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**Acronyms**

- DAC Directly-Awarded Contract
- GD Georgian Dream
- GEL Georgian Lari (the currency)
- UNM United National Movement

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# 1. Introduction

After the “Rose Revolution” that overthrew Georgia’s post-Communist regime in 2003, the country gained the reputation of a stellar reformer. Between 2004 and 2012 Georgia’s young cadre of ultra-liberals proudly proclaimed their country’s status as the Index King. Georgia rose to 51st (52 points) in the CPI by 2012. The World Bank named Georgia a “top reformer” in 2006. In 2010 TI’s Global Corruption Barometer placed Georgia first in the entire world for its relative reduction of corruption levels. By 2012 Georgia had risen to ninth position in the World Bank and International Finance Corporation’s “Ease of Doing Business” table – an impressive climb of 128 places in eight years. If anything, Georgia set the fashion for international ranking systems in the region. Although there were conflict of interest questions, given the close relationship between leading reform architect Kakha Bendukidze and Simeon Djankov, the Bulgarian founder of the “Ease of Doing Business” Index 2013.

Three key questions suggest themselves. First, were Georgia’s high marks fully justified? Second, if so, why did the Rose Revolution’s leaders lose power in 2012? Third, is the new government building on, addressing the imperfections of, or intentionally or otherwise threatening to dismantle the post-2003 reforms? This paper will argue that post-2003 Georgia has succeeded with a remarkable balancing act, using first a radical deconstruction of bureaucracy and then e-government methods to cut corruption in what has remained a poor and highly patrimonial society to over-achieve compared to all other post-Soviet states (the Baltic States excluded). The new government that took power in 2012 has paradoxically refined some of the later techniques, but reverted to some of the bad habits of post-Soviet bureaucracy.

## 2. Main Part

### 1. State of Governance

#### *The “Big Bang”*

Georgia in 2003 was clearly in a mess, if not the “failed state” of the Rose Revolution leaders’ rhetoric. The new leadership under new President Mikheil Saakashvili faced a huge task after the corruption of the Shevardnadze years (1992 to 2003). According to one of the reform team, former Justice Minister and National Security Council head Eka Tkeshelashvili, “Everything was corrupt: the state was corrupt, the private sector was corrupt, and the mafia [vory] corrupted both”. In the face of an unhealthy multiple equilibrium, “we had to cut so many knots. We had to break the symbiosis between organized crime and the state”. The importance of the holistic and “big bang” approach has been well documented. So has the

importance of a committed political leadership, acting quickly. The big bang also came with a big stick: it was felt that the vory had to be targeted with the toughest action – imprisonment, exile or even hunted down. This was “necessary for us, but unfortunate for Spain and Austria, where many of them ended up”. Punishments were also tough: the minimum sentence for state bureaucrats accepting bribes was six years. According to the former Deputy Minister of Justice Otar Kakhidze, “we started with a harsh approach, later we moved to prevention”. Georgia also passed a “Law on Unreasoned Property”, in which the burden of proof was on officials to show they owned their property legally, or face its appropriation.

Commitment and consensus amongst the reform team was also important. As Tkeshelashvili also explains, “we were poor, we had no institutional legacy, we had no predictable future with [foreign assistance or] FDI. It needs to be remembered that it was ideology that held us together”. Speed was also important in view of the expected backlash from the old regime: sacked policemen, bureaucrats and their families, and “the post-Soviet intelligentsia in Tbilisi, whose children all benefited from nepotism”. More broadly, it is important to realize that “Saakashvili’s problem was always that his was a minority government”. The 2003 elections that sparked the Rose Revolution were fraudulent, but the true score of Saakashvili’s United National Movement (UNM) was no more than 10% above its official 18%. The new team in government were also young, Western-educated and highly ideological; and therefore not typical of the country as a whole. Even when Saakashvili won big majorities at subsequent elections: “they were like referenda: people voted for his achievements, not for his ideas”.

The reformers therefore concentrated on two early deliverables: energy and the traffic police. Before 2003, corruption in the energy sector meant frequent power cuts. After 2003, Saakashvili liked to advertise how much had changed by having Tbilisi lit up brightly at night. Famously, the notoriously corrupt traffic police were simply abolished overnight. The police were also targeted because, according to Kakhidze, “Our first task was to sort out the instrument of compliance. Otherwise we couldn’t use it to sort corruption anywhere else”.

