Organized Crime and Corruption in Georgia

Edited by
Louise Shelley, Erik R. Scott and Anthony Latta

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Organized Crime and Corruption in Georgia

Georgia is one of the most corrupt and crime-ridden nations of the former Soviet Union. In the Soviet period, Georgians played a major role in organized crime groups and the shadow economy operating throughout the Soviet Union, and in the post-Soviet period, Georgia continues to be an important source of international crime and corruption. Important changes have been made since the Rose Revolution in Georgia to address the organized crime and pervasive corruption. This book, based on extensive original research, surveys the most enduring aspects of organized crime and corruption in Georgia and the most important reforms since the Rose Revolution. Endemic crime and corruption had a devastating effect on government and everyday life in Georgia, spurring widespread popular discontent that culminated with the Rose Revolution in 2003. Some of the hopes of the Rose Revolution have been realized, though major challenges lie ahead as Georgia confronts deep-seated crime and corruption issues that will remain central to political, economic, and social life in the years to come.

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Introduction

Louise Shelley

Georgia’s high level of corruption and organized crime is a direct legacy of Georgian history and its Soviet past. After centuries of domination by foreign rulers and most recently by the Russian empire and the Soviet state, Georgians became alienated from the central state. Their ethnic identity, family and immediate community became central, a tradition that fostered nepotism.

The absence of legitimate private property in the Soviet period stimulated corruption. During the Soviet era, Georgians played a major role in the shadow economy of the entire USSR, and ethnic Georgians represented a large proportion of the thieves-in-law (the elite of professional criminals). Georgians ran underground factories and illicit trade distribution networks throughout the Soviet Union. When the rest of the country abided by Soviet housing norms, Georgian officials were building spacious apartments for themselves. They lived on a grand scale unknown by their Soviet compatriots. The wealth and high living was not just an urban phenomenon. Rural farmers defied Soviet legal norms and shipped large quantities of their agricultural products to the markets of Moscow and other major cities. Enriched by the sale of their sought-after citrus fruits, ordinary Georgian farmers often enjoyed incomes 10 times those of the average Soviet worker. Georgians thrived in a culture of rule evasion, a mode of life that is not easily changed.

President Shevardnadze, the darling of many western countries for his role as Foreign Minister under Soviet President Gorbachev, merely perpetuated the cronyism and corruption of the communist era in independent Georgia. Georgia’s sorry state on the eve of the Rose Revolution in 2003 was the consequence of a Soviet-era system that had not collapsed with the Soviet Union. When Shevardnadze came back to Georgia from Moscow, he returned to power former Georgian communist nomenklatura (the party elite). Under Shevardnadze, the Soviet system of governance continued with officials embezzling large quantities from the state and alienating the citizenry. Georgia at the time of the Rose Revolution was still living under many features of the Soviet Communist system that Shevardnadze had dominated since the 1970s. This system, perpetuated during the post-revolutionary decade in Georgia, had led to a dismal decline of the citizens’ standard of living and the destruction of the country’s economy.¹
In 2003, Georgia had the first of the so-called “color revolutions” of the former USSR. Georgia’s Rose Revolution has been defined as an anti-corruption revolution because the demoralized citizens of Georgia rose up against the fraudulent election of President Shevardnadze and the grand and petty corruption he symbolized. President Saakashvili assumed the presidency at the nadir of the Georgian state. To reverse this decline, the president has made the fight against corruption and organized crime priorities of his administration.

The Rose Revolution raised enormous hopes and unrealistic expectations for the future. President Saakashvili, a western-educated lawyer, has the same priorities as the ill-fated reformer, President Gorbachev, at the end of the Soviet period. In Georgia today, as in the Soviet Union during Perestroika and Glasnost, economic achievements have lagged behind structural and legal reform. Infrastructure has improved as roads and energy delivery have improved. Some citizens in the state bureaucracy have seen a dramatic rise in their salaries, sometimes enjoying salary increases of 10 times over previous levels. But most citizens’ hopes to rapidly improve their standard of living have not materialized despite high economic growth rates in the last couple years. High unemployment rates, low salaries and many individuals dismissed from the governmental payroll without alternative employment have led to disillusionment with the new government.

Chapters in this book contrast the discrepancy between the rhetoric on the success of the revolution and the daily reality.

Citizens believed that the Rose Revolution would bring rapid and fundamental change, but as many of the essays included in this book show, the legacy of the Soviet and Shevardnadze eras has been harder to change than anticipated. Moreover, the legacy of President Shevardnadze’s long rule is a decimated infrastructure with few functioning roads, factories or farms. It was unrealistic to believe that the revolution would bring fundamental and rapid improvement in the standard of living. Foreign aid and new World Bank loans have provided for road reconstruction and infrastructure reform but these are just down payments on the large sums needed to rebuild the Georgian state.

President Saakashvili’s greatest challenges in his struggle against crime and corruption are to change the public consciousness and remake state institutions. The young, western-educated leadership he has brought in to the ministries lacks the corrupt mentality of their predecessors. With their decent salaries and their integrity, they try and set new standards of performance. But these new government officials lack experience in running large governmental agencies and also have problems guiding and managing the corrupt and entrenched bureaucracy. The desire for loyalty by the group that led the revolution results in many ministries selecting personnel based on their political allegiance rather than through a competitive and transparent process.

Economic hardship in rural areas and high unemployment rates undermine the support needed by the government to push for systemic change. Therefore, President Saakashvili, despite his charisma and his political will to change the system faces enormous challenges.
The Shevardnadze era

Georgian independence in 1991 is widely viewed as Georgia’s formal break from the Soviet system of government and economic control, but this is not the case. Profound legal reform did not occur in Georgia or other post-Soviet states. At the time of the Soviet collapse, there was not a widespread impetus to improve the justice system. Efforts to implement rule of law in Georgia in much of the 1990s was driven by the aid agendas of Western donor countries, in particular the United States, and did not have strong constituencies among most of the employees of the country’s legal system, its ruling elites or its citizens. Foreign aid, although not insignificant in the rule of law arena, paled in comparison to expenditures for programs to promote economic reform and privatization. Moreover, many of the aid programs lacked significant local expertise, instead relying on parachuted western experts. These imported experts were rarely appreciated or wanted by the post-Soviet leaders who in actuality were holdovers from the Soviet period.

In the early years of the post-Soviet era, civil war and separatist conflicts in strategically vital areas of Georgia bred lawlessness and such transnational criminal activity as contraband trade and trafficking in persons, narcotics, and arms. In 1992, President Shevardnadze was invited back to Georgia to provide stability. Any veneer of stability was an illusion. His perpetuation of the existing system brought the country to ruin and revolution. One former American ambassador in the late 1990s, unable to control himself any longer and appalled at the self-serving greed of Shevardnadze’s administration, once yelled at the president, “Look at how you are destroying your own country.”

Ironically, Shevardnadze was heralded for his efforts to root out corruption after his appointment as First Secretary of Georgia’s Communist Party in 1972. This reputation was ill deserved as analyses of Georgian Party archives from the Gorbachev era demonstrate a different reality. His publicized efforts to fight crime and corruption often promoted personal and political objectives rather than addressing the core problem. Georgian professional criminals, as will be discussed in Chapter 3, merely were displaced to Russia. Shevardnadze’s political enemies were often the scapegoats of his anti-corruption campaign as they became the defendants in well-publicized show trials. His anti-corruption rhetoric was far more successful than his actual achievements.

In post-independence Georgia, state officials could profit enormously from their status. Important state assets were virtually given away through flawed insider privatizations. Collusion between organized crime groups and government officials often blurred the distinction between the two groups. These relationships also enhanced the risks of challenging corrupt privatizations. Living standards plummeted during Shevardnadze’s years in office as virtually every aspect of Georgia’s economy and society were plagued by crime and corruption. Georgia’s decline was more precipitous than most of
the other Soviet successor states. Georgia’s system of public administration practically ceased to function, and key sectors of the economy, particularly the energy sector, became criminalized. Corruption and organized crime threatened national security as terrorists operated in the Pankisi Gorge, a Georgian border area adjoining Chechnya.7

By the beginning of the new millennium the impact of this corruption was pervasive and devastating. When the Transnational Crime and Corruption Center’s (TraCCC) Georgia office began to study corruption, even the limited pensions of the elderly, totaling seven dollars a month were not paid because the administrators of the Georgian postal bank that distributed pensions had embezzled the money. No amount of complaints by these needy elderly citizens resulted in the enactment of any controls or the arrest of any of the embezzlers. Impunity was the rule of the Shevardnadze administration.

Many others besides the pensioners suffered from the pervasive corruption. Georgia, which once prided itself on its highly educated and cultured population, faced a total deterioration of its educational system as a result of corruption. Students at Georgia’s top universities routinely had to pay large bribes for admissions and university funds were embezzled to such a degree that fundamental repairs were not made, classroom furniture collapsed and classrooms were not heated in Tbilisi’s cold winter.8 As a new country that needed human capital to develop, Georgia’s corrupt educational system ensured that its incompetent and unqualified graduates could not compete in a global economy. Medical graduates did not know medicine, lawyers did not know the law, and engineers had not learned the fundamentals of construction. Their ignorance made them unable to serve their fellow citizens and the state. The inadequate training of doctors and engineers placed their fellow citizens’ lives in jeopardy, whereas the inadequate and corrupt environment of law schools ensured that there could be no rule of law, a prerequisite to a democratic society.

Corruption made daily life miserable. Energy sector corruption meant that blackouts were a daily reality of life.9 In Tbilisi, residents could expect to lose heating and light, even in the dead of winter, for extended periods. In the countryside, the situation was even more precarious. In the Kakheti province to the east of Tbilisi, previously one of the richest regions of Georgia, citizens rarely had electricity and running water in their homes.

Georgians, once the extremely mobile traders of the Soviet second economy, were limited in their mobility by the impact of corruption on all forms of transport. The Georgian military highway that linked Russia and Georgia, formerly the pride of the Soviet Union, was so deteriorated that it was passable by only the sturdiest of vehicles. Research conducted by TraCCC researchers revealed that funds for road repair were embezzled, and new road construction funded by World Bank loans and support from the Kuwait Development Foundation resulted in roads that deteriorated within days of construction.10 The chief administrator of the railroads, one of the
most corrupt officials of the Shevardnadze era, stole so much from the railway system that tracks could not be maintained. Both passenger and freight transport were severely undermined. Commercial flights into and from Tbilisi were extremely limited, costly and at very odd hours. This was a consequence of the corrupt aviation administrators who established aviation tariffs at a very high rate. This increased profits for the local monopoly, closely tied to the presidential administration, but made it highly unprofitable for foreign companies to enter the limited Georgian market. Without reasonable flights, neither investors nor tourists could travel to Georgia. Neither could commercial freight easily enter or depart the country.

