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## Political Corruption in Georgia

*Nina Dadalauri*

Poor governance provides opportunities for political corruption and undermines ongoing democratisation and economic liberalisation in the CIS region. A growing collection of research on corruption and democracy examines the institutional factors necessary for a corruption-free, democratic state and society (Shleifer and Vishny, 1993; Rose-Ackerman, 2004; see also Olson, 1996), concluding that poor governance and corruption are impediments to institutionalising democracy, promoting a free market economy and building a strong and 'corruption-free' political culture within the state (also Bohara et al., 2004). Missing from these texts, however, is the historical path dependence of social formations, and the role of international donor intervention in shaping these histories. This chapter reviews corruption in Georgia, a country which has had a revolution in the name of anti-corruption, subsequently rapidly adopted an archetypal package of anti-corruption policy and practice, but arguably still remains trapped by unsavoury structures of privilege which the donors have always been myopic towards due to geopolitical interest.

### **Soviet-era corruption**

In Georgia political corruption was bred in early soviet times, infiltrated everyday life, became systemic, but eventually catalysed resistance to communism. The Georgian Soviet Socialist Republic (GSSR), as a part of the USSR, was the object of wide-spread embezzlement, bribery and nepotism from the side of public officials at all levels of the political system. Membership of the Communist Party meant involvement in vertical structures of corruption, brought social prestige, secured individuals' well-being, political power and access to profits. Party members and corrupt public officials were expected to act according to the unwritten 'rules' of

their networks; otherwise, they could not sustain their positions among the political elite. This vertical structure of corruption worked as a patron–client relationship, as the patron provided favours in exchange for bribes (Crawford and Lijphart (1995, 181), citing Stefes, 2003). This created inequality in society, undermined the rule of law, and hindered the democratisation of governance within the State. Horizontal corruption was also systemic among administrative branches and other political institutions, securing the delivery of ‘favours’ among network associates (‘clans’), by means of state embezzlement.

### **The post-soviet era**

Soon after Georgia declared independence in 1991, the Government of Georgia, led by Zviad Gamsakhurdia, was overthrown in a bloody *coup d'état* which is often referred to as the Georgian Civil War. Soon after the turmoil, Edward Shevardnadze was invited by a Military Council, consisting of the very individuals who had carried out the coup, to chair the Council, which was later transformed into the State Council. Later on, following parliamentary elections, he became first Chairman of Parliament (from October 1992 until the presidential elections of 1995), and then (from 1995 to 2003) the elected President of Georgia. Initially, Shevardnadze was seen by a majority of citizens as a person who could help the State to become strong and to develop economically. This was because, even though all Georgians remembered Shevardnadze's past career in soviet times (he had been the First Secretary of the Georgian Communist Party from 1972 to 1985 and Minister of Foreign Affairs of the USSR under Gorbachev), he managed to portray himself as a promoter of democracy in the eyes of the international community, especially after his decision to support the fall of the Berlin Wall in 1989 (as a supporter of *perestroika* initiated by Gorbachov in the 1980s). However, both types of corruption continued to exist in the new political institutions of Georgia, as most high-ranking officials and members of clans and networks were merely reshuffled.

Shevardnadze governed the state by creating democratic institutions and thus acquiring legitimacy from both its citizens and the international community, who poured in significant amounts of development assistance according to geopolitical calculations. Relatively fair elections, free media, and party pluralism were present in Georgia, while the interests of Shevardnadze's clans were met by ratified laws in their favour, non-transparent political institutions, the absence of the rule of law, manipulated courts and the imposition of state control. Chrisophe defines adeptly

the actual rules of governance in this period, arguing that state-building rested on five pillars: manipulation of conflicts, creation of insecurity, preventive co-opting of potential adversaries, destruction of interpersonal trust, and privatisation of risk (Chrisophe, 2004: 6).