The new government also front-loaded dual-purpose, neo-liberal economic reforms, which were as important for cutting corruption as for stimulating growth. Taxes were cut in all senses, in terms of level, complexity and scope (twenty one separate taxes were reduced to six), regulations were slashed, and many state services went online. The government cut the

...number of required permits from 600 to 50; property registration, trade regimes and customs procedures have been simplified. Furthermore, reforms have cut the bureaucracy dramatically. The number of public sector employees dropped by almost 50 percent [from 130,000 in 2003] while the salaries of the remaining civil servants increased roughly 15-fold. As a consequence, corruption has been dramatically reduced in the areas where citizens and the state traditionally interact the most: traffic

police, registering property, acquiring licenses and passports, and the police and tax administration (Kupatadze 2011).

According to Eka Tkeshelashvili, we wanted to “develop public services as if they were private businesses, having to compete for clients. The private sector had to catch up”. University reform was particularly important: a “National Standardised Exam” was introduced for entrance in 2005, replacing the gatekeeper system of individual university exams that were a means of enriching professors. Eka Tkeshelashvili claims the best proof of the new meritocracy it introduced was that the best entry results were obtained by youngsters not from Tbilisi, but from Racha in the rural northwest.

### ***After 2008***

This “Big Bang” took the government through to 2007. The second half of the Saakashvili period, from 2008 to 2012 was much more controversial. Critics claim that after 2007 or 2008, the reform drive ran out of steam and the authorities “were only interested in consolidating power”. Moreover, according to Alexander Kupatadze, the early reforms “mainly targeted ‘low policing’ in order to meet the key concerns of the citizenry while ‘high policing’ remained above the law and a crucial safeguard for the ruling regime”. Despite neo-liberal reforms producing a flourishing SME sector and strong FDI, the higher levels of the economy were monopolized, with ownership opaque – but usually traceable to UNM “oligarchs” close to the president. For the critics there was no consensus on whether the war with Russia was the key turning point; or the violent clash with demonstrators in Tbilisi (supposedly mainly the revanchist old guard) in November 2007.

### ***E Reform***

There were several key reforms after 2008. A widely praised e-procurement system was adopted in 2010. One-stop “Houses of Justice” to deliver public services were set up after 2011. An online company registry was set up in 2010 (napr.gov.ge). A legal change in 2011 made offshore media ownership illegal. The customs were reformed at the third attempt.

E-procurement was only one of many transparency initiatives. Like Estonia, Georgia was keen on e-government, to simplify citizens’ lives and reduce the opportunities for corruption, but also so that public servants worked in an atmosphere of almost total transparency. According to Mathias Huter, this made the Georgian system one of the “most transparent in the world”. Hrgov.ge gave information on all public hirings (see the Ivanishvili section below). Declaration.ge listed all state officials’ incomes and wealth; though initially the information was difficult to access and had to be reworked by Transparency International Georgia. The State Audit Office (sao.gov.ge) kept a close eye on political party finances – though sometimes a partial one. Napr.gov.ge was the registry of property and business ownership.

An “Integrated Criminal Case Management System” (ICCMS) based at justice.ge sought to make public prosecutions more transparent, despite questions about judicial independence in Georgia (see the section on the rule of law below).

But the bigger problem was the fundamental contradiction that the Saakashvili team was pursuing a modern or even post-modern project in a poor and patrimonial society. Saakashvili’s reformers could slim government. They could abolish whole government institutions. But they could not abolish government itself; and it is in political practice that informal culture, including clientelism and the “exchange of favors”, was most able to survive.

## **2. Power distribution**

### ***State Autonomy from private interests – Georgia’s Persistent Clans***

Firstly, Saakashvili’s system was meritocratic in some respects, but highly clannish in others. The Russian author Pavel Sheremet has claimed that Saakashvili did not eliminate corruption: “under Shevardnadze it was a family mafia, now it is a party mafia” (Sheremet 2009: 155). Saakashvili came to power suddenly and in a broad coalition in which he had not originally been the leading figure. His ideologues promised a neutral state, equidistant from every citizen, but in practice his system of government therefore still rested on regional and family “clans”. “Nepotism was less open than under Shevardnadze, but it was still there”.<sup>1</sup>

