

# 25 principles

## For Economic Prosperity of Georgia<sup>1</sup>

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This economic program was written for one of the candidates for Presidency of Georgia after the revolution of roses. Therefore the character and the mood of the text is to answer election campaigning needs.

### 1. “No taxation without representation”

To fulfill this we need to:

We should ensure use of voting rights of each individual. Right of voting is the main means for guaranteeing of the reception desired state services. Consequently, losing of the voting rights means losing of the relationship with the state, and therefore, freeing the person from the obligation of paying taxes.

### 2. We will create conditions of economic freedom.

For this:

Business climate should be based on the principles of protection of human rights and freedoms of individuals, rule of law.

Intervention of the government into the economy should be reduced to minimal level, participation of the state in economic processes should be limited to security measures.

Direct intervention into businesses should be permitted only by a court decision and only in the frames limited by the law.

### 3. We will substitute the economic system of inevitable crime with the system which will be based on a honest, free business activities. We will ensure legalization of business activities and eliminate the systemic, institutional basis for corruption.

For this:

We should adopt new tax code to:

- Simplify the taxation system, radically decreasing the number of taxes;
- Reduce the total tax burden twice or more;
- Decrease the tax obligations to the level that any business can afford to pay;
- Make the payment of taxes as affordable as it cannot threaten the existence of a business or reducing its chance of further investing;
- Make any tax rates fewer than any similar tax rate in Europe;
- Diminish and simplify the tax burden to make payment of the taxes easier, more convenient and less risky than paying bribes;
- Eliminate double taxation;
- Found the tax system and rules on the inviolability of rights and freedoms of an individual;

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<sup>1</sup> This Program was prepared for a presidential candidate and therefore it's format and manner was designed for a candidates speech. It was never converted into a real program because we found no visible demand for it.

- Establish a new relationship of a taxpayer with the government of partnership and responsibility.

We should create economic incentives to direct the cash flow and the economic transactions in the country into banking sector which would increase credit resources of the banks, supporting development and strengthening of the sector, making cheaper the credit.

The new tax code should eliminate the current tax privileges and relieves which are to support some particular industries, particular enterprises, eliminate competition.

#### **4. We will eradicate nests of political corruption**

For this:

- We should eliminate special taxes; special funds have to be filled from the state and municipal budgets;
- We should create effective mechanisms to finish with the corruption in the different public registers (real estate, entrepreneurial, civil etc) which would ensure fast services for the citizens and entrepreneurs;
- We should limit, eliminate and move to private sector those functions of the state which work with direct or hidden payment of the price.

#### **5. We will free business activities from dependence on the government. We will return dignity to our citizens and business people.**

For this:

- A success of a business should not be dependent on a support of public officials and influential clans;
- Reduced essentially and simplified taxes should free honest taxpayers from the fear that would give to them chances to express openly their opinion, request and get services from the state in exchange of paid taxes;
- Independent and reputable citizens should become the main fundament of the Georgian democratic state.

#### **6. We will improve the business climate.**

For this:

- We should create effective mechanisms for tax refunds;
- We should prepare and implement a new law on bankruptcy that would ensure quick detection of failures on the market and strongly protect the rights of creditors and investors;
- We should create simplified conditions for starting of a business;
- We should recognize as illegal those actions of the state institutions which are creating artificially privileged conditions to some of the participants of the market;
- We should recognize as punishable any actions of bureaucrats which are hindering development of the market.

#### **7. We will adopt and implement appropriate legal acts for economic growth**

For this:

- We should create new, improved conditions effective work of the financial and resource markets;

- We should eliminate all the barriers and tariffs for competition, support exports and production of quality goods.
- We should improve the legislation of customs, decrease the tariffs and ensure legalization of imports.
- We should improve radically protection of foreign and local investments, in such a way that any investor would feel himself/herself secure.
- We should create stable entrepreneurial and investment environment, adopt a norm by which implementation of any legal acts changing investment conditions could happen only after publicizing of appropriate explanations and calculations and in case of high political and public consent.
- We should start gradual elimination of the system of licensing and supporting of the creation of private associations who would themselves check and guarantee the quality of the goods and services of the member companies.

**8. We will reorganize and re-order the civil and equity registers to ensure better control the resources and obligations towards the state.**

For this:

- We should establish new system of registering of the population based on obligatory tax registration. This database will be common for registering of the population for taxation, customs, election and other purposes;
- Property register should ensure fast and firm turnover of the property.

**9. We will ensure creation of the effective mechanisms for execution of the contracts and court decisions.**

For this:

- We should create and implement legislation, which ensures fast and effective execution of contractual obligations avoiding of long-run and expensive court hearings,
- We should reform the court decision execution system and ensure fast and effective enforcement of court decisions.

**10. We will ensure protection and development of the institute of property**

For this:

- New amendments to our legislation should ensure inviolability of the legal property and same time prevents from illegal possession of a property;
- New legislation should also create natural (but not administrative) ways of redistribution of the property to most effective entrepreneurs.

**11. We will return a hope to the citizens, to live proper life in Georgia, reduce level of poverty.**

For this:

- Economic growth should be the main tool for overcoming poverty;
- We should especially support investments in education, create incentives for financial institutions for financing of education and information technologies;
- Any interested intellectual could have a hope that his/her education could be financed; only this way we can be sure that we can overcome the global competition and end with the poverty.