Thus, though formally Georgia was moving from an autocratic regime towards a democratic political system, most of the institutional and legal initiatives were actually of singular benefit to the political elite, sustaining them in office with international money, while relegating other citizens to a continuance of autocratic governance. Informal institutions, or 'clans' remained a source of illegal income for politicians, while they provided a 'krisha' (roof)<sup>1</sup> for individuals who acquired astonishing wealth at the same time as the State budget suffered from a chronic deficit and poverty spread throughout Georgia (see Theisen, 2000). The pillars of a democratic state – democratic political institutions, democratic political culture, empowered and educated citizens – were illusory or factually inefficient, the executive and judicial branches of power were interdependent with politics and porous to bribery (Stefes, 2004), public services were captured by crony networks with poor provision but guaranteed handouts (Antadze et al., 2005), while corruption in education surpassed its soviet manifestations (Rostiasvili, 2004). Corruption was endemic, particularly in the law enforcement sector, such that illegal smuggling and criminality were central to the national economy (see Siradze, 2004; Kukhianidze et al., 2004). Legal businesses were stymied by redundant, but bribe necessitating, paperwork, while connected businessmen prospered, sometimes with the help of state-guaranteed monopolies (for example, the insurance company 'Aldagi') (Siradze, 2004).

### **The Rose Revolution, also called the anti-corruption revolution**

Although the donors funded Shevardnadze's chimerical attempts at democratisation, without undue illumination of the continuation of authoritarianism, eventually improvements in governance nevertheless contributed to his downfall. While Shevardnadze struggled to keep the power balance among different interested clans and groups, he also increased media freedom as part of his presentation of himself as a democrat to the international community. Then, spurred on by donor rhetoric and pent up frustration satiric shows on television convincingly exposed political corruption, with the media eventually playing a decisive role in the 'Rose Revolution' (Wheatley, 2004).

The events of November 2003 in Georgia were triggered by the gross falsification of votes in the parliamentary elections of 2 November 2003, in favour of Shevardnadze's supporters. However, the results of the parliamentary elections were denounced by international organisations, and electoral fraud was vociferously denounced by a powerful emergent opposition, in the persons of Saakashvili, Burjanadze and Zhvania and their associated parties. These opposition groups arranged rallies in the streets and finally forced Shevardnadze to resign, in a sequence of events nicknamed the 'Rose Revolution', which is often used synonymously with the 'Anti-Corruption Revolution'. Commitments were rapidly made to tackle the challenges 'inherited' from the former government, which included chronic political and bureaucratic corruption, poor governance, centralisation of power and financial resources, lack of democracy, and a distorted market economy (Haindrava, 2005).

The new government internationalised its campaign by developing memberships that Shevardnadze had courted from strategic reasons only. Being a member of the Group of States against Corruption (GRECO) and the Anticorruption Network for Transition Economies (ACN for Transition Economies) under the Organisation for Economic Collaboration and Development (OECD), Georgia ratified a number of international agreements against corruption and joined the Istanbul Plan – an action plan which aims to implement national anti-corruption policies, criminalise corruption, and make institutions and public services transparent (Government of Georgia (GoG), 2005). Currently, a *National Anti-corruption Strategy* is being penned, which must be implemented in accordance with the newly created *Action Plan*, public expectations are high, and donor conditionality on anti-corruption has been (re)asserted.

By making anti-corruption policy implementation its priority, the GoG has attracted the support and financial assistance of the international community. The GoG presented its 'Strategic Vision and Development Priorities in 2004–2006' at the *Joint EU–World Bank Georgia Donors' Conference* in Brussels in 2004, and Georgia was consequently awarded almost three times more than the Georgian government had received from the EU from 1992 to 2003 (approximately 1 billion USD, or 850 million Euro as compared to 370 million) (European Commission, 2004). In addition, the American Government has also chosen Georgia to be a recipient of five years' worth of financial assistance worth \$295.3 million through the Millennium Challenge Account (MCA), aimed at improving governance and the rule of law, developing the country's infrastructure, fighting corruption as well as tackling the serious problem of poverty (*Civil Georgia*, 2005a). Such a great influx of foreign aid illustrates a new high level of

confidence expressed in economic and political reform by the international community (see for example, EU, 2005; WB, 2006).