Clans were particularly strong in the regions. Adjara under Shevardnadze had been the personal fiefdom of Aslan Abashidze, whose clan shared power with his in-laws, the Gogitidze group (International Crisis Group Europe 2004). After Saakashvili’s triumphant restoration of central power in Adjara in 2004 and Abashidze’s flight to Russia, Saakashvili entrusted power in his favourite region to Levan Varshalomidze, a student friend and former four-month head of Georgia’s railways, whose father Guram Varshalomidze had served as Abashidze’s Prime Minister and then at the Georgian State Oil Company, a key player in the port at Batumi. Levan Varshalomidze was soon accused of “clan-based governance” (Sepashvili 2005). In so far as this was true, Tbilisi shared responsibility. Adjara’s autonomy was much reduced, and Saakashvili treated the region as home-from-home. Future governor of Adjara was one of his rumoured post-Presidency career options. The Abashidze-Gogitidze clan was not dismantled, so long as members contributed to the shadowy “Fund for the Development of Adjara”. No fewer than eighteen Varshalomidze family members soon had positions of authority in Adjara (Marten 2012: 81-2). In 2012, Archil Khabadze replaced Varshalomidze as the local head of the Cartu Bank.

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<sup>1</sup> Interview with Alexander Kupatadze, 29 August 2013.

The Akhalaia clan dominated Samegrelo or Mingrelia on the Black Sea coast. (Mingrelia was a stronghold of the ill-fated first President Zviad Gamsakhurdia and never fully reconciled to Shevardnadze's rule). Bacho Akhalaia (born 1980) was head of the penitentiary system, provoking and severely repressing prison riots in 2006, then Defense and finally Interior Minister under Saakashvili. His brother Data (David) Akhalaia was head of the Department for Constitutional Security and then Deputy Defence Minister in 2012. Data Akhalaia was accused of involvement in the notorious murder of the banker Sandro Girgvliani in 2006. Their father Roland Akhalaia was the Samegrelo Prosecutor, a national MP, and, appropriately, father of the clan. The family "ran" the prison system and was even accused of running their own private militia (Machaidze 2012).

The rival siloviki clan of Vano Merabishvili (which also controls chocolates and allegedly some communications) was first patron to and then enemies of the Akhalaia, who accused Merabishvili of being behind the notorious prison torture video which helped swing the 2012 elections.

One of Georgia's biggest scandals in the late Saakashvili era was the Center Point Group construction scam, not the normal post-Soviet procurement scam, but a \$300 million Ponzi scheme run by the Rcheulishvili clan (Transparency International Georgia (2012b): Rusudan Kervalishvili, former UNM deputy chair of parliament from 2006 to 2012; her sister, Maia Rcheulishvili, and Maia's husband Vakhtang Rcheulishvili, who was also deputy chair of parliament, mainly under Shevardnadze, from 1995 to 2004.

A slightly different story existed in the ethnic minority regions: Samtskhe-Javakheti, home to 113,000 Armenians (55% of the local population), and Kvemo-Kartli, home to 225,000 Azerbaijanis (45%) (Census 2002). The Armenians are a more close-knit group; Samtskhe-Javakheti is relatively remote and was dominated by paramilitary groups in the 1990s. Now a relatively unified Armenian group controls the region in return for supporting the authorities and keeping the separatist issue at bay. Local Armenians may drift towards the new authorities. One MP Enzel Mkoyan quit the UNM in 2013, but became an independent; the other Samvel Petrosian has stayed with the UNM for the time being. In 2013 Ivanishvili released local boss Vahagn Chakhalyan. But all national Georgian leaders have tolerated local corruption.

The Azerbaijani region of Kvemo-Kartli is better integrated with the rest of Georgia, and is less clannish. The Bezhuashvili family from Kvemo-Kartli was a third clan, who initially made their fortunes in the gas business in the 1990s. Gela Bezhuashvili (born 1967) was Foreign Minister and then head of the Georgian Intelligence Service after 2008. His younger brother David Bezhuashvili (born 1969) was an MP who had interests in the TV companies Mze and Rustavi 2. Father Ronald Bezhuashvili was, as ever, head of the clan and head of Kaspi

Cement. Gela Bezhuashvili initially survived the transfer of power in 2012, as his appointment dependent on the president, but he was rumored to be switching sides.

Some networks and clans, on the other hand, were cleaned up. Georgia under Shevardnadze was notorious for its open-air trading “markets” – in reality gigantic bazaars on its borders, in which illegal goods of every description could be traded. Ergneti on the border with South Ossetia was shut in 2004, the Red Bridge market on the Azerbaijan border in 2006, and Sadakhlo on the Armenian border in 2007. There were losses to both the small traders and the kingpins who controlled the markets, which in the Georgian case was the Interior Ministry and regional governors for the Ergneti super-market. Much contraband was diverted, but customs revenues received an initial boost (the authorities spent the money on higher pensions) (“Closure of Ergneti Market Boosted Customs Revenues” 2004).