Citizens’ health was jeopardized by the corruption that resulted in the failure of regulators to enforce basic sanitation standards. Pigs fed at sites where hazardous materials were dumped. Fish that had died were smoked and sold to the public. Tainted wine was bottled and sold commercially. Environmental devastation resulted from the massive deforestation caused by poverty and facilitated by corrupt officials who sold off Georgia’s forests and exported timber to Turkey and from Black Sea ports. Landslides that washed away homes and destroyed roads in summer 2005 were a consequence of this greed of responsible officials.

Less notable to the citizens but of great impact to the economy was the extreme corruption of Georgian banks. Approximately 70 percent of Georgia’s economy was in the shadows, therefore, Georgian citizens had little need to use banks. In an economy with so little capital, dozens of banks sprang up that served no public utility. Rather, almost their sole purpose was to launder money and deprive Georgian citizens of their savings. Georgian banks became centers for money laundering from the entire former Soviet Union as the absence of oversight allowed illicit and corrupt money to flow through these institutions. One bank alone, tied to a high level Shevardnadze era official, laundered one billion dollars for international crime groups and corrupt officials. Its activities unraveled only after the Rose Revolution.

Corruption on Georgia’s borders, particularly in its separatist regions, threatened Georgia’s economic security and undermined regional and international security. The ability of smugglers to move radiological and nuclear materials and conventional weapons across Georgia to the Black Sea and Turkey poses a significant threat. The identification of 300 incidences of movement of abandoned radioactive and of nuclear materials on Georgian territory is a reflection of the severity of the problem.

Results of the Rose Revolution

Many of the problems identified before the Rose Revolution still persist. But tangible progress has been made in some key areas since the revolution. Bureaucratic reforms have not been as extensive as needed, as Machavariani indicates in Chapter 2. But the elimination of bureaucratic duplication has resulted in fewer opportunities for corruption and more effective governance.
This reform has also facilitated, as Kupatadze, Siradze and Mitagvaria indicate in Chapter 5, an improvement of daily police work. The elimination of the corrupt traffic police and responsiveness of the new patrol police has increased citizen satisfaction with daily law enforcement.

The reform of the bureaucracy has improved many aspects of revenue collection. Georgia’s shadow economy has diminished. Tax collection, as Machavariani points out, has increased dramatically and citizens show more willingness to pay their taxes. The risk of being fined for failure to pay taxes has also spurred collection. The impunity of the Shevardnadze era no longer exists. Individuals are investigated and tried for large-scale corruption and tax evasion.

Reform of the educational system, particularly higher education, has been significant but has proved problematic. The introduction of competitive national exams for admission to institutions of higher learning proceeded relatively smoothly. This closely monitored process has assured that the bribery that previously determined entrance into institutions of higher learning has been largely eliminated. Students can no longer depend on bribes to pass courses and are forced to study more. The reforms have ousted senior faculty, and new performance criteria have left some students without diplomas at the end of their studies. As the chapter on police reform indicates, the majority of students who recently completed their studies at the Police Academy did not receive their diplomas because they could not pass the exit exams.

Attempts to dismiss a significant percentage of existing Tbilisi State University faculty sparked serious protests in summer 2006. Many accused the state of reducing the independence of the university in the name of revitalizing the institution and hiring younger faculty. Major demonstrations were controlled only by calling in the riot police, precipitating an escalation of tensions in the city.19

The financial arena has been a major area of reform. International pressure on Georgia, particularly from the Financial Action Task Force, to clean up its banking system preceded the Rose Revolution, but without much success. Real changes followed with the new government that was receptive to such reform. The appointment of the trained economist Roman Gotsiridze, one of the co-authors of the chapter on smuggling, as head of the National Bank of Georgia provided a knowledgeable leader with a clear understanding of corruption.20 A special vetted unit was established within the Prosecutor General’s Office to investigate money laundering. It coordinated with the financial intelligence unit established within the National Bank that examined suspicious transaction reports. Together, they were able to launch important investigations.21

The energy situation in Georgia is dramatically improved since the replacement of the corrupt Shevardnadze era energy officials with competent personnel committed to providing Georgians with regular energy supplies. Electricity is delivered without interruption and homes in Tbilisi and elsewhere have ongoing heating in winter. The only exception was in January
2006 when energy supplies to Georgia from Russia were disrupted by an explosion. In the countryside of Kakheti, water and electricity are now available on a normal basis.

**Where reforms have not been so successful**

The Rose Revolution has resulted in only partial reform of state structures. Corruption is far from eliminated even though many current officials assert otherwise. The checks on corruption once provided by the mass media are no longer so strong. The media, once a major catalyst for change, has increasingly come under the control of the central state. The current Georgian government has made significant efforts to arrest corrupt officials of the Shevardnadze era and confiscate their ill-gotten gains. In contrast to the Russian situation, where only a single oligarch, Mikhail Khodorkovsky, has been jailed and suffered major loss of assets, the Georgian government has arrested many wealthy corrupt Georgians and deprived them of their ill-gotten gains. Georgia’s coffers have swelled as many Shevardnadze era officials have relinquished millions in return for their freedom. There has, however, been little monitoring or oversight of the assets that have been confiscated and their disposition. Georgian Young Lawyers Association has been among the vociferous critics of this administration challenging the detentions and the confiscations carried out without due process. Initially, those arrested were the highest officials of the Shevardnadze government but arrests subsequently reached second-tier business people. Millions of dollars have been confiscated as a result of these procedures.

The judicial system, a major focus of reform in the Shevardnadze era, has been largely untouched since the Rose Revolution. Just as the judiciary could not be reformed in isolation from other branches of the legal system in the Shevardnadze era, the lack of systemic reform under President Saakashvili is also creating problems. Cases are not resolved fairly because of corruption and political pressure. Certain judges are on the payroll of top business people. The independence of the judiciary is not a focal concern of the government.

Another problematic area has been the economy. Although economic growth increased in 2005–6 to over 9 percent per annum, there has been much less success in making the economy more transparent. The absence of transparency has been a significant impediment to the entry of honest and diversified foreign investors.

The problem of corrupt and insider privatizations continues. Valuable state assets are being sold off at a fraction of their actual value to local officials as well as friends and families of privatization officials. Recent studies by the TraCCC center in Georgia reveal that corruption in the ongoing privatization process in Borjomi differs little from that which went on in the Shevardnadze era. Valuable properties are still being privatized to relatives...
at below market values although the prices paid for properties are higher than before. Announcements about forthcoming privatizations are withheld from the public in violation of the law. Just as before, purchasers of privatized property commit to invest significant resources for restructuring. But after purchase, now as in the past, the investment is not forthcoming. The failure to abide by the terms of the privatization should result in its annulment. But this rarely happens because the insiders who are the beneficiaries of the privatization are linked to the officials who would need to uphold the law. Only in particularly notorious cases does the Chamber of Control intervene.

In the absence of transparent business practices, there are few outside investors seeking to make sizable investments in Georgia. The largest foreign investors have been those associated with the Baku-Tbilisi-Ceyhan (BTC) pipeline which during the construction phase employed 2500 workers. Now operational, it is expected to bring the Georgian economy $62.5 million per year, about 1.5 percent of Georgian GDP. Apart from this, much smaller investments in the Georgian economy have been made by Russian oligarchs, followed most recently by Kazakhs and Turks. Oligarch investors, through their coercive practices, have driven out investors who seek to function in a more transparent manner. The dominance of Russians undermines the very independence that Georgia is trying so hard to achieve.

Ongoing corruption in the transport sector is particularly pernicious for the development of the Georgian economy. Georgia, under the tsars, was a key transport link for the Caucasus. Its strategic geographic location makes it a natural transport hub for the region, but the presence of significant corruption in all spheres of transport undermines Georgia’s economic potential and growth. The reduction of corruption on Georgia’s highways through the elimination of the traffic police has facilitated increased trucking through Georgia but much more needs to be done in other sectors of the transport system.

Corruption persists in other parts of the transport sector. Corruption in the ports undermines the integrity of shipping into and out of Georgia. Even though the long-term head of the railroad was removed, the sector is still far from reformed. A TraCCC researcher addressing persistent corruption in this area was seriously assaulted and required extensive hospitalization after a public discussion of the problem.

Many forms of corruption that were pervasive in the Shevardnadze era persist today. The links between the criminal and the political world continue, although these relationships are now more often with parliament than with government ministers as occurred in the past.

Hiring for most vacancies, outside of the traffic police, are still not made on the basis of objective criteria. Corruption and nepotism all too often still determine who is hired for a position. Promotions are also not based on established criteria. Political affiliations rather than qualifications determine many job assignments. Many younger people hired for positions in the new government lack the experience or the training needed for senior administrative positions. At the ministerial level, many of those running the government
have western educations. But these educational credentials do not equip them to deal with the corrupt and intransigent bureaucracies they have inherited. Constant turnovers of ministers and their top officials, such as is cited in the chapter on police reform means that institutional reforms initiated by one minister are rarely sustained by his successor.

The ongoing conflicts in the separatist regions are facilitating all forms of contraband trade. Although Adjara has been incorporated into the Georgian state, the nationalism of the Georgian government and the intransigence of the Russian government have precluded any settlement in Abkhazia and South Ossetia. As Chapter 4 by Kukhianidze, Kupatadze and Gotsiridze indicates, smuggling remains both an economic and security challenge for Georgia.

The globalization of Georgian professional criminals remains a challenge for the Saakashvili government that has made countering organized crime a priority. Criminals abroad still maintain close links to their home country and their fellow criminals. As crackdowns in the prisons in January 2006 revealed, as discussed in Chapter 3 on organized crime, the professional criminals in prisons ran their operations while incarcerated because they had bought off the chief prison administrator. During the crackdown, prisoners called on their political protectors. This illustrates dual problems that confront President Saakashvili’s administration. First, high-level corruption persists in the prisons and has not been totally eliminated. Second, strong links still exist between the powerful criminals and politicians. Criminal infiltration into the state apparatus has been a problem since Djaba Ioseliani, a major Soviet era criminal, invited Shevardnadze back to Georgia. Despite significant efforts to change the political culture of Georgia, old power structures and relationships remain in place.

The media that campaigned so successfully against the corruption of the Shevardnadze era has been muzzled by the present government. The television show “60 Minutes” and the station Rustavi 2, cited for their crusading work against corruption in several of the chapters, no longer are permitted to run such cutting exposés of corruption. Despite the restrictions on the media, in the winter and spring 2006 there was significant reporting on one of the greatest scandals undermining the image of the police in the eyes of the general public. In this high profile murder case, Sandro Gigrvliani, the head of the Foreign Department of the United Georgian Bank, was beaten and left to die in the cold after having an altercation with some top-level police officials. Protest rallies followed the trial because of the light sentence given to the off-duty security personnel responsible for this murder. One of the private television stations was pressured by the government and accused of creating a “pre-revolutionary atmosphere.”