### Progress of reform

Before turning its efforts to anti-corruption initiatives, the new government made constitutional changes which concentrated unprecedented powers in the President, justified as a precaution against losing power to anti-revolutionary forces (Khidasheli, 2004). As an anti-corruption measure, government officials received salary rises made possible by the establishment of Georgia's *Development and Reform Fund*, resources donated by Hungarian-born tycoon, George Soros and the Open Society Institute (OSI), the Swedish International Development Agency (SIDA) and the United Nations' Development Programme (UNDP) (Peuch, 2005). Some ministries were merged and unnecessary positions removed to increase resources. The second measure was to arrest high-profile former officials from Shevardnadze's government, including the former Minister of Energy (accused of misappropriating \$6 million while in public office), the Chief of Georgian Railways, the former head of the Chamber of Control, the son-in-law of Shevardnadze (the owner of the cell-phone company MAGTI), and the former president of the Georgian football Association, Merab Zhordania. The latter was released after he paid 750,000 Lari to the budget (*Civil Georgia*, 2004). All in all, one year after the implementation of the anti-corruption law, \$30 million had been confiscated from high-ranking officials for the good of the Georgian State (*Civil Georgia*, 2005b).

However, the mass-arrests of former officials were not all welcomed, as some in civil society perceived a pattern of selectivity which suggested political revenge, not least because even though the arrested officials were corrupt, they were also all Saakashvili's opponents (Esadze, 2004). Court practices also belied the social justice motive of restitution stated for the arrests and return of funds, with the lawyers of arrested officials complaining that judges were following 'political orders' when rendering their verdicts, sometimes leaving the impression that decisions had been made beforehand. The holding of suspects for up to three months' pre-trial detention became a kind of 'tradition' when it came to high-profile officials, even though the persons were not dangerous, and having them arrested before the Prosecutor's Office could gather all the required proof was not necessary. These sorts of proceedings shook the confidence of Georgians in their genuine hope for independent courts and made them suspicious that judges' decisions were dictated by the prosecutors. The

results of one public survey pushed the President of Georgia to arrange a meeting with 33 new judges (those who had successfully passed their exams) where he indicated that the judiciary system was in crisis and that it had to gain back public trust by meeting its obligations and being free from executive persuasion (*Civil Georgia*, 2005c).

Not long after the high-profile arrests and the consequently shaken reputation of the courts, the post-revolutionary government progressed to more profound, systematic and institutional changes to eradicate corruption including downsizing of public administration. In June 2004, the Ministry of Interior Affairs (MIA) abolished the traffic police, notorious for embezzlement and extortion, to be replaced by a new, western-type patrol police. Approximately 16,000 policemen (among whom the Traffic Police account for 2,738 officers) were dismissed from the MIA, many of whom remain unemployed (MIA, 2005) (which some see as a risk for increasing crime rates), although allegations of nepotism in new appointments also arose (Siradze, 2004). Overall, however, and with increased salaries and television support (Siradze and Kronic, 2005), the new police have been a success, with public trust in police services increasing (ALPE, 2005).

The GoG has also attempted to free the army of corruption, although a lack of transparency in its expenditures from the Army Development Fund,<sup>2</sup> coupled with old scandals, give room to sceptics who argue that systematic corruption in the new army is still present. The Deputy Defence Minister, David Sikharulidze, himself argues that in light of the astonishing increase in funds (instead of the originally planned 137 million GEL that equals \$74 million, the current budget has earmarked 317 million GEL to the defence budget, roughly \$173 million more) for army reform as a result of the privatisation campaign and revenue generation from the anti-corruption campaign, the budget 'should be managed more transparently' (*Civil Georgia*, 2005d). Foreign experts helping the Georgian government with army reform are dissatisfied with the accelerated process that has been conducted without proper planning or grass-roots changes. In particular, insufficient attention has been paid to the education and training of young officers relative to spending on new equipment, which risks creating a 'broken military with fancy-looking brigades' (*ibid.*). This example also illustrates the potential moral hazard of accelerated donor financing in the early days of political reform.