It is too early to tell what will happen after the change in power in 2012. Both under Shevardnadze and Saakashvili new clan structures took several years to coalesce. But “institutions are still weak; they have low capacity to resist”. The employees of Ivanishvili’s key business institution, Cartu Bank, might form an eventual core. “There are powerful individuals, if not yet clans”:<sup>2</sup> such as Gia Khukhashvili, Ivanishvili’s economic “advisor”; and Lasha Natsvlisvili, Deputy General Prosecutor. They have allegedly targeted the assets of the Merabishvili clan. Gela Khvedelidze, Deputy Minister of Internal Affairs, was dismissed after being arrested for allegedly leaking a gay sex tape involving a critical journalist. After GD won the presidential election in October 2013, there were accusations that the Garibashvili family was concentrating too much power in both the Interior Ministry and the Premiership.

### ***Government’s spending / allocation of resources***

Transparency International Georgia praised the e-procurement system (procurement.gov.ge) introduced by Saakashvili in 2010, but with qualifications. There were still too many exceptions: so-called Directly-Awarded Contracts (DACs) were possible below a threshold of 5,000 GEL (as of 2013, 1 GEL = €2.4), for reasons of national security and through the system of presidential and governmental consent: the big users of this route were Georgian Railways, Georgian Lotteries and the Partnership Fund (Georgian E-Procurement System 2013). “Contracts worth GEL 800 million were procured under opaque procedures and without competition as a result of a special approval by the president and the government in 2012; 45% of all contracting, GEL1.2 billion of purchases, were done through non-competitive simplified procurement, 55% (GEL 1.5 billion) were procured electronically”

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<sup>2</sup> Interview with Alexander Kupatadze, 29 August 2013.

(Georgia's Public Procurement System 2013). In 2013 TI Georgia set up a website (tendermonitor.ge), for the public to search, monitor and analyze government contracts.

Most exceptions were in defense procurement, but new Defense Minister Arakli Alasania began closing this loophole in 2013 (see the section on the Ivanishvili era below). The rise in DACs in 2012 was because this was an election year, when a lot of DACs were awarded to building companies that were owned by UNM oligarchs, who then financed the party's campaign (see the section on clans above).<sup>3</sup>

Nevertheless, the reform worked, firstly because "computers don't take bribes".<sup>4</sup> Second, because corruption was minimized by a simple system of awarding all contracts to the lowest bidder (arguably it was too simple, by 2013 the system's designers were talking about a more calibrated "value-for-money" approach, and working out ways to out-wit coordinated bids). Some 66% of contracts were fully transparent in the first year of operation, which was 2011, then 55% in 2012. Moreover, 14% of spending was saved from the state budget by using the system.<sup>5</sup>

The e-reforms were already cutting away at the UNM oligarchs before the change in power in 2012, especially after the information provided was used by NGOs and, to a lesser extent the media, to expose them. According to TI analyst Mathias Huter, this was in part because "Georgia's oligarchs are not that rich; they still need financing from banks or the EBRD or whatever. They are sensitive to any bad press".<sup>6</sup>

But there were still many nepotistic contracts with UNM oligarchs beneath the surface, particularly in construction. The Saakashvili government was particularly fond of grand projects like the big new hotels in Batumi or the Europe Park in Tbilisi, and a considerable part of the \$4.5 billion Georgia was granted after the war with Russia in 2008 went on construction and reconstruction.

The lion's share typically went to the New Energy group of Cesar Chocheli, who was regional boss in Mtskheta-Mtianeti. Irakli Chikovani, the head of the Georgian National Communications Commission (GNCC), also owned 33% of the construction company Magi Style and its sub-contractor Meno International, which were responsible for the over-cost and problem-plagued new parliament building in Kutaisi (Transparency International Georgia 2012a). For the Mestia ski resort in Svaneti, the contract was awarded to the local MP and UNM clan boss Kandid Kvitsiani, who owned 50% of the key company "Enguri 2006"

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<sup>3</sup> Interview with Mathias Huter, Transparency International Georgia's key expert on e-procurement, 26 September 2013.

<sup>4</sup> Interview with Otar Kakhidze, 27 September 2013.

