 per cent in April and 22 per cent in May. This means that residents of lower income areas are highly motivated to form HOAs and obtain funding for repair of their buildings, even with the co-financing option. This represents an important part of improving the quality of their residences and hence their lives.

In addition, the introduction of new accountability and responsibility mechanisms through the active involvement of HOAs in the design and implementation process guarantees better quality of works and thus a longer lifespan for the roof or elevator (see Figure 12).

While this research did not identify any cases of corruption by HOA members or their heads (chairs), such possibilities do potentially exist. At the same time, the system is very young and it is difficult to judge some issues that will become clearer as time passes.

Another issue for consideration is the fact that while HOAs have to part-finance projects amounting to 15–25 per cent of the cost of the project. This may have negative effects on poor households, which may not be able to pay or in cases of payment may find themselves in financial difficulties as a result. The research identified that in some cases lower income households were not able to share HOA contributions at all, and such instances are dealt with on an individual basis in each HOA. In many cases, where poorer households were clearly identified by HOA members, other tenants agreed to cover such households's share of the contribution. Once again, this varies case by case and there is no clearly set mechanism for dealing with the issue.

Figure 12. Effects of the new system



4. New property registration system

4.1 Setting the context

One of the most important reforms undertaken as part of the new regime's overhaul of the public sector and institutions in Georgia during the post-2003 Rose Revolution period, has been reform of the property registration system. Started in early 2004 and completed by the end of that year, this reform has also been one of the most radical.

Private ownership of land and real estate was introduced in Georgia in 1992. The Decree of the Cabinet of Ministers On Privatization of Apartments of February 1, 1992, allowed for privatization of apartments by resident households for a nominal fee. As a result, 86.6 per cent of apartments in multi-storey apartment buildings had been privatized by 1999. Registration and titling of land and connected buildings was also among the major reforms of Georgia's state sector during the late 1990s. Mass privatization of agricultural land commenced in 1996 with land registration legislation. Private ownership of land and housing also facilitated the significant development of secondary (resale) markets during the first decade of Georgia's independence, especially during the period 2000–2004.

The land and immovable property titling and registration of rights have contributed to poverty reduction in several ways. First, ownership of land and real estate is an important non-income-related indicator of quality of life. Therefore, during the 1990s, when a substantial section of Georgia's population lost jobs and other income sources, obtaining title to privatized land and/or an apartment represented an extremely important psychological factor as well as an economic opportunity for citizens, especially those in low-income households.

Secondly, the ease with which people can secure rights to property determines access to credit, as mortgage lending is greatly dependent on this factor. Facilitation of access to credit is acknowledged to be among the key poverty reduction factors. The ease with which citizens and businesses can actually register such rights to property, both movable and immovable, (i.e. real estate) is also a key determinant of their access to mortgage lending.

Citizen mobility is an important factor for a country like Georgia, where employment and other economic opportunities are limited and the number living below the poverty line is high (around 50 per cent in recent years). Hence the ease with which it is possible to buy or sell property and register movable and immovable property rights is also an important factor in determining the degree to which citizens are mobile.

As a result of the above factors, reform of the property registration system – that is, the introduction of transparency and accountability mechanisms, simplification of procedures and reducing the costs and time required for registration of property rights – was an important initiative that affected large numbers of population. It involved two major laws: the Law on Public Registry and the Law on Registration of Rights on Immovable Property, both adopted in 2004.

4.2 Review of the pre-2004 system

Prior to 2004, the Law on Land Registration of November 1996 determined systems, institutional mechanisms and procedures for registration of property and registration and titling of land and other estate. Responsibility for providing an inventory and titling of land and associated buildings was given to the local government's Bureaus of Technical Inventory under guidelines set out by Georgia's Ministry of Urbanization and Construction. The Law stipulated that the data be provided and maintained by the Public Registry of the State Department of Land Management (SDLM). SDLM was responsible overall for property registration throughout Georgia. However, the country was divided into registration zones (according to the administrative regions of country) and each zone was equipped with a registry responsible for:

- Registration of land and associated buildings;
- Compilation and archiving of a cadastral map (a map showing the extent, value and ownership of land) and registration documents;
- Archiving of all agreements and documents for acts associated with changes in property ownership; and
- Provision of information and/or ownership certificates detailing any technical characteristics of property and land.

Every registry contained a registration card for land and other real estate, as well as registration maps. Information contained on the registration card was the major source for determining the legal status of the title.