Another step towards administrative reform was made in June 2005, when the Georgian Parliament passed a law to cut the number of permits and licences from 909 to about 156, with a one-stop shop for applications. Before the change took place, the required number of licences was

artificially high, a system created to enable rent-seeking officials to demand bribes: on one estimate by the Georgian Young Lawyers Association, '83% of all papers requested by officials made no logical sense and were used solely for extortion' (*Civil Georgia*, 2005e). Thus, the new initiative was welcomed by the public, on the grounds that it would cut bureaucracy and give more freedom and help to entrepreneurs to start new businesses.

## Political corruption in post-revolutionary Georgia

Inevitably, political corruption still exists in post-revolutionary Georgia, which does not itself indicate that the reforms have failed after such a short implementation period. However, there are also weaknesses in the initiatives which can already be identified as more serious to their sustainability, and other exogenous and deleterious aspects of political change which suggest that democratic structural reform is not being undertaken with the same zeal, or commensurate to, the anti-corruption package, including a worrying reigning in of media independence and a centralisation of power in the Presidency. That anti-corruption policy and democratisation more generally can diverge is worrying to prospects of political development and suggests that the former lacks structural roots.

For example, following November 2003, some media representatives were taken off air and open debates on some TV channels disappeared. In February 2005 the newspaper *Rezonansi* published an article saying that all the large television stations have been under government censorship and control (*Civil Georgia*, 2005f). The article attempted to find explanations for the compromises television stations have made in the choice of their owners.<sup>3</sup> In July 2005, 76 Georgian journalists signed a statement to express their discontent over government attempts to control editorial policy. This came after Giga Bokeria, MP from the ruling National Movement, criticised the talk-show 'Archevanis Zgvarze' (On the Verge of Choice) due to a portrayal of conflict between sportsmen and the police, after which the programme was closed down (*Civil Georgia*, 2005g). In August, events again belied reform, when Shalva Ramishvili, known for his critical political show 'Debates', and one of the co-founders of TV Station 202, was arrested on suspicion of extorting a bribe from MP Koba Bekauri (*Civil Georgia*, 2005h), who accused him of blackmail, asking for money to stop an investigative report going on air. This may have been preemptive, as the report, when it was aired, revealed the involvement of MP Bekauri in questionable commercial activities involving the Opiza customs terminal; an astonishing increase in the MP's assets by as much as 294,000 GEL (approximately 163,300 USD) in the year after he became

a parliamentarian; and in a recorded interview with MP Bekauri that he somehow obtained an interest-free loan of 150,000 USD from a Georgian businessman based in Israel (*Civil Georgia*, 2005i). Ramishvili has received support from the opposition, who perceive his arrest as an attack on media freedom, while MP Bekauri has received strong support from key figures in the ruling party, although the opposition has won an investigatory parliamentary commission (*Civil Georgia*, 2005j).<sup>4</sup>

The law enforcement sector has also been host to corruption cases, involving high-ranking officials within the Tax Department, including its Chief, Temur Dvali, which lead to the resignation of the Minister of Finance (*Civil Georgia*, 2005k); the arrest of three Georgian Defence Officials for fraud (Radio Free Europe/Radio Liberty, 2005); and incidences of corruption, mostly smuggling, in the 'new' police force (Kupatadze, 2005). Against the backdrop of sporadic but persistent scandal, Georgia made a slight improvement in its TI perception ranking, 136th out of 146 countries listed, as compared to a ranking of 127th out of 133 the previous year (TI, 2004). Perhaps more worrying for the GoG, a Georgian Opinion Research Business International (GORBI) survey in March 2005 showed the popularity of the President plummeting (by 25 per cent in the preceding six months), frustration growing, a full 39 per cent believing the country was 'not developing in the right direction', while 34 per cent believing that life in Georgia had not improved since the 'Rose Revolution', a doubling of discontent. However, Saakashvili remains at the top of the list of most popular politicians (GORBI, 2005).