<sup>5</sup> Interview with Otar Kakhidze, 27 September 2013.

<sup>6</sup> Interview with Mathias Huter, 26 September 2013.

(Transparency International Georgia (2011); Bokuchava 2012; Naskidashvil 2012). Construction companies were controlled by key family: Giga Bokeria's father Levan ran Lebo (Suvariani 2008); former Economy Minister Giorgi Arveladze's family also had key construction interests.

Former Defense Minister Davit Kezerashvili was not an oligarch before he entered government, but was unique for allegedly becoming one afterwards, being used by the UNM as a kind of "informal cashier"<sup>7</sup> with monopolies or near-monopolies in several sectors such as petrol.

### ***The Ivanishvili Government***

Most observers were surprised when the UNM lost the parliamentary elections in October 2012 to the Georgian Dream (GD) coalition funded by billionaire Bidzina Ivanishvili. Saakashvili was widely praised for overseeing a peaceful transfer of power (though he remained president for another year), but the UNM and GD were bitter foes, who also conducted their PR war against each other internationally, making it hard to give a fair assessment of the changes after 2013.

The new GD government was put together by Ivanishvili's influence and money. It was not really a team at all. In some areas, reforms were continued and even deepened. In others there were signs that they might eventually be reversed. According to Mathias Huter, there was "no clear vision [or definition] within the new government of good governance, of where to take Georgia";<sup>8</sup> and that lack of clarity was only increased when Ivanishvili announced his intention to depart as Prime Minister after less than a year, once a successor to Saakashvili was chosen.

Big gains were made in transparency, both in mass media and more generally. Georgian TV was now pluralistic though often antagonistic: Ivanishvili shut down his own Channel 9, though partly because he also had some indirect control of Imedi TV once it was returned to the family of deceased oligarch Badri Patarkatsishvili; Rustavi 2 TV was still controlled by the UNM. More generally, the hegemony of the UNM was replaced by a cacophony of voices: "in this atmosphere, everything is resurfacing together... political space is opening up for everybody".<sup>9</sup> Undoubtedly, part of Ivanishvili's coalition was former bureaucrats from the Shevardnadze era. Too many of these were now rehired, particularly in key ministries like Interior and Finance. This was exacerbated by the use of a decree to temporarily suspend hiring regulations. According to a report by Transparency International Georgia, 5,199 were dismissed between October 2012 and May 2013, and replaced by 6,557 new hires; but only

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<sup>7</sup> Interview with Kupatadze, 23 January 2014.

<sup>8</sup> Interview with Mathias Huter, 26 September 2013.

<sup>9</sup> Interview with Shorena Shaverdashvili, 26 September 2013.

257 of these (4%) were taken on via open competition (“Staffing Changes after the 2012 Parliamentary Elections” 2013). The traffic police “brought back old-fashioned policeman and old-fashioned practices”,<sup>10</sup> like a stop-and-search operation in Tbilisi in August 2013, which in the past was simply a way of shaking down the population for bribes.

Several ministries saw the return of nepotism. Worst was the Interior Ministry, where behind the neophyte Minister Irakli Garibashvili stood his father-in-law, old-style boss Tamar Tamazashvili, who, according to one critic from the UNM was “informal HR head of the Ministry”.<sup>11</sup> The pull of patronage and nepotism was the main reason why nearly all local governments dramatically changed sides after the October 2012 elections, without waiting for the local elections due in 2014. In the national parliament, 13 out of 65 MPs (out of 150 in total) had quit the UNM by July 2013 (“MP Quits UNM Parliamentary Minority Group” (2013). And, as Mathias Huter says, “it’s MPs who switch sides, not assets.”<sup>12</sup> Several leading oligarchs defected from the UNM to GD to protect their assets, like Kakha Okriashvili, who with his childhood friend had held a monopoly on the local pharmaceutical industry, and Koba Nakopia, of the Madneuli gold and copper mining business (which had Russian owners). Other nepotistic practices included the regional MPs who directed the flow of regional jobs, like Eka Beselia for the Black Sea city of Poti.