**Origins and content of the book**

This book features unique analyses of Georgia’s pervasive crime and corruption problems. The book represents the culmination of over three years of research on these issues by leading Georgian and American scholars under the
auspices of TraCCC. The authors’ unprecedented access to recently declassified documents, combined with extensive interviews and field research, allows for a unique and in-depth examination of the issues. The collection provides a general overview as well as focused studies on critical problems and the formidable impediments to reform efforts.

In the most dismal period of Georgian malaise in summer 2002, the research project that resulted in this book was initiated. Inaugurated with a small-scale program on economic crime and money laundering housed at the Caucasus School of Business, by January 2003 an independent office was established to study and analyze the most pressing problems of crime and corruption. Funded by generous grants from the U.S. State Department and administered through the Department of Justice, Ambassador Richard Miles allocated these resources believing that if change did occur, Georgia should have experts who had analyzed the problems of crime and corruption deeply. Moreover, they should be ready to develop and implement policy recommendations if the window of political opportunity arose.

Numerous research studies were initiated and supervised by the researchers in the Caucasus Business School and in the TraCCC office in Tbilisi addressing all aspects of the corruption that affected every part of the Georgian state, economy and daily life. Many participants in these research projects went on to assume key positions in the post-Rose Revolution government. Among the most notable are the director of the National Bank of Georgia, a Minister of Justice and the vice-chair of the Chamber of Control, key institutions in the Georgian reform process. Others went on to assume positions in the frontlines of fighting corruption working in the financial intelligence unit of the National Bank, the head of the inspector general’s office in the Ministry of Agriculture and the newly established oversight board for the railroads. Many attributed their knowledge gained through this project to concrete anti-corruption activity. This included: the recovery for the Georgian state of illegally privatized property; investigations initiated by the World Bank of its embezzled $6 million loan for educational reform; investigations of corrupt loans and aid in the agricultural sector; and the initiation of a major prosecution of international money laundering.

The opening chapter is by Erik R. Scott, the program manager of TraCCC’s Georgia project during its first two years, who helped initiate many of the research projects included in this collection. He focuses on the rhetoric of anti-corruption that succeeded in achieving a seemingly impossible goal of uniting Georgians across the political spectrum to seek the overthrow of President Shevardnadze and his inner circle. Georgians, united around the goal of fighting corruption and reversing Georgia’s precipitous economic decline, successfully launched a bloodless revolution in a country with a long history of political violence.

Scott explores the clientelistic relationships of Georgia that are so deeply embedded in its culture. His essay places the rise of the Rose Revolution and its anti-corruption rhetoric in a historical, social and political context.
The decline of the Georgian standard of living, according to Scott, did not just cause economic hardship but destroyed the fabric of Georgian life. An impoverished citizenry cannot follow the traditions of gathering and sharing food and wine that are integral parts of the culture. Citizens sought a return to a normal life which the corrupted state had destroyed.

The Rose Revolution and its anti-corruption thrust could not have been achieved without foreign assistance, as Scott points out. The political training of the young leadership and the education of many youthful leaders abroad opened them up to many possibilities for an alternative future for Georgia. Saakashvili, as the leader of this movement, was seeking to achieve a new relationship between the Georgian state and its people.

Scott concludes that the success of Georgia’s anti-corruption revolution will be determined not only by its government. Much depends on its relationship with Russia which feels threatened by Georgia’s new nationalism. The fate of the revolution has still not been decided.

The second chapter, by Shalva Machavariani, the director of the research center of the Caucasus Business School and the head of TraCCC’s economic crime and money laundering project, examines the sorry state of the Georgian bureaucracy prior to the Rose Revolution. The government was stagnant as a result of a bloated bureaucracy, the duplication of functions and the absence of transparency. Machavariani details the administrative overlap among ministries on the federal, regional, and local levels that crippled government operations and resulted in large expenditures of government funds without any effective result. Compounding the structural problems of the state bureaucracy was its defective personnel management policy. With no established criteria for hiring, promotion or dismissal, cronyism determined government employment. Those who were hired were often unqualified to perform their required tasks.

Throughout the 1990s, Machavariani shows that duplication of government function became progressively worse. This corruption of the state bureaucratic structure allowed members of the Shevardnadze government to hide expenditures and costs while enriching themselves and their subordinates. The direct result of this extreme inefficiency was a bureaucracy which was not linked to the Georgian citizens or the state. Its employees merely saw their employment as a means for personal enrichment. With salaries that were below the minimum level of providing for a family, bribery, embezzlement and other forms of abuse of office became the norm.

Machavariani focuses on the most successful reforms of the Saakashvili government—education, low-level policing and improved revenue collection. Yet he points out that many areas of the government remain unreformed. Furthermore, the lack of transparency in areas such as state target programs (designated programs that are not normally part of the budget) remain important sources of funds for corrupt administrators. The absence of qualified and experienced cadres in the new government limits the possibilities of achieving comprehensive and profound bureaucratic reform.
The third chapter by Louise Shelley, the director of TraCCC and founder of the Georgia program with her Georgian colleagues, provides an introduction to the two following chapters that address crime and police issues. This chapter points out that organized crime has a long historical tradition dating back to the pre-revolutionary period in the Caucasus. Throughout the Soviet period, Georgia’s professional criminals assumed a predominant role in the criminal world that eschewed cooperation with the state. The Georgian criminal leadership, however, diverged from other criminals in the 1980s, seeing economic opportunities through collusion with the state. This provided Georgian criminals significant possibilities for enrichment in the final years of the Soviet period and after the USSR’s collapse.

Georgian criminals established bases outside of Georgia in the 1970s and with the opening of borders, Georgia’s organized criminals have globalized. Despite their global network, they maintain links to their homeland. Georgian criminals, like their counterparts elsewhere, require corruption of government officials to survive. Georgia’s criminals infiltrated the state and had high level protectors throughout the government—in Parliament, the State Chancellery and in law enforcement.

President Saakashvili has made the fight against organized crime a state priority but he faces enormous challenges. Although cooperation with international law enforcement has resulted in the arrest of many Georgian criminals overseas, corruption within domestic law enforcement has provided protection for Georgian criminals. The recent riots in Georgian prisons in early 2006 where the most serious criminals are housed point to the challenge of controlling criminals who have wielded economic and political power for so long in Georgia.

Chapters 4 and 5 focus on law enforcement and crime-control themes. Dr. Alexandre Kukhianidze, the present director of TraCCC’s Georgia office and the lead author of Chapter 4, made many field trips with Aleko Kupatadze to the borders of the separatist regions of Abkhazia and South Ossetia, where they occasionally posed as smugglers. Kukhianidze and Kupatadze were provided important data and analysis by Roman Gotsiridze, then a lead economic analyst at the Georgian parliament. Their chapter provides an in-depth look at the diversity of actors who engage in the massive contraband trade across these uncontrolled territories.

Smugglers include a diversity of actors including law enforcement officials, crime groups, guerrillas who survived the conflicts in Abkhazia and Ossetia in the early 1990s and Russian peacekeepers. The poverty of the regions provides a major incentive for individuals to engage in cross-border illicit trade. A diverse variety of commodities are transported illegally including food, alcohol, tobacco and gasoline. Of even greater concern are the weapons and nuclear materials that cross these poorly policed borders.

Different ethnic crime groups interact in this region as they are driven by profit rather than by larger political motives. The greed of the participants is now more important than the original grievances and explains the endur-
ance of these conflicts. The perpetuation of these conflicts undermines democratization by promoting lawlessness, revenge and militarism.

Chapter 5 by Aleko Kupatadze, George Siradze and George Mitagvaria, uses extensive interviews conducted throughout Georgia to understand police reform, a key element of President Saakashvili’s anti-corruption drive. Siradze and Mitagvaria, who both served in the Georgian police, were able to evoke frank responses in their field trips with TraCCC researcher Kupatadze.

Reform of the police was quick and dramatic. The entire traffic police force was dismissed. A total of 16,000 police were fired from all Georgian law enforcement bodies. Only certain senior level managers remained. Instead, young energetic people, many of them recruited straight out of law school, were recruited to replace the existing police. These new individuals, unlike their predecessors, did not have ties to the criminal world, but were also lacking investigative and enforcement experience.

Placed under strict performance standards requiring them to appear at the scene of a crime with a specified period of time, to record the facts of the crime and to be courteous to citizens, they changed the face of daily policing. Equipped with new cars provided through foreign assistance, their service orientation was a significant change for Georgian citizens. Drivers were no longer stopped continuously for non-existent driving violations.

Yet behind this reform lay significant problems discussed by the authors. First, in order to replace the police this rapidly, there was a very short period of training for most incoming police officers. Some started to serve with as little as two weeks’ training, an inadequate period to learn the work, the laws or the needed procedures. Young policemen on the beat could not learn from experienced officers because they had all been dismissed. The introduction of the Patrol Police was done so rapidly that adequate and proper personnel policies were not implemented, creating problems of recruiting and promoting high quality candidates.

Chapter 5 also illustrates the challenge of controlling the criminal activity of dismissed law enforcement personnel. Just as in the Soviet era when hundreds of thousands of offenders were released from labor camps with no social support, crime rates increased. The same has occurred in Georgia with the dismissal of so many corrupt police with ties to crime groups. Many of them turned to overt criminal activity within Georgia and abroad as Chapter 3 on organized crime also notes. Belgian police have arrested former police personnel running a car smuggling operation and the prosecutors are investigating at least 50 cases involving former law enforcement personnel. In the face of this new crime challenge to Georgian society, the new law enforcement personnel with minimal training are not capable of investigating this serious crime.

Chapter 6 provides a short concluding essay by Londa Esadze, who has worked with the money laundering project since its inception. She points out that all is not rosy with the Rose Revolution. The euphoria that followed
the revolution has yielded to disillusionment. Although positive changes have been made in education, policing and the Chamber of Control, there are less positive developments in other arenas. Effective change has been stymied by the lack of experienced personnel. The anti-corruption policies of the state have been accompanied by significant abuses. Governmental tolerance of political criticism, ironically, was greater under the Shevardnadze government than it is today.

Londa Esadze concludes that the Rose Revolution has focused great international attention on the country. But despite the efforts of the current government to change, the world still perceives Georgia as a highly corrupt country. Transparency International’s famous index that measures only perceptions of corruption, places Georgia in 2005 between 130 and 136th place out of 158 countries evaluated. It is classified as one of the most corrupt countries to emerge from the former Soviet Union. Moreover, it ranks among the most corrupt nations of the world. Only some countries with large oil and gas reserves, long histories of conflict and more authoritarian rule rank below Georgia. Georgia has a long way to go if it is to be perceived differently in the world.