**12. We will support of establishment of a legal and effective labor market.**

For this:

- New tax and labor legislation should ensure legalization of the labor and its reimbursement. Salary should illustrate the market price of the labor.
- Appropriate labor policy for should create good fundament for the correct policy in education.

**13. We will establish a new system of social protection which will ensure timely coverage of current arrears, increase of the current pensions up to the living minimum and taking responsibility about the future of new generations.**

For this:

- We should use all means of the state to understand the real requirements of recipients of the state assistance, support private institutions of social protections, increase the responsibility of the citizens over their elderly;
- We should improve the medical services, more actively using the private insurance and other financial institutions for social protection and medical services.

**14. We will support turning the peasants into farmers.**

For this:

- We should eliminate all those legal acts which are oriented towards unproductive and supplying only own families activities of the peasants, encouraging the uncompetitive characters of them;
- We should achieve the situation when a farmer not only produces not only such amount of agricultural goods to satisfy the needs of his/her family but produces enough for 10 families.

**15. We will improve energy supply and reorganize into a sound system.**

For this:

- We should depoliticize the energy issue and make it ordinary civilized relation – *you pay you get it*. Liberalization of the energy supply ensures distribution of energy by market laws, supportive to investors conditions, encouraging the energy-saving regimes and activities, finding alternative sources, decreasing the prices to the regional levels.
- State intervention into the energy supply should be admitted only for security reasons and in the cases prescribed by law.

**16. We will finish with irresponsible and nonsystematic growth of public debt.**

For this:

- We should adopt such laws which would allow the government to increase loans only through a certain system and according to a law. New law on public debt should ensure sustainable development of the Georgian state and prevents any creation of new public debts for only political reasons.
- Special norms should be adopted for limiting of amounts of annual and total debts, of internal and external debts, interest rates, budget deficit etc.

**17. We will found effective mechanisms for fulfillment of public obligations.**

For this:

- New law on public debt should ensure fulfillment of the obligations towards the persons and legal entities, including of execution of contractual obligations and lost appeared because of failure of fulfillment of those contracts, covering them with the state properties. Coverage of arrears of the state debts should be executed only by market rules.
- We should establish certain responsibility for hindering of timely recognition of state obligations and payment of state obligations.

**18. We will adopt essentially new rules for budgeting and execution, strengthening of the fiscal discipline and responsibility.**

For this:

- We should adopt new budgetary code implementing new principles of budgeting which implies concrete goals, priorities and responsibilities of a spender;
- New budgetary procedures should ensure strict discipline of government's performance and spending, transparency, effectiveness and systematic character.
- Budget order should be based on established norms and indicators failure to fulfill of which responsibility (including equity based penalties) would be automatically take place;
- We should increase importance of budgetary control and accountability by which the budgetary report includes both information on the expenditures and analysis of fulfillment of goals and objectives also effectiveness of activities, checking of certain norms and indicators;
- These kinds of barriers eliminate chances for waste and inefficient use of the resources provided by the taxpayers.

**19. We will ensure active participation of the population in budgetary process – budget must provide desired state services to the taxpayers.**

For this:

- Budgetary legislation should ensure public discussions and cooperation with the civil society sector on budget and performance plans of the public institutions; we should also ensure publication of exact information on public spending and performance to ensure that population has chances to act adequately for changing the government policies which fails to provide the services taxes were paid for.

**20. We will decrease the budget deficit and gradually eliminate deficit planning of the state budget.**

For this:

- New legislation should include measures for gradual elimination of the budget deficit during five consecutive years after which deficit planning will be prohibited;
- We should prohibit state intervention into the central bank activities to achieve its full independence and responsibility.

**21. We will implement system of fiscal decentralization.**

For this:

- New legislation should ensure strict division and guaranteeing tax revenues of the central and local governments, treasury and properties. Local self-

government should be ensured with all kinds of resources to supply its activities to be performed them absolutely independently from the central government.

**22. Main responsible public official for the state budget have to be the president of Georgia personally.**

For this:

- We should reorganize the government structures and redistribute budgetary responsibilities such a way that main responsible official for the plans of performance and budgeting would become the president of the country.

**23. Any member of the Cabinet and public servant will feel his/her own personal responsibility for the results of his/her work.**

For this:

- We should establish a new system of public service by which any public servant finds his/her responsibility, would be under permanent control and will of the public, receive adequate reimbursement for the job;
- The salary of a public servant should not be less than officially recognized living minimum, it must be close to the market price of labor of the same character and responsibility;
- Number of public servants should be corresponding to the functions and priority level of those functions for the public.

**24. We will reorganize public services into effective institutions.**

For this:

- Main principles of the activities of the public services should be:
  - o Competition
  - o Motivation
  - o Decentralization
  - o Measurability (more services for less costs)
  - o Focusing on a customer-voter
  - o Transparency and accountability

**25. We will eliminate all those functions of the government execution of which are ineffective and performance of which can be done by the commercial institutions.**

For this:

- We should gradually decrease the number of state enterprises and don't allow creation of new ones. We should establish a special accountability rules (personal responsibility) for the activities of those companies which are founded or existing with whole or partial holding of the shares by the government;
- We should restart the process of the privatization with new courage – the people have to receive the results of their labor; we should eliminate all the chances for returning of the totalitarian rule.