As a result, the size of the state bureaucracy began to grow again. Old employees returned to the police force, where some of the professionalization reforms of the Saakashvili era to the Police Academy were reversed. In the universities it was made more difficult for those without PhDs to teach, assisting the return of the old guard. Several ministers began to re-appropriate functions from the Public Service Halls and from online services, such as residence permits, because they thought they could deliver them better (many new, but older, ministers were not computer-literate). In fact, it was this creeping change of culture that was probably most insidious, rather than any full-frontal assault on the “low-level” achievements of the Saakashvili years, which were still valued by the general public. It was more just a sense that “the Ivanishvili government is bringing back a post-Soviet belief that bureaucracy can deliver”.<sup>13</sup>

GD was still a coalition, however. The new Defence Minister Irakli Alasania was leader of the centrist party Our Georgia-Free Democrats. His deputy Tamar Garosanidze came from the NGO sector (the USAID-funded “Policy, Advocacy and Civil Society Development in Georgia”). Defense had been the one big exception to the new procurement rules: Transparency International UK’s new Government Defence Anti-Corruption Index

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<sup>10</sup> Interview with Helen Khostaria, 27 September 2013.

<sup>11</sup> Interview with Otar Kakhidze, 27 September 2013.

<sup>12</sup> Interview with Mathias Huter, 26 September 2013.

<sup>13</sup> Interview with Helen Khohstaria, 27 September 2013.

(government.defenceindex.org) found that 60% of tenders were handled through a much less transparent “simplified procurement system”, many of which went to favored foreign companies of through the Defense Ministry subsidiary Delta.<sup>14</sup> Its report on the late Saakashvili era gave Georgia only a “D-”; and stated that “normal procurement procedures are often bypassed by the MOD with little justification beyond ‘state interest’. It is also found that purchases are opportunistic in nature, without a formal acquisition strategy openly published. Forty two per cent of all government procurement is single-sourced; with regard to the MOD this number may be even higher” (Transparency International UK Defense and Security Report – Country Summary Georgia 2012: 1). This number of closed tenders was now much reduced, and as of March 2013 all types of procurement are on line. Though much depended on the two individual ministers remaining in post. Change had not been institutionalized.

### ***Accountability, Rule of Law***

The most important example of accountability was the turnover of power at the 2012 elections. Though was the loss of power was to an extent accidental, after hubristic elite feuding between the UNM clans. Nevertheless, it was the first time in Georgian history since 1991 that a peaceful transfer of power had occurred. Ivanishvili’s premature departure only a year later in 2013, whilst in most other respects a disaster from a planning point of view, would at least reinforce the tendency away from Georgia’ longstanding serial Messiah complex.

Other formal channels of accountability had mixed success, however. Under Saakashvili, the rule of law was a consistently missing ingredient. Even on a charitable interpretation, the authorities took too many shortcuts towards their chosen goals, damaging the rule of law. According to Alexander Kupatadze, “some lawyers refer to the Supreme Court as a ‘department of the General Prosecutor’s office’ pointing out the dependency of court rulings on the Prosecutor. Lawyers also commonly state that ‘judges have become like notaries: they write what they are told to’”. (Kupatadze and Alexander 2012a: 27). There was a big judicial reform in 2007 (Kakhidze 2013), which did much to establish what Otar Kakhidze called “institutional independence”. “Psychologically, however”, he continues, “judges were less independent. They considered themselves crime hunters and felt a moral loyalty to the prosecutor as part of the same team”.<sup>15</sup> For optimists, and Kakhidze was one, despite being a member of the UNM, the change of power in 2012 might paradoxically or not, result in a freer judiciary. Bacho Akhalaia was found not guilty on two out of four of the charges against him in August 2013. Vano Merabishvili, on the other hand, claims he was kidnapped from

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<sup>14</sup> Interview with Lasha Gogidze, Transparency International Georgia, 26 September 2013.

<sup>15</sup> Interview with Otari Kakhidze, 27 September 2013.

prison during his pre-trial detention to be quizzed by the Chief Prosecutor in December 2013. Some legal cases are causes célèbres from the Saakashvili era, where local legal and human rights NGOs have long urged action. Merabishvili, for example, is accused of mis-spending €2.3 million in public funds on the 2012 UNM election campaign, when he was Prime Minister, and misappropriating a villa in 2009, when he was Minister of the Interior. Other cases looked like persecution: Gigi Ugulava, UNM mayor of Tbilisi, was removed from office by Tbilisi City Court in December 2013, with the UNM claiming pressure from the Interior Ministry.