All the included essays are based on the assumption that much needs to change in Georgia for the Rose Revolution to yield permanent and positive change. The institutionalization of reforms requires a changed public consciousness. Moreover, it also requires the rejection of the culture of corruption endemic under the previous government. The culture of corruption is proving remarkably enduring despite the citizens’ expressed desire for change and an improved quality of life. A professional and transparent state structure, a viable economy and a commitment to the rule of law are all prerequisites to a less corrupt society. Political will at the top and an anti-corruption revolution from below are, however, not sufficient to produce systemic long-term change.

Notes


6 Ketevan Rostiashvili, one of the founders of the Transnational Crime and Corruption Center in Georgia, did historical research on corruption in the Georgian Party archives.


15 Tchantouridze. “Georgian Economy after the Rose Revolution.”


1 Georgia’s anti-corruption revolution

Erik R. Scott

In November 2003, thousands of Georgians took to the streets to protest rigged parliamentary elections. Demonstrations grew as the television network Rustavi 2 beamed images of them throughout Georgia and soon thereafter, the world, as the images were picked up by international broadcasters. Rallied by a disciplined coalition of opposition politicians, including the “troika” of Mikheil Saakashvili, Nino Burjanadze, and Zurab Zhvania, the non-violent protests culminated in the resignation of Eduard Shevardnadze, who had led Georgia first in the position of Communist Party chief from 1972 to 1985, and then as the second president of an independent Georgia from 1992 onwards. What would come to be called the Rose Revolution swept aside the established regime thanks to a broad level of popular support, ushering a new elite into power.

For the previous 15 months, American University’s Transnational Crime and Corruption Center (TraCCC) had been closely following the far-reaching effects of pervasive corruption and organized crime in Georgia. TraCCC brought together Georgian and American scholars to establish Georgia’s first think tank on corruption, money laundering, and organized crime. From the outset of TraCCC’s work in Georgia in the fall of 2002, it became evident that the opposition was increasingly utilizing anti-corruption rhetoric to indict the ruling government and gain popular support. Few would have guessed, however, that such rhetoric would have such force as to become a central feature in the non-violent overthrow of an entrenched government. The importance of anti-corruption rhetoric in the peaceful overthrow of Shevardnadze led us to label this event as an anti-corruption revolution in a Washington Post op-ed piece published shortly thereafter.

As we saw it, the rhetoric of anti-corruption had succeeded in achieving a seemingly impossible goal: of uniting Georgians across the political spectrum to seek the overthrow of their president and his ruling circle, a bloodless revolution in a country with a long history of political violence. A battle against corruption seemed to offer the elusive promise of reversing Georgia’s precipitous economic decline, which had so damaged national pride and threatened Georgia’s aspiration to be a culturally vibrant member of the Western community.
To many familiar with Georgia and the Caucasus in general, the idea of an anti-corruption revolution in Tbilisi might raise a few eyebrows. However, the concept is defined, the level of corruption in Georgia is one of the highest in the world. According to Transparency International's 2003 Corruption Perceptions Index, which perhaps best indicates corruption levels on the eve of the Rose Revolution, Georgia ranked in 124th place out of 133 countries in terms of perceived corruption. This is not a new trend. In his study of the Soviet Union's "second economy" in the 1970s, Gregory Grossman noted that when it came to illegality, Georgia had a "reputation second to none," and that black market activity there seemed to be "carried out on an unparalleled scale and with unrivaled scope and daring."

Observers of Georgia during the Brezhnev era reported official posts being bought and sold, bribes paid regularly for university admission, and routine extortion by the traffic police. Under the Socialist Republic's first secretary, Vasili Mzhavanadze, abuse of public office reached such a level that Moscow decided to intervene. In 1972 and 1973, nearly the entire ruling elite of Georgia was removed for reasons of health, forced into early retirement, or simply dismissed. The purge was limited in scope, however. Not one ousted official faced trial, and only one was expelled from the party. Nevertheless, it did attract attention, as articles in the official Soviet press highlighted the efforts of an ambitious reformer and promising political figure, Eduard Shevardnadze, in cleansing the party ranks.

Evidence suggests that many Georgians achieved personal enrichment through black market trading and corrupt deals during the Soviet period. Corruption, however, proved to be less profitable for the population after the breakup of the Soviet state. Once the Soviet Union collapsed, there were drastic cuts in public funding and there was no longer a need for a black market, with goods readily available for anyone who could afford them. At the same time, Georgia lost access to the Russian market, which proved debilitating for the Georgian economy. Despite this change, corrupt behavior continued, particularly among many officials who rigged privatization deals to gain control of state assets and then proceeded to strip these assets of their value. Meanwhile, as a result of widespread tax evasion, actual revenues collected by the Georgian government routinely fell millions of dollars short of budget figures. In the post-Soviet context, pervasive public corruption led to the erosion of social services, the loss of key state-owned enterprises through flawed privatization deals, and the deterioration of Georgia's infrastructure, all of which deepened the impoverishment of the Georgian population.

Meanwhile, Shevardnadze seemed unwilling or unable to address the issue seriously. On the contrary, many of his closest associates in government and in the private sector, as has been revealed since the Rose Revolution, were at the core of the corrupt deals and relationships that undermined Georgia's economy, political system, and national security. Examples of corruption among Shevardnadze's inner circle now coming to
light include massive corruption in the railroad transport sector orchestrated by the head of the railroads, costly corruption in the energy sector that has been linked to the former Minister of Energy, and aviation and telecommunications monopolies tied to close members of Shevardnadze’s family, which inflated prices and discouraged competition. Some might argue that these egregious examples and the wholesale corruption that pervaded Georgian society were due to poor leadership, or to structural or institutional factors. Others might take another view, and speak of a culture of corruption that pervades every aspect of life in Georgia. In such a culture, clientelism and patronage determine outcomes, and informal norms of reciprocity hold more sway than the rule of law. Clientelism, some might argue, is a much different phenomenon than corruption, but both create a closed system where the rules of the game change depending on the actors involved. In Georgia, where personal relationships and family often carry more importance than loyalty to the central state, it appears that personal relationships and interests routinely prevail to the detriment of the state.

Reliance on clientelistic networks has been used by some scholars as a means of explaining the endurance of the mafia in Sicily. Just as Italian scholars have looked at historical factors to understand the rise and endurance of the mafia culture, similar explanations can be applied to Georgia. While one should be wary of historical determinism, looking at Georgia’s history of invasions and rule by foreign powers, it is not surprising that a culture of “getting around the rules” might arise. Historically, Georgians have likely been less inclined to develop a sense of responsibility toward the state, as they have been governed by Persians, the Ottoman Empire and most recently by the Russians. With the exception of the “golden age” of the Georgian kingdom in the twelfth and thirteenth centuries, a period now enshrined in Georgian political and cultural mythology, the state was nearly always separate from society and linked to a foreign imperial political structure. The state was never seen as constituted by or for the people but was instead a force imposed from the outside. This point on the links between organized crime and corruption is developed further in the third chapter, which is devoted exclusively to organized crime.

Modern Georgia, with the exception of a brief period of independence from 1918 to 1921 following the Bolshevik Revolution, never had a sovereign state. Therefore, the state was traditionally a foreign entity to be tricked and its political controls and financial demands were to be evaded. Georgia’s relationship to the central Soviet state represented continuity with this historical trend. Many Georgians viewed the Soviet state as having crushed Georgian nationhood, and held it responsible for the deaths of many of the nation’s intellectual and religious leaders. Was it corrupt to cheat such a state? Well, perhaps corrupt, but maybe not immoral.

Even though Georgia has gained its sovereignty since the collapse of the Soviet Union, it is debatable whether Georgians now feel a much greater attachment to the official institutions of the state. Rather, the citizen-state
relationships that prevailed in the past are perpetuated in independent Georgia. Georgia’s recent economic hardship has further deepened the population’s reliance on and attachment to personal networks rather than official institutions. While the large-scale Georgian corruption that prevailed in the Soviet era could be absorbed within the larger Soviet economy, in the context of independent Georgia it has proved devastating. The decline in living standards in Georgia has been one of the most dramatic in the former Soviet Union. Since 1991, output has fallen by 70 percent and exports by 90 percent, the worst decline suffered by any transition economy in the region. Despite the infusion of over a billion dollars in assistance from the United States alone, living standards remain low and the economy is a shadow of its former self. In such a context of scarcity, resources and revenue lost because of corruption have a particularly disastrous impact. Yet while Georgia must address its corruption problem in order to facilitate economic development and investment, economic impoverishment forces many Georgians to rely even more heavily on clientelistic networks in order to gain access to the resources they need to survive.

How could an anti-corruption revolution take place amidst a culture of corruption and clientelism? If we take a closer look at how the phenomenon of corruption is understood in the former Soviet Union—particularly in Georgia—and how the term was used in public debates leading up to the Rose Revolution, we can see the emergence of anti-corruption rhetoric as a powerful political tool. The potency of such rhetoric in Georgia, and more recently in Ukraine, begs further examination. In addition, an understanding of the use of anti-corruption rhetoric in the Rose Revolution will provide us with important context for understanding the choices that Georgia’s new leadership faces in its current effort to eradicate corruption.

Corruption and anti-corruption in Georgia

While few would seriously argue that the states of the South Caucasus are not deeply corrupt, defining corruption is a tricky matter. The term “corruption” carries heavy normative connotations. As the Hungarian scholar, Akos Szilagyi, has commented: “corruption exists in the way, at the time, and to the degree that it is openly brought up in conversation or rather ... as often as it is exposed. The question actually is in what way, for what reason, by whom and when is the word ‘corruption’ brought up.”

Let us begin by looking at how the term is used and defined by the international community of Western donor governments, multilateral institutions, and international organizations, who see corruption as an obstacle to prescribed notions of good governance and economic and political reform. Here the most appropriate definition is the one used by the World Bank, which defines corruption as “abuse of public office for private gain.” However, this depends on how one divides the public from the private, bringing us to some of the problems with this definition. What is
public office—can it include the leadership of major corporations whose decisions affect the lives of millions—and what is private gain? And what is abuse? Is the concept defined in narrow legal terms, or more broadly?

Such debates over the dividing line between public and private space are crucial to understanding the discourse of corruption, particularly in the former Soviet Union, where the collapse of the USSR led to an emphasis on privatization, civil society and private sector development. People in the former Soviet Union have appropriated the discourse of corruption used by the international community. Back and forth charges of corruption are part of almost any political campaign in the region. Corruption is in this sense a moral judgment, and a battle with corruption, if won, would mean the realization of ideals of social justice. In the public’s view, defeating corruption seems to hold the promise of ending a precipitous decline in living standards.