4.3 Description of newly introduced anticorruption mechanisms

The new system of land and property registration was introduced in 2004. The new government dissolved the State Agency for Land Management (which had been established in 1996) and distributed its functions between several new agencies. The National Agency of Public Registry (NAPR) was created by the Law on Public Registry of June 1, 2004, as an entity under public law and was brought into a hierarchically accountable system and made responsible to the Ministry of Justice. Such subordination introduced rigorous vertical accountability mechanisms so as to assure quality. NAPR has 68 territorial offices (in accordance with the number of former Bureaus of Technical Inventory).

The Public Registry Law determined the transfer of the SDLM property, information database, budget and staff to the National Agency of Public Registry within a month. The Law also determined the liquidation of the Bureaus of Technical Inventory (BTIs) and passing of all their property, information databases, budgets and staff to the NAPR's territorial offices within three months.

Further, several other important laws were adopted including Order No.1102 (September 10, 2004) of the Ministry of Justice of Georgia On Approval of Regulations on Registration of Movable Property Rights, and a specific legal act of that same year on fees for services provided by the National Agency for Public Registry. These laws established mechanisms and fees for services provided by the Public Registry. Accordingly, fees are paid for the following services of NAPR: registration of property, registration of primary and secondary rights on immovable property, registration of primary and secondary rights on movable property and information services. The laws

also establish mechanisms and rules for ‘speeded-up services:’ primary registration within one, three or five days; sale of property, with passage within one to three days; and mortgage registration in one day.

In addition, the law sets the following payment rates and terms of registration:

- Registration of agricultural land: ten days with no fee;
- Registration of non-agricultural land: ten days with 36GEL (equivalent to US\$20) payable;
- Speeded-up non-agricultural land registration: one day for a payment of 150GEL, three days for 108GEL or five days for 72GEL;
- Registration of transfer of property rights:
 - agricultural land: within five days for 7GEL;
 - speeded-up services: one day for 35GEL or three days for 21GEL;
 - non-agricultural land: five days for 36GEL;
 - speeded-up services: one day for 150GEL or three days for 108GEL;
 - mortgage registration: three days for 50GEL;
 - speeded-up registration: one day for 250GEL.

Similarly, the law sets tariffs and terms for all other services, including provision of information. Distinguishing and clearly setting specific tariffs and terms for regular and speeded-up services prevents illegal deals between clients and registry officials. Citizens who need to obtain documents or services unusually quickly do not need to bribe a public servant; rather, they can legally pay the official fee. Incentives and opportunities for corruption have substantially decreased as a consequence. Anecdotally, the bribes that customers were paying before the reforms in order to obtain prompt services, such as documents for the registration of a property transfer, were substantially higher than the official fee for the one-day service, which in this case is 150GEL (approximately US\$80). The bribe for this service used to be US\$120 or higher, and even in such cases where payment of this illegal fee was made it was still difficult to obtain the necessary documents in one day.

As of mid-2005, the BTIs had transferred all information to the National Agency of Public Registry, meaning that the number of institutions/agencies citizens have to deal with in order to obtain services has decreased. All the data is now centralized within the Public Registry. This is another important mechanism that avoids faulty sales of property – for instance, a number of cases occurred previously in Georgia when the tenant (as opposed to the owner) of a property sold it illegally, or the owner of a property made money by selling it to many different buyers. Such were the risks associated with the former faulty and unreliable system of registration, which created public scepticism towards the public institutions responsible.

One of the early responsibilities of the Public Registry has been the creation of a central database of the information held by the regional offices of the former SDLM. Computerization of the Public Registry system and creation of electronic databases of all transactions has also come to represent an important transparency and accountability mechanism. In addition, computerization affects the quality of services positively – in terms of speed of service provision and reliability of graphical information.

Computerizing the registration book of applications and establishing an electronic record of application registration numbers also prevents public registry employees bypassing the proper sequence of applications and so providing a service based on favouritism, nepotism or fraud/corruption. Every application is recorded electronically in the application registration book so preventing any opportunities for breaking with the correct chronological order – shortening service provision times for some clients while extending official deadlines for others.

Movable property rights mechanisms have also been streamlined, so easing the registration process and providing increased access to credit for citizens. Access to credit is an important aspect of increasing economic opportunities, improving quality of life and reducing overall poverty.

The Registry widely publicizes information about procedures, fees, time frames and other details of registration. For instance, the NAPR website (www.napr.gov.ge) provides detailed information about each procedure. The necessary documents and steps required for each procedure are also listed on the site, as are electronic versions of application forms. People can print and fill out application forms from the site, so avoiding a visit to NAPR and saving time and resources.