On the other hand, Ivanishvili struggled to deliver on his pledge to de-politicize the police force. The two notorious “special agencies” under Saakashvili, the Special Operations Department and Constitutional Security Department, were closed, and some of their residual functions spread across other government agencies. Police have been heavy-handed or suspiciously standoff-ish at several key flash-points, however: most notably Saakashvili’s attempt to give his annual address at the National Library in February and the attack by thugs sponsored by the Georgian Orthodox Church on LGBT marchers in May (Corso 2013).

Unlike other “winner-takes-all” changes of power in the former USSR, however, the Ivanishvili government has not led to a new war of asset control or massive rent-seeking at the very top. Possibly because Ivanishvili is himself rich and provides finance by other means. He has reportedly offered to pay ministers bonuses out of his own pocket if they do not accept bribes<sup>16</sup> – hardly the right incentive approach. The new Minister of Agriculture David Kirvalidze was forced to resign at the first hint of a big corruption scandal in May 2013.

Civil society is relatively strong (see below), though Georgia is still a poor country, and there are many groups, the Georgian Orthodox Church in particular, whose influence is illiberal at best. The new parliament is lively and well-chaired by one of GD’s more respected figures David Usupashvili. In the words of Otar Kakhidze, “lack of oversight by parliament was one of our biggest problems in 2004 to 2012”.<sup>17</sup> Now the UNM is a strong opposition, and the constitutional changes that will take effect after the presidential elections in late 2013 will give more power to parliament.

The Ivanishvili government was soon, perhaps too soon, accused of applying “selective justice”, even of “Ukrainianisation”; but in fact it has succumbed to Western pressure to go slow, gifting the issue to the radical pro-Russian opposition led by Nino Burjanadze. Chief Prosecutor Archil Kbilashvili seemed relatively independent, though Saakashvili loudly demanded his dismissal; his deputy Lasha Natsvlishvili was rather more partisan. Kbilashvili stepped down in November 2013, allegedly because of continued persecution of the UNM,

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<sup>16</sup> Interview with Otar Kakhidze, 27 September 2013.

<sup>17</sup> Interview with Otar Kakhidze, 27 September 2013.

when Garibashvili became Prime Minister. His successor Otari Partskhaladze only lasted a month, resigning after criminal conviction in Germany came to light. In most post-Soviet states, the Procuracy is the key instrument of repressive power rather than a defender of the rule of law. There have been some good structural reforms. The imbalance in favor of prosecutors rather than investigators has been reversed. The new Procuracy shows some sign of the creeping return of patronage. Otari Kakhidze rightly flags this particular danger: there will be a reverse tipping-point, “if corruption gets back into law-enforcement”.<sup>18</sup>

**Personal Autonomy**

After the Rose Revolution there was a mass migration of civil society leaders into the new government. This didn’t happen to the same extent after 2012, so civil society is likely to remain stronger. In fact, there was something of a flow in the other direction, with UNM supporters moving to the NGO sector and former UNM leaders setting up new NGOs such as Eka Tkeshelashvili and the Georgian Institute for Strategic Studies. Ivanishvili has declared, but not clarified, plans to help civil society after he stepped down as Prime Minister. This might be a mixed blessing. As an oligarch, his charitable giving was generous but rather post-Soviet in style. If his proposed foundations are too well-funded, they might crowd out the existing NGO sector.

One loud, and increasingly loud, voice in the current atmosphere, however, is the ultra-conservative Georgian Orthodox Church, whose influence has grown sharply under Georgian Dream. The elderly Catholicos-Patriarch Ilia II, who was appointed under Brezhnev in 1977, has been a vocal ally of the Russian Orthodox Church and Putin’s “conservative values” campaign, endorsing harassment of sexual and religious minorities. Ilia’s Christmas message in January 2014 (old calendar) attacked the EU and local NGOs for giving “privileges, promotion, media coverage” to “minority groups, distinguished for their negative ideas which are clearly unacceptable for Christianity” (“Geo Patriarch Speaks about Sexual Minorities in his Christmas Message” 2014).