Perhaps nowhere was this more the case than in Georgia. In public debate, in the press, and in private conversations, corruption was framed as the main impediment to the achievement of a “normal” and “civilized” society. Georgia’s activist media, which had relative freedom under Shevardnadze to take stances critical to the ruling government, reported daily on allegations of corruption and organized crime. Opposition politicians and activists skillfully used the press and public events to denounce corruption at the highest levels of government, establishing a link in the public’s mind between corruption and the country’s impoverishment. A number of developments were effectively joined together under the rubric of corruption. As it came to be described in public discourse, corruption included both the illegal acts committed by government officials, including bribe-taking, participation in smuggling, and links with organized crime, as well as acts that were not always illegal but were seen as immoral, such as the massive accumulation of wealth by a small elite and the cutting of public services. However, many practices common in Georgia that we might describe as clientelistic were not exposed as corrupt, such as helping relatives get jobs. Nor was paying bribes to “get by,” avoiding paying traffic tickets, or securing admission into university considered corrupt. Instead of the bribe-givers, the bribe-takers were targeted by opposition leaders and activists, whose charges in turn were often echoed by skillfully produced investigative reports that aired on Georgian television. Over time, charges of corruption seemed to focus more and more on the small circle of people ruling the country. Domestic political debates were framed in terms appropriated from the international community.

In the course of its research, TraCCC held numerous meetings with Georgian anti-corruption activists, government officials, and prominent opposition members. Interviews were arranged with members of Georgia’s law enforcement community to gain a better sense of the organized crime and corruption situation in the country. Researchers conducted extensive analysis using open-source materials and were also granted access to reports, documents, and data declassified by government agencies. Some of
TraCCC's research seemed to confirm the charges of corruption at the highest levels of the Shevardnadze administration being made in the mass media. A series of public events organized by TraCCC's office in Tbilisi revealed growing popular frustration with the inaction of the government on this vitally important issue. Most doubted the government's willingness to punish its own members for rampant abuse of authority. As participants-observers of the anti-corruption movement in Georgia, TraCCC's researchers had the opportunity to witness first-hand the increasingly heated debates over corruption taking place there, as well as the relationship between pervasive corruption and the atmosphere of lawlessness and decay in the country.

The sense of decay in Georgia was palpable. Years of asset stripping and corrupt energy deals led to frequent power outages that disrupted everyday life and demoralized the population. In the outskirts of the country's second largest city, Kutaisi, cattle roamed the streets, no longer confined to their grazing areas. A trip to southern Georgia revealed miles of barren mountains and hills, deforested by illegal and unchecked logging operations. In Tbilisi, crowded camps of Georgians displaced by the unresolved conflicts in Abkhazia and South Ossetia existed side-by-side with enormous mansions built by government officials on public land, likely financed through illegal practices. Georgia's government-financed economic development plan, based on a revival of transportation links and the development of a new "silk road," was frequently derided, and with good reason. The country's roads were in various states of disrepair, funds for road repair had been embezzled, and traffic police collected bribes in the open from the few intrepid businesses that chose to transport goods through the country. Some shipping companies chose instead to travel all the way through Iran to move goods from west to east rather than ship goods through Georgia. Despite all of the hope pinned on the young generation of Georgians who were to emerge from this protracted and indefinite "transition period," the country's institutions of higher education were hampered by corrupt leadership, bribe-taking, and the misuse of university property and assets. In one case, a restaurant and casino were built illegally on university-owned property. The nation's premier institution, Tbilisi State University, was hopelessly mismanaged under the leadership of its rector, a former Komsomol leader, who allegedly misallocated funds desperately needed for the university's operation while the intellectual quality of the university plummeted. In addition to the grim situation in higher education, the country's decline could also be expressed in human terms. A national census, conducted in 2002, revealed that following the collapse of the Soviet Union nearly 20 percent of the country's population had emigrated.

Similar developments occurred throughout the post-Soviet space, but were particularly acute in Georgia, where the population enjoyed a high standard of living in the Soviet period just behind that of the Baltic republics. The precipitous decline in living standards in Georgia, along with the staggering impoverishment of the population, challenged a core precept of
Georgian identity: the ability to provide hospitality to guests graciously. During the Soviet period, Georgians had a reputation for lavishly welcoming relatives, friends, and guests, including the thousands of Soviet tourists who traveled to the socialist republic’s numerous resorts. Maintaining a high level of consumption and the ability to share this with guests was essential to a Georgian’s sense of honor and social status. Despite the current economic situation in Georgia, it is still not uncommon for a family to spend several times its annual salary to pay for elaborate weddings to which hundreds of guests are invited.

Economic collapse also threatened the ability of Georgians to maintain the cultural prominence they had possessed during the Soviet period. For a relatively small nation, Georgians comprised a sizable share of the Soviet cultural intelligentsia, winning particular renown as artists, musicians, actors, and film directors. Georgians treasured this sense of themselves as a highly cultured, artistic, and educated nation. With the collapse of the Soviet Union, however, many of Georgia’s most recognized cultural figures left to work and live abroad, leaving the country impoverished culturally as well as financially. Georgia’s drastic economic decline denied the very features that Georgians believed distinguished their culture from that of other countries. The nation’s financial troubles dealt a considerable blow to national pride, and national culture seemed to be in decline.

Corruption came to be seen by the population as the root cause of Georgia’s decay and decline. It was often framed in pathological terms, as an illness afflicting the country, causing stagnation and leading to a “rotten” system. Over time, Georgians began to associate this pervasive corruption with leadership at the top. The discussion was set in terms of a parent-child relationship. If those at the top set a bad example, the rest of the population could not help but follow. If corruption was to be stopped, those responsible (at the top) needed to be punished. The problem was that despite repeated government promises to “get tough” with corruption, the worst offenders went unpunished. Even government officials linked with violent practices, such as kidnapping and arms smuggling, were left untouched. Despite the removal from power of the reputedly corrupt Minister of the Interior, Kakha Targamadze, in 2001 following popular protests, nothing seemed to improve in Georgia’s governance. Targamadze and others continued to pursue their business interests and exert influence on government decisions even after their dismissal from office, seemingly operating without any fear of reprisal.

The anti-corruption revolution that overthrew Shevardnadze was facilitated by two major factors. The first is the role of popular expectations; the second is that of nationalism. As for popular expectations, it is important to remember that at the outset of independence, many Georgians felt that they would enjoy continued economic prosperity, along with the benefits of independence and national sovereignty. The first elected president of Georgia, Zviad Gamsakhurdia, was a Soviet-era dissident and writer, occasionally
described as a Georgian Vaclav Havel before he came to office. Instead of economic prosperity and political independence, the Georgian economy collapsed and the Georgians faced civil war and entrenched conflicts. Gamsakhurdia was replaced by Shevardnadze, whose political experience and international recognition, it was believed, would guide the country to prosperity and political development. It is no secret that this failed to happen. President Shevardnadze’s international reputation and the support he enjoyed from the United States government, in particular, did not translate into substantial investment, economic growth, or any improvement of the ordinary life of Georgian citizens.

Despite the hardships of independence, Georgians retained hope that their nation was bound for a brighter future. Part of this hopefulness was sustained by massive Western assistance for the small South Caucasus nation. In recent years, Georgia became the third largest recipient of per capita assistance from the United States. Thousands of young Georgians studied and participated in training programs in the US. The current president of Georgia, Mikheil Saakashvili, received a US-sponsored fellowship to study law at Columbia University. Foreign assistance financed the creation of hundreds of non-governmental organizations (NGOs), which among other things employed what remained of Georgia’s Soviet-era intelligentsia, as well as their children. These programs created a new generation of Georgians confident that they possessed the skills necessary to lead their country toward integration into Western structures like the EU and NATO.21

For many young Georgians, education in the West became seen as a mark of distinction, not to mention prestige. Education and training in the West helped these Georgians build contacts with Western colleagues and created cohesiveness among them. Western-educated Georgians staffed and ran a large network of NGOs devoted to improving social, economic, and political conditions in the country. Bolstered by confidence that they possessed a more worldly perspective, they did not hesitate to confront the authorities and claim that they knew better how to build a prosperous and free Georgia. They had a strong sense of themselves as reformers who could help Georgia realize its potential, and might even be described as moral crusaders who sought to put their country “back” on the right path. Although often trained in the West, they were seen as representatives of a new Georgia, untainted by Soviet rule.

Nationalism is the second factor that facilitated the anti-corruption revolution. Corruption scandals were depicted as evidence of national decline. The ruling elite under Shevardnadze, mainly composed of a semi-Russified, Soviet-era nomenklatura, was portrayed by an increasingly vocal opposition as a bunch of corrupt stooges of Moscow. Some of Shevardnadze’s last moves included closer deals with Russia, including allowing the acquisition of Tbilisi’s power grid by the Russian state-controlled United Energy Systems from an American company, AES, driven out of Georgia by both high-level and everyday corruption. Russian companies already controlled Georgia’s gas supply, frequently shut off amid rumors and accusations of
meddling by Moscow. Now Tbilisi’s electric supply had seemingly been handed to the Russians, undermining what little support remained for Shevardnadze among the Georgian population. Some feared that Russia’s acquisition of Georgia’s strategic economic assets, particularly in the energy sector, threatened Georgia’s national sovereignty. Such fears had their basis in the past decisions of Russian state-controlled energy companies to raise prices or cut off energy supplies in a manner linked to the compliance of former Soviet states to Moscow’s policy interests.

Many Georgians believed ties with Russia had prevented Georgia from taking its rightful place among the nations of Europe. In retrospect, the Soviet Union was increasingly seen as an alien system imposed by Moscow that hindered national development and led to an economically, politically, and socially backwards Georgia. The Rose Revolution was in some ways a self-conscious imitation of Prague’s Velvet Revolution, which happened more than a decade earlier. No longer a backwards nation, Georgia was to be at the vanguard of a “second wave” of revolution in Eastern Europe. Its revolutionary leadership learned and received important training from Eastern European colleagues, including Serbs who had helped oust the highly corrupt Milosevic.

Thanks in part to this training, the opposition that eventually replaced Shevardnadze’s circle did an expert job of framing its campaign against corruption in nationalist terms. They were members of a younger, Westernized generation, not members of the Soviet nomenklatura (though often their children). In contrast, Shevardnadze’s credentials as a Georgian nationalist were suspect. Assuming the role of moral crusaders, the opposition spoke of restoring Georgia to its rightful place and rightful glory. It was the opposition that defined anti-corruption as a struggle against evil, as a struggle against the Soviet past, and as a struggle against an aggressive Russia that represented the worst of the Soviet past. It was the opposition that successfully defined corruption in terms of the system of Shevardnadze’s regime, not in terms of culture. Instead, the opposition extolled the virtues of Georgian culture, while excoriating the “corrupt” elite that prevented Georgia from realizing its potential. Capitalizing on their prestige as Western-educated experts, they diagnosed corruption as the source of the country’s ills, and while its symptoms were pervasive, its causes were ascribed to Georgia’s northerly neighbor, as well as the Soviet legacy, and the ruling elite that embodied this legacy.