4.4 Evaluation of the anticorruption mechanisms

Based on 2004 data, a co-publication of the World Bank, International Finance Corporation and Oxford University Press, *Doing Business Survey for 2005* suggests that it takes eight procedures and 39 days to register property in Georgia (with a fee of 2.5 per cent of the property value).³

This time period for property registration in Georgia was less than for previous years, but was still slightly higher than the OECD average of 34 days. Ease of registering a property is taken as a simple average of all country rankings by number of procedures, time and cost. Based on 2005 data, the *Doing Business Survey for 2006* declared that 'Georgia was the runner-up reformer'⁴ and is among the top five countries in the region in terms of time needed to register property,⁵ which by 2005 had fallen to nine days. This is incredible achievement in just one year, as the time needed to register a property has fallen by 75 per cent and the cost by 70 per cent.⁶

³ *Doing Business in 2005* (2004). The World Bank, International Finance Corporation and Oxford University Press, p.108.

⁴ *Doing Business in 2006* (2005). The World Bank and International Finance Corporation, p.1.

⁵ World Bank Hails Georgia as Number 2 Reformer in the World. *The Messenger*, September 13, 2005.

⁶ *Doing Business in 2006* (2005). The World Bank and International Finance Corporation, p.2.

4.5 Positive effects of the reforms to service users, including the poor

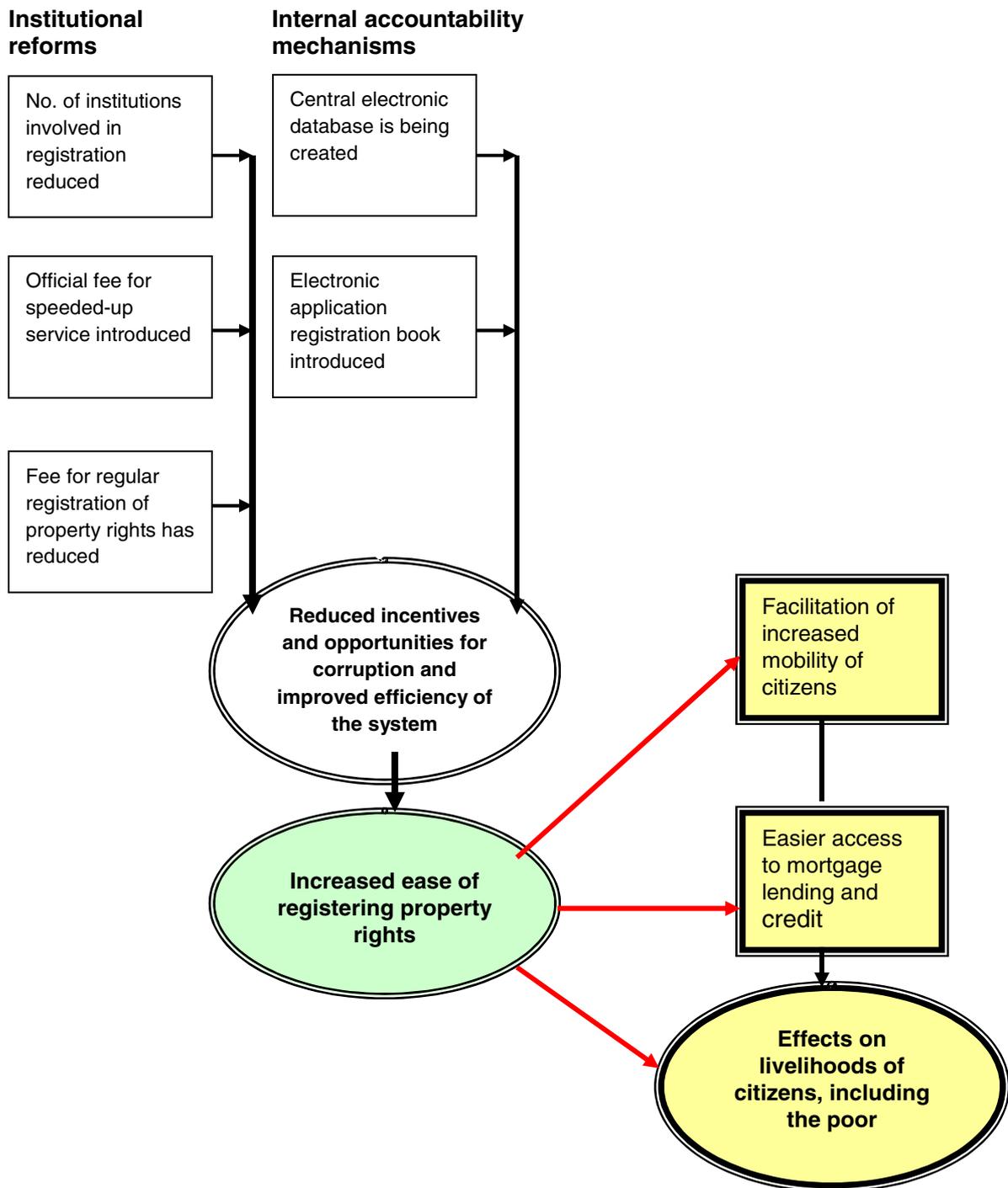
The major changes introduced into the system of property registration can be summarized as follows:

- Fewer institutions are now involved in the registration process, which saves time and resources for citizens requiring the service.
- The number of steps and time required for registration of property rights or for obtaining official information from the Public Registry has been reduced;
- The official fees to obtain regular services from the Public Registry have been reduced;
- Internal accountability mechanisms have been introduced. Specifically, computerization of the system means that an electronic application registration book and an electronic record of application registration numbers are now kept;
- Public access to information about services, fees and procedures required for obtaining various Public Registry services has improved; this eases the process of obtaining such services. For instance, NAPR has a website providing all details of procedures and electronic application forms;
- Overall international indicators of registration of property in Georgia have improved.
- The centralization of a database of information on property and land ownership, property transactions and so on within the Public Registry has been an important transparency mechanism.

As outlined below, 2004's improved system of property rights registration has had positive effects on the livelihoods of the poor. Despite a lack of evidence for such effects, the researchers are able to make this assumption based on the reform's overall benefits for population as a whole, which are listed below (also see Figure 13):

- Incentives for clients to pay bribes in order to obtain a speedy service have been reduced; this means the financial costs (in terms of official and unofficial payments) of obtaining services, as well as the time costs (in terms of the number of trips required to various institutions) have reduced.
- Opportunities for corrupt deals have been reduced by the introduction of internal accountability mechanisms.
- The system has allowed improved access to mortgage lending and credit in general.
- The introduction of transparent and simple registration mechanisms contributes to the development of land and property secondary markets and also supports greater mobility of citizens.

Figure 13. Institutional reforms and their effects



The reduction in the cost of services, increased access to credit and increased citizen mobility are the most substantial and important factors affecting lower-income citizens. Hence the researchers feel able to make the assumption that improved property rights registration has had an important influence on the livelihoods of the poor.

5. Generic lessons to be learned from the cases

The Georgian government's commitment to the implementation of a major anticorruption policy since November 2003 has been translated into highly specific, utility-level and institution-based systems and mechanisms of accountability. Some of these reforms were initiated at the central-government level, while others at the municipal level. In many cases, accountability mechanisms were introduced in a short period of time, without any legislative or regulatory amendments and without having to invest major financial or human resources.

As outlined in the three case studies above, the introduction of these new mechanisms of accountability has increased the transparency of provision of the infrastructure services discussed, which in turn has resulted in decreasing corruption and increasing efficiency in service provision. Similarly, the case studies have shown that the introduction of accountability mechanisms has also resulted in improved public opinions towards specific service-provider institutions.

In conclusion, an analysis of the research findings suggests that the following mechanisms result in positive effects in the provision of infrastructure services:

- The introduction of computerized billing and collections systems;
- The initiation of bank-based payment systems for infrastructure services;
- The facilitation of public participation and responsibility in community-based projects;
- Decreasing the opportunities available for discretionary decisions by public and municipal officials through the introduction of clear criteria for decision-making; and
- Increasing access to information by the public.

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The sustainability of the livelihoods of the poor in low- and middle-income countries is compromised by corruption in the delivery of infrastructure services. Such services include water supply, sanitation, drainage, the provision of access roads and paving, transport, solid waste management, street lighting and community buildings. For this reason, The Water, Engineering Development Centre, (WEDC) at Loughborough University in the UK is conducting research into anti-corruption initiatives in this area of infrastructure services delivery.

This series of reports has been produced as part of a project entitled *Accountability Arrangements to Combat Corruption*, which was initially funded by the Department for International Development (DFID) of the British Government. The purpose of the work is to improve governance through the use of accountability arrangements to combat corruption in the delivery of infrastructure services. These findings, reviews, country case studies, case surveys and practical tools provide evidence of how anti-corruption initiatives in infrastructure delivery can contribute to the improvement of the lives of the urban poor.

The main objective of the research is the analysis of corruption in infrastructure delivery. This includes a review of accountability initiatives in infrastructure delivery and the nature of the impact of greater accountability.

For more information, please visit WEDC's web page:
http://wedc.lboro.ac.uk/projects/new_projects3.php?id=191

Please note: The views expressed in this document are not necessarily those of the Department for International Development or WEDC, Loughborough University.

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