



COMPACT TO PROMOTE TRANSPARENCY AND COMBAT CORRUPTION:

A NEW PARTNERSHIP BETWEEN THE G8 AND GEORGIA

Georgia and the members of the G8 announce today their intention to cooperate in a “Compact to Promote Transparency and Combat Corruption.” Georgia and the G8 share the view that corruption is a threat to democratic institutions, economic development and to the integrity of the international system of trade and investment. Georgia and the members of the G8 recognize that promoting transparency and integrity and fighting corruption require commitment and action on all sides. Outlined below are the intentions and policy commitments of the G8 and Georgia as they pursue cooperation through the Compact in a spirit of partnership and mutual respect.

STATEMENT OF THE GOVERNMENT OF GEORGIA

The new government of Georgia realizes that success depends on the ability to develop and implement reforms that will ensure a better future for all our citizens. First and foremost among our priorities is improving governance. Better governance is not just a campaign slogan: it is a national mission. Only a more transparent and accountable government will fulfill the promise of our Rose Revolution: Our citizens have granted us a mandate with an unprecedented level of popular support. We are using our unique historical opportunity to transform Georgia into a stable and prosperous democracy, based on tolerance, transparency and respect for rule of law.

Improved governance and the rule of law require comprehensive action against corruption. The decay of corruption eroded the fabric of our nation for too long. Our highest priority is promoting transparency, accountability, and integrity. Detailed below are a few of our accomplishments to date and some of our future plans to realize this set of objectives.

ACTIONS TO FIGHT CORRUPTION AND PROMOTE ACCOUNTABILITY

Just weeks after the Revolution, we put an end to the notorious impunity of former senior officials by conducting unprecedented arrests of former ministers including the Minister of Energy, the Minister of Transportation, the Head of Georgian Customs, the Head of Georgian Railways, the Deputy Head of the Tax Administration and regional government officials.

Complementing these actions, we also acted against entrenched criminal clans that controlled the smuggling of contraband, often with the active support of government officials. In the new Georgia, accountability means enforcement of laws even if the violators are rich and powerful. Through our resolute actions, we have demonstrated that no one is above the law any longer in Georgia.

In pursuit of long-term structural reforms that eliminate institutional sources of corruption, we reduced the size of government and the number of officials on our payroll, with a specific focus on Georgia's previously untouched "power ministries" (i.e. Interior, State Security, Defense). Recognizing that downsizing is not enough, we are increasing the salaries of civil servants on the front lines: tax police, criminal investigators, judges, customs officers, and others.

Addressing the rampant harassment and corruption housed at the Ministry of Interior and Ministry of State Security, we ended their so-called "financial oversight" functions by eliminating their jurisdiction. As a result, financial police functions are now exclusively within the Ministry of Finance where transparency and accountability have been increased. To complement these measures and underline the change in culture and outlook, civilian ministers are now for the first time in charge of Interior and State Security where they are pursuing comprehensive reform agendas.

On the legislative front, we moved swiftly to pass anti-corruption legislation that streamlines indictment and prosecution procedures, enables the use of plea-bargaining, and allows the confiscation of assets gained through criminal activity. We also are working on new legislation that will empower our law enforcement authorities to bring organized criminals and racketeers to justice, modeled after the U.S. RICO statute (Racketeer Influenced and Corrupt Organizations Act). These steps were taken in full consultation with civil society, a natural process since the new Minister of Justice worked for a non-governmental organization before assuming his current position.

FUTURE PLANS

We are proud of our accomplishments but we realize they are only a beginning. Increasing transparency and fighting corruption is a never-ending process. We have set four main priorities in accordance with our unique situation and our national goals.

No government can succeed if it does not control national finances. In recognition of this fact, we increased our revenue collection and paid pensions on time for the first time in many years. Now, we are improving our budget processes and need to increase our capability to gather and assess financial data. We also will share our financial data with the public and with elected representatives in Parliament. Specifically, in order to enhance access to budget data in real time, we recently launched a daily electronic journal that makes available data on both revenue collection and distribution. In the near future, we also plan to strengthen our web-based data and budget figures so that revenue collection and government spending processes, goals and results will be made public. We also will develop impartial public audit capabilities to monitor public spending. We

believe these steps are essential for sound financial management and maintaining public confidence.

Second, we are actively developing a national strategy to implement an integrated e-government program. Under this initiative we plan to make available all Presidential decrees and decisions, including laws and relevant commentaries on economic, fiscal, tax and customs related information. This effort will extend to individual ministries that will be obligated to post information related to their activities, internal procedures and overall priorities.

Phase two of our e-government initiative will focus on providing web-based services such as permits, licenses and other administrative functions. This effort will then be extended to e-procurement opportunities -- a process that will ensure that public spending decisions are based on publicly known and widely available criteria, rather than on inside information and special treatment. We firmly believe that transparency in procurement will increase investor confidence and result in better performance. Our parliament also will play a central role in ensuring procurement decisions are based on objective performance rather than political preference.