The anti-corruption rhetoric of the reformers, combined with an appeal to Georgian nationalism, formed a potent mix that would eventually lead to the ouster of Shevardnadze and his entire ruling circle in a popular and non-violent uprising which, thanks to a bit of theatrical sensibility on the part of its leaders, would soon after be known as the Rose Revolution.

Building popular support

The opposition successfully utilized the mass media to build popular support for their campaign against corruption. They were able to broadcast their
message through several independent media outlets, often staffed by young Georgians who had received training in the West. Foremost among these was Rustavi 2. Financed in part by international donors and featuring a quality of production leagues ahead of other Georgian television channels, Rustavi earned a nationwide following with its hard-hitting investigative reports. Shevardnadze’s government tolerated the network, though there were problems, including the 2001 shooting death of Georgi Sanaia, the lead journalist and anchor for the 60 Minutes program, under mysterious circumstances. According to some sources, the journalist was working on a story that would have revealed the existence of arms and drug trafficking through Georgia’s troubled Pankisi Gorge, some of it allegedly with the involvement of Russian and Georgian officials.

The network became seen as a bastion of freedom, an island of democratic expression in an otherwise troubled state. In October 2001, Georgian Interior Minister Kakha Targamadze ordered the station shut down, purportedly because it was about to expose his involvement in contraband trade. In response, thousands of Georgians, many of them students and NGO activists, rallied in front of parliament. Meanwhile, the attempts of the authorities to shut down the station and the mounting protests were broadcast throughout the country, leading even more people to come out into the streets. These protests led to the resignation of the President’s cabinet, including the Interior Minister. Meanwhile, Rustavi 2 remained on the air, its national prominence even greater than before. As a result of these protests, the population, and in particular young activists and students, had a sense of their own power in the face of the authorities. No government crackdown had taken place, and some results had been achieved because of the protests. This sense of empowerment would greatly influence the events of November 2003.

The opposition proved itself more adept at utilizing the mass media to broadcast its message than those in power. Saakashvili stimulated public discussions by appearing on television and showing photographs of the private homes of top officials, homes whose cost far exceeded the officials’ meager salaries. These photographs seemed to offer concrete evidence of greed and corruption among top officials. The authorities, placed on the defensive, could only issue hostile and sharply worded denials, which seemed to defy the reality of the luxurious homes that many Georgians had seen constructed with their own eyes. Similarly, activists with Georgia’s Kmara movement—the group’s name means “Enough” in Georgian—was founded by students who took part in the 2001 protests against the threatened closing of Rustavi 2. Kmara staged protests that were covered by independent broadcast media and captured the public’s attention. Posters created by Kmara often used humor to deflate further the public image of the government, in one instance depicting Shevardnadze and his associates being flushed down a toilet. The group also raised its profile by holding open-air concerts and running television advertisements that condemned the authorities.
The young generation of opposition politicians rebelled more and more openly against Shevardnadze, who had once cast himself in the role of their mentor. Although many of them first gained political experience as part of Shevardnadze’s government in the late 1990s, they increasingly distanced themselves from it. When Saakashvili left his post as Shevardnadze’s Justice Minister in 2001, he stated: “I suppose I should resign because it is impossible to do anything in the conditions of the present regime when everybody’s corrupted and no one desires to make real steps.”

This rhetoric of total corruption among the ruling class meant that cooperation was impossible. Saakashvili went on to declare that “ahead there is a decisive battle for forming a normal civilized country.” The ruling class was cast as the main impediment to Georgia’s civilizing process. What is perhaps more extraordinary here is the use of the term “normal country.” One might argue that a high level of some form of corruption, however defined, is the norm in Georgia. As Saakashvili defines corruption, however, it is synonymous with backwardness and inaction, and thus an impediment to Georgia’s self-perceived place as a member of Europe.

Corruption—at least among those in positions of authority—was also labeled as treason. Corruption needed to be “rooted out,” and as Saakashvili stated: “as far as I am concerned, every corrupt official is a traitor who betrays the national interest.” In the context of contemporary Georgian political discourse, Russia was often described as a destabilizing force that sought to undermine Georgian sovereignty. Thus, framing corruption as treason was made even easier by Shevardnadze’s turn to Russia as domestic and Western support for his leadership dwindled. However, much as Putin’s interference in the 2004 presidential elections in Ukraine galvanized the Ukrainian opposition, Russia’s initial support for flawed parliamentary elections in Georgia proved to be ruinous for Shevardnadze.

The popular movement that led to Shevardnadze’s ouster was not focused so much on replacing Shevardnadze with Saakashvili, but on simply removing Shevardnadze. However, Saakashvili emerged from the demonstrations as the clear leader of the opposition. The national prominence that Saakashvili had gained through his prolonged anti-corruption campaign, his skills as an orator, his reputation for honesty, and his prominent role in the demonstrations allowed him to gain victory easily in the ensuing presidential elections. At his inauguration in January 2004, Saakashvili combined the promise of the new generation of Georgian leaders with an appeal to Georgia’s past. While stating that the success or failure of Georgia’s transformation would depend on the “new, educated, energetic, and patriotic generation,” he took a “spiritual oath” at the tomb of one of Georgia’s national heroes, King David the Builder, whose rule in the twelfth century succeeded in creating a united Georgia. The new national flag adopted under Saakashvili—formerly that of his party—features five red crosses on a white background and was used by medieval Georgian kings. Through the use of national and religious symbolism, Saakashvili hopes to frame his
state-building mission as the “restoration” of Georgia, a new “golden age.” A prosperous and corruption-free Georgia is to be a re-assertion of their nation’s greatness, which many Georgians see as embodied in the Georgian kingdom of the twelfth and thirteenth centuries, an era enshrined in Georgian poetry and literature, a time before foreign invasion and foreign rule supposedly distanced Georgians from their state.

Ironically—and perhaps this might not bode well for the new Georgian leadership—this ideal of “restoring” Georgia’s honor through anti-corruption measures was once held by Shevardnadze himself. Newly appointed to the position of the republic’s Party Secretary in 1972, Shevardnadze ousted officials accused of corruption under his predecessor and supervised the promotion of new people to positions of power. During his campaign against corruption in this period, Shevardnadze commented bitterly in a closed meeting: “Once, the Georgians were known throughout the world as a nation of warriors and poets; now they are known as swindlers.”

Unfortunately, Shevardnadze’s efforts to combat corruption seemed geared more toward consolidating power in the republic by ousting potential rivals than toward instituting measures to address the systemic issues at the core of Georgia’s corruption problem.

Gauging the success of Georgia’s anti-corruption campaign

How can we gauge the success of the recent anti-corruption campaign pursued by Georgia’s new leadership? The initial results of this campaign have been mixed. Many of the top offenders under Shevardnadze have been called in for questioning or placed under arrest by the new leadership. Some of those sought by the authorities, including regional governor Levan Mamaladze and the ousted Adjarian leader Aslan Abashidze, fled to Moscow to seek refuge, confirming in the minds of Georgians the link between corrupt elements of the Shevardnadze regime and Georgia’s neighbor to the north.

Yet, to the dismay of international advisors, anti-corruption prosecution seldom went fully through the courts. Instead, former officials suspected of corruption were held in pre-trial detention until they compensated the state for the amount of money they were accused of embezzling. Then, for the most part, they were let go. The new authorities referred to this arrangement as a “plea-bargaining system,” although to some critics in Georgia and abroad it seemed more akin to extortion by government authorities. Nevertheless, Saakashvili’s approval rating remained high as his administration used lengthy and sometimes illegal pre-trial detentions to go after top former officials and businesspeople suspected of corruption. This might speak to the fact that for many Georgians, the anti-corruption campaign is not so much about the rule of law, but more about the punishment of those who abused power as a means of achieving ideals of social justice. For Georgia’s new leadership, it seemed that the political need to show results quickly in their anti-corruption campaign often outweighed the possible
long-term benefits of taking everything through the courts, especially before the implementation of planned judicial reforms.

What the new administration hoped eventually to create was a new relationship between the Georgian state and its people. Instead of being the representative of a foreign power, the state was to be something that the Georgian people felt belonged to them. They hoped to show that they represented a break with the past, a new era for Georgia and for state-society relations. They brought in new, young faces that represented Georgia’s young generation, some in their late twenties and early thirties. Many members of the new government are former NGO activists who now hope to change the system from within. The new leadership also took several symbolic actions to emphasize the break with the past. Alongside the new flag of Georgia, the EU flag now flies from all government buildings—perhaps a sign of wishful thinking on the part of the leadership. The government also adopted a new state seal, which shed all vestiges of the Soviet-era seal in favor of a modified version of the coat of arms of Georgia’s old ruling dynasty. Finally, they erected a monument to Georgians who had died in the entrenched conflicts in Abkhazia and South Ossetia. This monument, attended by two Georgian soldiers in ceremonial uniform, helped the new government cast themselves as Georgian nationalists who would ensure that the loss of Georgian lives would not be in vain.

In a bid to restore Georgia’s cultural prominence, Saakashvili personally invited renowned ballerina Nina Ananiashvili to return to Georgia to accept the artistic directorship of the State Ballet of Georgia. The return of Ananiashvili, who was a leading dancer at the Bolshoi Theater for over 20 years, sparked hopes that other internationally recognized Georgian cultural figures might return to the country. To assist Ananiashvili in her efforts, Saakashvili has pledged to increase funding for the national ballet. For her part, Ananiashvili promised to give Georgia a “European-level ballet company” within three years.31 Saakashvili’s state-led promotion of Georgian culture represents another part of his attempt to rekindle a sense of pride among Georgians and to link Georgian cultural aspirations to the Georgian state.

There have been other, more troubling developments. Under the new government, media watchdog groups have complained of increasing government pressure regarding media content, possibly a sign that the government might try to shape and control public sentiment through more authoritarian means. The government, however, has not used violent means to curtail critical coverage by the media; much more common has been media self-censorship as a means of currying favor with the new authorities. In addition, some officials have resorted to financial pressure to restrict media outlets critical of the new government.32

In addition, there is growing domestic and international concern over some of the methods used by the government in their fight against corruption. First, widespread use of the so-called “plea-bargaining system” mentioned
above, which was employed against a wide array of figures, including businessman Gia Jokhtaberidze, the son-in-law of Eduard Shevardnadze, has raised concerns that the legal process is being abused. An examination of the case of Jokhtaberidze reveals that these concerns are well-grounded. Although Jokhtaberidze was detained on charges of cheating the state out of $350,000, he was forced to pay the enormous sum of $15 million to secure his release. Although funds obtained through the “plea-bargaining system” are supposed to be added to the state budget, some observers have alleged that at least part of the money ends up in extra-budgetary funds that lack transparency. In addition, human rights monitoring groups, most prominently the New York-based Human Rights Watch, have claimed that police torture remains inadequately addressed by the Georgian authorities. According to Human Rights Watch’s April 2005 report, Saakashvili’s policies have seemed to “fuel rather than reduce abuses.” Allegations of torture are rarely investigated, while growing pressure by the Georgian executive on the judiciary has in some cases led law enforcement officials to aggressively seek results without proper regard for the legal process.