## Conclusion

Political corruption existed at all levels of government during the soviet period, persisted in the post-soviet era, and remains a challenge in post-revolutionary Georgia. Political corruption in Shevardnadze's time was not only tolerated (as in soviet times), but used as a tool of governance, by the power it gave to the President to hold something over officials, in the form of *kompromats* (see Wheatley, 2005). In all these period, political corruption has been, and is, a consequence of undemocratic government, regardless of the fact that after the collapse of the Soviet Union, Georgian governments came to power via national-wide elections. Even though the elections were widely distorted by electoral fraud and falsification of votes, officially the governments were able to obtain legitimacy, at least in the international arena.

The lavish style of politicians' lives during the Shevardnadze era could be seen in the mansions they built for themselves, despite a wretched

economy and overwhelming poverty. The new government has pursued an anti-corruption campaign, with key reforms including personnel change, downsizing administrations, eliminating traffic police, and, while not discussed here, changing University entrance examinations. Critics understand that the size of bureaucracy had to be decreased, but still criticise post-revolutionary employment policy, since many high-ranking officials are now very young, and lack experience and professionalism. The criteria for appointing them were partly based on their membership of the ruling party and on their activity during the 'Rose Revolution'. As for the rule of law in Georgia, institutional changes in law enforcement institutions have been made but continued scandals give sceptics the opportunity to claim that these are somewhat superficial.

Higher salaries as an incentive for high-level public office holders to refrain from corruption have been successfully introduced in Singapore and Hong Kong, and may yet prove successful in Georgia (Bohara et al., 2004). However, when set against higher unemployment, glaring poverty, and low salaries in budget funded institutions (apart from high-ranking governmental bodies), this new form of social distribution looks rather like the old, with a privileged elite and an impoverished majority. These rises in salaries have given the public the impression that social inequalities, popularly seen as evidence of corruption, have merely been legalised, with public offices still used for personal enrichment. In short, accusations against officials from the previous government aside, the post-revolutionary still has much to do to reduce corruption.

## Notes

1. 'Krisha' is a Russian word and its original meaning is roof, though in Georgian it is being used as slang and is a synonym of 'patron'. However, the strong social networks of the corrupt political elite have little to do with Georgian culture and the traditionally strong family and friendship ties among Georgians. Clans and systematised corruption were an anomaly brought to the government by the soviet regime, although pre-existing bonds among friends and family may have made these easier to build.
2. The Army Development Fund was created after the 'Rose Revolution' to give a kick-start to Georgian military reform. The main contributors of the non-profit foundation are said to be 'businessmen living abroad who wanted to contribute to Georgia', Deputy Defence Minister, Sikharulidze (*Civil Georgia*, 2005d).
3. For example, the article in *Rezonansi* (Feb. 28, 2005) pointed out that the owner of Imedi is Badri Patarkazishvili, who is wanted by Russia for fraud allegations; that the owner of Rusatvi 2, the key television company in the events of

- the 'Rose Revolution' is now owned by Khibar Khalvashi, a close friend of the Defence Minister; while Mze is 50 per cent owned by the brother of the Secretary of the Georgian National Security Council, Davit Bezhuashvili, while the other 50 per cent is owned by Vano Chkhartishvili, a parliamentarian.
4. In a similar case to Ramishvili-Bekauri, Revaz Okruashvili was arrested for alleged narcotics dealing, after publishing an article in the *'People's Newspaper'*, in which he accused the governor and chief of the local police in Shida Kartli of being involved in illegal smuggling. The governor of Shida Kartli is a close friend of the then Minister of Internal Affairs and current Minister of Defence Irakli Okruashvili (Devdariani, 2004).

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