Third, it should be remembered that many members of our government served in the previous government and later resigned to protest corruption and the lack of transparency. During our previous government service, we saw first-hand the corrosive effect of corruption on our society -- when government officials on fixed public salaries acquired properties and businesses far beyond their means. To put an end to these pernicious practices we are developing legislation that will mandate the financial disclosure of assets and prohibit conflicts of interest for government officials. In addition, we intend to establish codes of conduct for government officials to promote the creation of standards of excellence. No longer will Georgia be a place where public office is used for private gain.

Finally, we are working with our democratically-elected Parliament and our vocal civil society to ensure that checks and balances remain vigorous so that executive power is not abused again in our country. Indeed, the lack of transparency, accountability and integrity of Georgia's highest leaders was one of the primary factors motivating citizens during our peaceful "Rose Revolution." The legacy, legitimacy and promise of our democratic revolution demand that we do nothing less than institutionalize transparency, accountability and integrity.

Based on our results and commitments, we appreciate the offers of support for our efforts on transparency by the international community. In this regard, the Georgian government is committed to undertaking cooperative efforts with our G-8 partners.

STATEMENT OF THE G8 GOVERNMENTS

GENERAL STATEMENT OF POLICY COMMITMENTS

For their part, G8 countries committed at Evian and Sea Island to act together to fight corruption and increase transparency. At Sea Island, the G8 agreed to pursue specific actions to follow up their Evian commitments. As set forth in more detail in their Declarations in Evian and Sea Island, the G8 intend to:

- Become parties to the UN Convention Against Corruption and call for rapid signature and completion of all necessary steps to ratify and implement the Convention, and support the convening in Vienna of a multilateral “Friends of the Convention” process for promoting active and effective implementation.
- Translate the words of the UN Convention into effective actions and assist third countries, particularly developing countries, in accomplishing the objectives of the Convention.
- Implement a new G8 partnership to detect, recover and return illicitly acquired proceeds of corruption.
- Put in place new methods to coordinate G8 asset recovery actions, including by:
 - Establishing G8 accelerated response teams
 - Enhancing G8 asset recovery case coordination; and
 - Holding G8 asset recovery workshops.
 - Adopting rules and measures or creating best practices to track and recover assets in corruption cases.
- Seek in accordance with national laws to deny safe haven to public officials guilty of corruption, by denying them entry, when appropriate, and by using extradition and mutual legal assistance laws and mechanisms more effectively.
- Work with the international financial institutions (IFIs) and UN agencies to encourage anti-corruption and transparency actions by developing countries. The G8 intend to:
 - Encourage countries to meet the high disclosure and transparency standards set by the IFIs.
 - Support World Bank and related programs to help developing countries achieve accountability in public finance and expenditure and procurement.

- Seek agreement to disclose country assistance strategies, performance evaluations and reports on country budget procedures from the World Bank, International Monetary Fund and regional development banks.
 - Invite developing countries to prepare anti-corruption action plans to implement their commitments in regional and international conventions.
- Adhere rigorously to an updated peer review schedule for the OECD Anti-Bribery Convention and honor our pledges to serve as lead examiners to monitor our enforcement of anti-bribery laws. Send prosecutors and other law enforcement officials to participate in peer reviews.
- Encourage efforts of our private sectors to develop and implement corporate compliance programs to promote adherence to laws that criminalize the bribery of foreign public officials.
- Implement the Financial Action Task Force (FATF) revised 40 recommendations and promote implementation of the UN Transnational Organized Crime Convention (TOC).
- Work towards including in G8 regional and bilateral trade agreements provisions requiring transparency in government procurement and the awarding of concessions, as well as provisions on trade facilitation.

PROPOSED ACTIONS TO LAUNCH A GEORGIA TRANSPARENCY COMPACT

A number of G8 countries are prepared to work to find ways to support the efforts of Georgia to enhance transparency, use public resources wisely and fight corruption. Participating G8 countries intend to join in a voluntary and cooperative partnership with Georgia to help improve transparency in the specific areas identified as national priorities by the Government of Georgia. The future work plan for the transparency compact is expected to focus on efforts to promote transparency and prevent corruption in the following areas:

- Public budgets and financial management, including revenues and expenditures;
- Government procurement; and
- Letting of public concessions.

These are the key channels for public resource management and use.

Participating G8 countries intend to work in consultation with the Government of Georgia to consider, within their budgetary possibilities, country-specific technical assistance, political support and policy guidance in areas where Georgia identifies a need for capacity building to enhance transparency. G8 partners may help to support efforts

by the Georgian authorities to make information available to the public, to develop appropriate rules and regulations and to build support for pro-transparency reform among domestic constituencies. Assistance from participating G8 partners may include stepped-up coordination with the international financial institutions to ensure that new assistance complements existing and future transparency work with Georgia in those institutions.

NEXT STEPS

Representatives of the Government of Georgia and of participating G8 countries intend to meet soon to carry the compact forward to the next operational stage. The partner countries intend to work together to develop a technical plan of action. The technical plan would be based upon Georgia's stated priorities to build on its current efforts and actions in the realm of transparency and public financial management and accountability.

Participating G8 countries and the Government of Georgia further intend to adopt a procedure to measure and evaluate progress as the pilot compact moves forward.