Now that the new leadership has been in power for almost three years, we can cite a few major accomplishments in the campaign against crime and corruption. In perhaps the most visible anti-corruption effort of the government, the entire traffic police force has been dismissed, and cadres of newly trained and better paid officers have been recruited in their place. Bribe-taking has been greatly reduced by this most immediate level of policing. The Georgians are finding that fewer, but more highly paid, officers can do a better job than a horde of underpaid ones. The system of permissiveness that prevailed under Shevardnadze has been eliminated, and an important precedent has been set with the 2004 arrest of a parliamentarian of the ruling party for extortion, showing that members of the new leadership are not above the law. Anecdotal evidence suggests that corruption has become more costly, and as a result, more rare.

For the time being, many Georgians seem hopeful that corruption is being successfully addressed. According to a 2004 report by Transparency International, Georgia ranked as one of the three most optimistic countries in regards to eradicating corruption. Thanks to the reform of the traffic police, ordinary citizens’ most immediate contact with the law is greatly improved. Individuals with a reputation for honesty have been appointed to head many ministries, inspiring greater public confidence. Merit-based examinations have been instituted for students applying for admission to Georgia’s universities, and a new rector close to Saakashvili has been appointed to cut down on corruption and enact much-needed reforms at Tbilisi State University. Because of these immediate changes, Georgians may be willing to tolerate incomplete improvements in government performance.

Yet the structural factors that contribute to corruption, namely economic scarcity, political instability, and a poorly developed legal culture, are still there. This is readily apparent if one looks at contraband trade. Occurring
sometimes through breakaway regions outside the control of Tbilisi, though also across the border with Azerbaijan and Armenia, contraband trade in basic goods continues to flourish, as production in Georgia remains at a standstill and few alternate economic options exist for impoverished populations in these border areas. As the chapter in this book on contraband indicates, while the volume of contraband trade has decreased somewhat and some of the major operations have been shut down, small-scale contraband trading continues and new routes have been found. The level of contraband trade is an important gauge for measuring the success of the new leadership in addressing some of the underlying issues that give rise to corruption.

Almost three years after coming to power, the new government has retreated from some of its more radical rhetoric, with Saakashvili claiming that they have delivered and established the “cleanest government in the Commonwealth of Independent States (CIS).” Some more sweeping reforms that could impact Georgian society at a more fundamental level are being planned for the system of primary education. Although such reforms might indicate that corruption is somehow linked to the Georgian mentality, Saakashvili has consistently denied that there exists a “culture of corruption” in Georgia. Instead, the reforms are seen as a process of “de-Sovietization,” and the causes of corruption are blamed on structural factors seen as arising from the imposition of outside rule, and not from the well-springs of Georgian society and culture. Because the anti-corruption rhetoric of Georgia’s reformers never focused on clientelistic networks, little has been done to address the persistent problem of nepotism in the hiring of individuals for middle and upper level positions in the bureaucracy. If the Georgian government fails to address this issue, it risks undermining its effort to reshape state and society relations, and the Rose Revolution may appear in the long term to the Georgian public as merely the replacement of one corrupt elite group with another.

Conclusion: Georgia’s anti-corruption challenge

Despite the persistence of clientelistic attitudes in Georgia, the nation stands as an example of the power of anti-corruption rhetoric in the former Soviet Union, especially when combined with an appeal to nationalism. It is not purely by coincidence that some of the pro-Yushchenko protestors in Ukraine waved Georgian flags. In both cases, rigged elections served as a trigger for longstanding public discontent, and in both cases, the rhetoric of anti-corruption played a major role in garnering public support for the opposition. Both countries had the advantage of defining themselves, and defining corruption, vis-à-vis Russia. The discourse of corruption proved itself a potent force if wielded correctly, one that embraced many of the social, political, and economic complaints of the population while framing the conflict in terms understandable, and even encouraged, by the international community.
Because the discourse of corruption was tied to the economic collapse of the Georgian state in the post-Soviet period, the success of the anti-corruption revolution may, in large part, be measured by improvements in living standards and the economic well-being of Georgia. Georgia remains a very poor country, but the prosecution of tax evasion and calls to citizens for compliance with the law have resulted in a marked increase in revenue for Georgia’s national budget since the Rose Revolution, allowing the Georgian state to provide more social services and improve infrastructure. However, Georgian citizens still show limited desire to pay even minimal taxes to the state, and disorder in the system of tax administration makes tax evasion a massive and continuing problem for the Georgian state.

The young and energetic leaders of the Georgian state are not experienced administrators and lack experience of fighting endemic corruption in the agencies that they now direct. Although many have a commitment and desire to fight corruption, they lack the support within their bureaucracies and the financial and bureaucratic skills needed to do so. In this regard, the tragic and unexpected death of Prime Minister Zurab Zhvania in February 2005 was a great loss for the new authorities. Zhvania was one of the few members of this new generation of government leaders who combined a dedication to reforming institutions with real political experience, and there did not seem to be anyone capable of taking his place. Thus, despite the commitment by many appointed by President Saakashvili to combat corruption, there exists a serious absence of professional capacity and training for government positions. Saakashvili has been forced to rely on a relatively small group of people, whom he shifts from position to position, in the absence of well-trained cadres of honest and competent bureaucrats. While Saakashvili and his close circle have displayed a high degree of energy and enthusiasm in pursuing reform projects, they will need to build a capable bureaucracy and responsive institutions if their anti-corruption revolution is to have a lasting effect.

Georgia’s Rose Revolution has commanded international attention disproportionate with the size of the country or the nation’s capacity to engage in systemic change. Although it is premature to draw a final assessment of the Rose Revolution, several tendencies are already clear. The nationalism that propelled the Rose Revolution may provoke unrest among Georgia’s sizable ethnic minority communities. Saakashvili faces the quandary of building a state through national patriotism while at the same time ensuring that this state has room for Georgia’s multiethnic population. The revolution, closely linked to an assertion of Georgian nationalism, has also challenged relations with Russia and other former Soviet states, which fear the consequences of an anti-corruption revolution for their own regimes. Russia is interested in expanding its economic and political influence in the South Caucasus, and in maintaining the status quo in regards to Abkhazia and South Ossetia. If President Saakashvili attempts to unite Georgia by asserting control over these breakaway regions by force, it could lead to
overt conflict with the Russian state. Therefore, the future of the anti-corruption revolution in Georgia depends now not only on the Georgians but also on their relationships with those who share their state, as well as with their neighbors—Russia, in particular.

Notes

1 This chapter is loosely based on a presentation entitled “A Culture of Corruption? Anti-corruption Rhetoric and Revolution in Georgia,” given by the author at the XXIXth Annual Berkeley-Stanford Conference devoted to the theme of “The Caucasus: Culture, History, Politics” at the University of California, Berkeley, March 4, 2005.

2 In his analysis of the peaceful overthrow of Shevardnadze, Ghia Nodia cites the criteria of Italian sociologist Alfredo Pareto, which hold that a revolution is a change of elites often brought about through popular protest and participation. According to this definition, the events which took place in Georgia in November 2003 can be described as a revolution. See “Georgia: Analyst Ghia Nodia Assesses Saakashvili’s Attempts to Transform Country,” Interview by Robert Parsons. Radio Free Europe/Radio Liberty June 15, 2005. The recently published volume edited by Zurab Karumidze and James V. Wertsch (2005) *Enough! The Rose Revolution in the Republic of Georgia.* New York: Nova Publishers offers the reflections of Nodia and other scholars on the Rose Revolution and the events leading up to it.


7 One means of examining this phenomenon is to look at the gap between official income figures and personal savings. Between 1960 and 1971, Georgia’s official national income grew by only 102 percent, the third lowest rate of growth in the USSR, but by 1970, the average Georgian savings account was almost twice as large as the Soviet average. See Suny, R.G. (1994) *The Making of the Georgian Nation.* Bloomington and Indianapolis: Indiana University Press, p. 304.

8 According to analysts with the Transnational Crime and Corruption Center’s Money Laundering Project, the budgeted tax revenue for 2003 was 919.9 million Georgian Lari (approximately USD 427.9 million), while the actual amount collected was 806.6 million Lari (approximately USD 375.2 million).


17 Personal communication to author.

18 The previous census, conducted in 1989 by Soviet authorities, found the population of Georgia to be 5,400,841, while the 2002 census measured the population at 4,371,534, a loss of over one million people. Although this figure also reflects the inability of Georgia to gather census data on territory uncontrolled by the national government, most of this precipitous decline in population has been attributed to emigration. See the census data provided by Georgia’s State Department of Statistics website. Available from: http://www.statistics.ge/Main/En/Census/census.htm [Accessed 19 September 2005].

19 For one of the few studies of Georgian social culture by Western scholars, see Mars, G. and Altman, Y. (1983) “The Cultural Bases of Soviet Georgia’s Second Economy.” *Soviet Studies* 35, pp. 546–60. While the authors’ analysis is based solely on interviews with Georgian Jewish emigrants and focuses primarily on illicit economic activity, it offers rare insight into Georgian social values and relations.

20 Some of the most well known include ballet dancer Vakhtang Chabukiani, theater director Robert Sturua, opera singer Zurab Anjaparidze, pop singer Nani Bregvadze, and film directors Georgi Danelia and Tengiz Abuladze. Also notable are Iliko Sukhishvili and Nino Ramishvili, whose Georgian dance troupe acquainted Soviet and international audiences with colorful and passionately choreographed renditions of Georgian folk dances.

21 While Georgia might have no real chances of joining either organization in the near term, eventual membership—and with it, the sense of fully belonging in Europe—was a popular idea that could be used to galvanize public attitudes.

22 These concerns were reflected in a 2003 article by energy analyst Mamuka Tsereteli, which warned of the risks of Russian acquisition of Georgia’s energy assets. See Tsereteli (2003) “Russian Energy Expansion in the Caucasus: Risks and
In her short article, “The Seven Ingredients: When Democracy Promotion Works,” Sarah E. Mendelson offers a brief comparison between activist movements in Serbia and Georgia, identifying the need to match local activists with “like-minded international democracy trainers” as was the case with the links built between the Georgians and their Serbian colleagues. See *Harvard International Review*, summer 2004, pp. 87–8.

As Communist Party chief in the 1970s, Shevardnadze persecuted Georgian nationalists who threatened the authority of the Soviet regime, among them future president Zviad Gamsakhurdia.

In their march on the parliament building, demonstrators carried red roses instead of weapons, emphasizing the non-violent nature of their protest.