**Table 1. The persistence of informal networks in Georgia**

Power distribution	<p><b>Precarious pluralism since 2012.</b></p> <ul style="list-style-type: none"> <li>• The 2012 parliamentary and 2013 presidential elections were the cleanest in the history of independent Georgia, if not perfect. The peaceful transfer of power from the UNM to Georgian Dream, in 2012 was a first for independent Georgia.</li> <li>• Constitutional changes planned by Saakashvili but introduced after the October 2013 presidential elections; create a more balanced republic, with more power given to parliament and government.</li> </ul>
State	<ul style="list-style-type: none"> <li>• Regional and ethnic clans are still an important factor in Georgian</li> </ul>

<sup>18</sup> Interview with Otari Kakhidze, 27 September 2013.

autonomy	<p>political life, though old-style mafia networks were largely dismantled under Saakashvili.</p> <ul style="list-style-type: none"> <li>• Even though Saakashvili may have reduced the overall power of government with key free-market and de-bureaucratization reforms, Informal culture remains a key factor in Georgian politics.</li> <li>• Much economic activity was privatized under Saakashvili, but UNM “oligarchs” took powerful positions in fuel supply, construction and pharmaceuticals.</li> <li>• Power was increasingly monopolized and abused by the UNM in Saakashvili’s second term.</li> <li>• Mass media was cartelized by UNM oligarchs. It has become more pluralistic, but more partisan, under Georgian Dream.</li> <li>• “Public Service Halls” and E-government reforms have, however, made government more transparent.</li> <li>• Asset redistribution from UNM bosses to their equivalents in Georgian Dream has been only limited since 2012.</li> </ul>
Distribution of Public Goods	<ul style="list-style-type: none"> <li>• The reform of higher education was a notable success.</li> <li>• Access to other public goods by bribery has been reduced, but health and other sectors remain under-funded.</li> <li>• Supply of public goods is as big a problem as access, and a key reason for Georgian Dream’s election victory in 2012.</li> <li>• E-procurement was introduced in 2010 and expanded in 2013.</li> <li>• The construction sector remained corrupt during a building boom fuelled by FDI and reconstruction money after the war with Russia in 2008.</li> </ul>
Personal autonomy and collective action capacity	<ul style="list-style-type: none"> <li>• Civil Society has grown stronger, both in the late Saakashvili period and under Georgian Dream.</li> <li>• The influence of the Georgian Orthodox Church has grown sharply under Georgian Dream. It is a highly conservative ally of the Russian Orthodox Church and Putin’s “conservative values” campaign.</li> </ul>
Distinction public-private	<ul style="list-style-type: none"> <li>• Several trials are ongoing against UNM officials accused of abuse of public funds.</li> <li>• The Ivanishvili government had the unusual and opposite problem, as the billionaire was accused of buying his office.</li> </ul>
Formal/informal institutions	<ul style="list-style-type: none"> <li>• Caucasian and/or post-Soviet traditions of “clan” and loyalty are still strong.</li> <li>• Elites gravitate towards the ruling party, whomever is in power; but Georgia now has a reasonably stable two-party system (assuming GD survives Ivanishvili’s departure).</li> <li>• Despite neo-liberal reforms, the shadow economy remains strong in the Georgian regions, where self-subsistence is still the norm. According to some, it still accounts for over 60% of GDP.</li> </ul>

### 3. Summary and Conclusions

Georgia is still a poor country. On World Bank figures, its GDP per capita in 2012 was still only \$3,508, ranking it only eleventh out of fifteen Post-Soviet states.<sup>19</sup> The fundamental contradiction for the Saakashvili team was that they were pursuing a modern or even post-modern project in a poor and patrimonial society. In a sense, they ran ahead of the game; in

<sup>19</sup> See <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

part because they concentrated on mechanisms and institutions, while informal culture carried on existing closer to ground and in the regions. Under Georgian Dream, there was a danger of creeping re-patrimonialization as the culture crept back through the institutions. His 2012 campaign played heavily on his wealth and the implicit changes that it could bring. He found himself topping up the funding for the 2013 agricultural season to the tune of over 200 million GEL. Creeping re-bureaucratization and the return of nepotism therefore threatened the path-breaking public sector reforms that were still an example for many others in the former USSR, not through frontal assault but by erosion from within.

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## Project profile

ANTICORRP is a large-scale research project funded by the European Commission's Seventh Framework Programme. The full name of the project is "Anti-corruption Policies Revisited: Global Trends and European Responses to the Challenge of Corruption". The project started in March 2012 and will last for five years. The research is conducted by 21 research groups in sixteen countries.

The fundamental purpose of ANTICORRP is to investigate and explain the factors that promote or hinder the development of effective anti-corruption policies and impartial government institutions. A central issue is how policy responses can be tailored to deal effectively with various forms of corruption. Through this approach ANTICORRP seeks to advance the knowledge on how corruption can be curbed in Europe and elsewhere. Special emphasis is laid on the agency of different state and non-state actors to contribute to building good governance.

Project acronym: ANTICORRP

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