*Kmara* was inspired by the Serbian student movement *Otpor*, which helped oust Slobodan Milosevic in 2000. Activists from the Serbian organization helped train their Georgian counterparts in effective techniques of non-violent resistance and popular protest.


This quote is attributed to Shevardnadze in the notes of one of the participants in the meeting. See Simis, p. 53.


Although it described most of the efforts at reform made by the new government in positive terms, the US State Department’s 2004 Human Rights Report sounded the following warning on government pressure toward the media: “While there were no physical attacks on media representatives during the year, state tax authorities occasionally harassed independent newspapers and television stations. Journalists stated that they were vulnerable to pressure from authorities, as well as from business and societal elements. Media outlets complained that commercial firms refused to advertise on certain channels critical of the government for fear of losing the government’s favor. Compared to 2003, physical harassment of the media decreased, although self-censorship increased, likely due to a desire to please the new government. There were some reports of legal harassment of media outlets by the financial police.” See the full report online; Available from: <http://www.state.gov/g/drl/rls/hrrpt/2004/41682.htm> [Accessed 6 June 2005].


Peuch, “Georgia: Rights Groups Says Police Torture Continues.”

In May 2004, MP Georgi Kenchadze, of the ruling National Movement-Democrats, was arrested for allegedly extorting money from business owners in Adjara.

Thanks to Alexandre Kukhianidze and Alexandre Kupatadze for their insights into the current contraband trade situation in Georgia, based on numerous on-site studies.


Saakashvili in October 2004 interview with Paul Goble, “We Delivered What We Promised.”

The need for merit-based hiring and public transparency measures to prevent the entrenchment of Georgia’s new political elite is discussed by TraCCC analyst Londa Esadze in a Development Gateway special report on Public Sector Transparency. See Esadze’s analysis for Georgia, Available from: http://topics.developmentgateway.org/special/transparency/template24.do [Accessed 19 September 2005].

Zhvania’s death occurred as a result of a gas leak in an associate’s apartment. Although his death was ruled to be accidental, the circumstances surrounding it raised suspicions of foul play among the population.
2 Overcoming economic crime in Georgia through public service reform

Shalva Machavariani

Georgia’s bureaucracy and system of public administration enabled corruption and economic crime to flourish in Georgia in the Shevardnadze era. The Saakashvili government moved rapidly after the Rose Revolution to streamline the state bureaucracy, increase salaries for senior officials and government bureaucrats and to implement major changes in the Ministries of Interior and Education. These reforms have brought positive changes, but much more needs to be done to achieve efficient and professional government.¹

State administration prior to the Rose Revolution

Following Georgia’s independence from the Soviet Union in 1991, the international donor community promoted a number of reforms. The United States was particularly involved in the process of bureaucratic reform. Assistance focused on restructuring government budgets, boosting food security, reducing inflation, reforming the antiquated tax system, liberalizing prices and trade, and supporting private sector growth based on the principles of a market economy. Unfortunately, these reform efforts did not yield economic growth or poverty reduction.

After 1991, the Georgian standard of living declined dramatically. At the time of the Soviet Union’s collapse, Georgia was one of the richest republics in the Soviet Union. Its financial collapse in the transitional period, as Erik Scott explains in Chapter 1, was rapid: a consequence of civil war, government misconduct, and corruption. Slow reform of the public sector and Georgia’s failure to adapt to a market economy also help explain this decline.

The Georgian public administration system was created in the Soviet era when it served a small republic within a large country. This bureaucracy, a legacy of the Soviet era, is incompatible with the principles of a market economy or the needs of an independent country. It fails to protect private property or promote citizen participation in a market economy. Public administration reform and the establishment of modern governmental institutions are vital prerequisites to overcoming corruption and economic crime in Georgia.²

Corruption and inefficiency in the public administration system have taken an enormous toll on Georgian business. Surveys of business people in
Georgia in 2000, 2001 and 2002 revealed that the main impediment to business development was the corruption of civil servants; 62.7 percent, 52.6 percent and 63.6 percent of the respondents, respectively, defined this as a major obstacle. These respondents also identified the “meddling” of civil servants in business (50.6 percent, 59.5 percent and 61.9 percent) as a major impediment. Meddling by civil servants precluded business growth. It also weakened Georgia’s tax base as corrupt officials pocketed bribes instead of collecting taxes. Payments to public officials for “business protection” contributed to Georgia’s dismal tax-revenue showing of 13.7 percent of GDP in 2002, the lowest figure registered in all post-Soviet countries. Although tax collections have improved significantly since the Rose Revolution, government officials’ interference in private businesses continues and is now targeted at the most profitable ventures.

Members of the business community identified other bureaucratic obstacles to development such as poorly coordinated and secretive central government; a high rate of functional overlap among various ministries; lack of transparency in government activities; and insufficient involvement of civil society in policy-making. Other legacies of the Soviet period impeding business operations included an inefficient system of power distribution between the center and the regions; highly centralized government; and unmet budgetary commitments at the local levels.

The necessity of public sector reform

Following the collapse of the Soviet Union, the government of Georgia embarked on a series of reforms to build a market system. These reforms included reductions in the number of governmental organizations and of civil servants in an attempt to reduce the budget deficit. However, personnel cuts affected mainly low-level civil servants, while middle- and high-ranking (and, accordingly, higher paid) officials retained their positions. In addition, the government failed to outline a comprehensive strategy for public-sector reforms. The lack of a government-wide reform strategy resulted in inconsistent reforms implemented simultaneously by ministers and by the heads of various governmental institutions. Due to their minimal effectiveness, the government’s reforms did little more than affect personnel, and did not improve the operations of government agencies.

Foreign donors provided extensive financial support for the poorly executed reforms. Although foreign assistance provided great moral support for the Georgian citizenry, the substantial financial support brought few positive effects to health, education, or other sectors. Inadequate coordination among donors, the rigidity of governmental structures, and the high rates of corruption all contributed to the fragmentation and inefficiency of these reforms. For example, under the healthcare reform implemented in the mid-1990s, medical service provision shifted from the central government to the private sector, local authorities, and secondary service providers (e.g. hospitals...
and polyclinics), which provided either unaffordable or inferior services. Education reform, which was intended to increase the independence of schools, proved largely unsuccessful because of resource scarcity and a dissonance between politicians’ conception of the education system and how the system actually functioned. Due to budgetary shortfalls and rising corruption, schools were unable to pay for the most fundamental needs such as utilities, library books, and salaries. The quality of Georgian school education consequently declined dramatically. The agriculture and the energy sectors, despite enormous expenditures of foreign funds to promote restructuring, remained unproductive and did not yield enough goods to satisfy the Georgian market. The results of research initiated in 2002 suggest that the Georgian government still, long after embarking upon its initial reform campaign, needed basic structural reforms to create an effective modern governmental structure. 6

In the final years of the Shevardnadze era, Georgia had a large, inefficient, and confusing administrative system. At the close of 2002, governmental institutions employed 66,333 civil servants.7 The executive branch alone was comprised of 18 ministries, the State Chancellery, 10 sub-departmental institutions under the jurisdiction of the State Chancellery, 18 federal departments, three governmental inspections and services, 93 sub-departmental institutions under the jurisdiction of the ministries, nine regional departments, 75 juridical entities of public law and three regulatory commissions, as well as regional state agencies, or “territorial units.”8 All these governmental institutions existed for a population of fewer than five million. Not only was this system baffling, but it also encouraged administrative duplication and corruption.

Analysis of coordination within the executive branch

Between 1999 and 2002, public sector entities (ministries, departments, and governmental commissions) showed a declining ability to meet deadlines and execute assigned tasks (see Figures 2.1–2.3). Whereas the percentage of completed tasks in 1999 (77.8 percent) increased to 81.6 percent in 2000, this

| Table 2.1 Data on civil servants in governmental institutions (December 31, 2002) |
|---------------------------------|----------------|----------------|----------------|----------------|
|                                 | Ministries     | State          | State          | Other          |
|                                 | Number of staff| departments    | inspectorates  | government     |
| Number of staff                 | 51,451         | 10,703         | 113            | 11,163         | 73,203         |
| Number of staff at end of study | 47,009         | 8223           | 112            | 10,989         | 66,333         |
| period                          | Number of civil| servants       |                |                |
| Number of civil servants        | 44,756         | 4303           | 102            | 8025           | 57,186         |
Figure 2.1 Tasks assigned to ministries and their fulfillment (January 1, 2003). During the first six months of 2003, the State Chancellery assigned ministries 85.2 percent of the total number of tasks assigned in all of 2002. Roughly 2700 tasks were assigned over the first six months of 2003, of which 85.19 percent were completed.

Figure 2.2 Task accomplishment according to ministries, other institutions and governmental commissions, January 1, 2003.
improvement was followed by significant declines in 2001 (to 69.5 percent) and 2002 (to 66.2 percent). Variations in performance were a reflection of the different demands placed on the public sector. Task completion was higher when performance standards were lower. In 1999 and 2000 the State Chancellery assigned an average of 12 tasks per day, whereas in 2001 this number fell to 10.5 (with a corresponding increase in accomplishment rates). When the daily assigned tasks increased considerably in 2003 to 19.5, the ability to fulfill tasks declined. Historically, the Ministry of Finance received the largest number of assigned tasks, an average of two to three daily in 2003. Its share of unmet obligations was, therefore, consistently high.

During the first six months of 2003, the period immediately preceding the Rose Revolution, there was some improvement in the State Chancellery’s capacity to complete their assigned tasks. The 84.5 percent completion rate of tasks during this period, however, did not signal an effective administrative system. Due to its top-heavy structure, autocratic style of administration, and the micro-management of ministries under its control, the State Chancellery was unable to coordinate the large number of governmental bodies that were subordinate to it. There was simply no delegation of state functions.

It was this nearly paralyzed government that the Saakashvili administration inherited following the Rose Revolution. The new government came to power with a mandate to reform and rebuild the state after more than a decade of misrule. It soon realized that slogans about fighting corruption were not enough: Major structural changes and adequate financial resources were needed to rebuild the Georgian state.
The utilization of budgetary resources in the executive branch

Financial management is vital to ensuring proper budgetary expenditures and resource utilization. Georgian governmental structures are sorely in need of financial management reform and their personnel need training. Analysis of materials presented to the Chamber of Control of Georgia, the highly professional auditing arm of the Georgian government, reveals that the lack of transparency and integrity of state budgetary resources remains the primary determinant of the poor operation of government agencies.

Remittances to the state budget have improved significantly since the Rose Revolution, but the state budget still does not have the resources to fulfill approved expenditures. Non-payment of state taxes, an inefficient and corrupt tax service, the low profitability of many Georgian businesses, and high unemployment have contributed to low state revenues. Although government revenue went from 866 million GEL in 2003 to 2.503 billion GEL in 2005 (approximately from $418 million to $1.4 billion), this more than threefold increase is still inadequate to meet the enormous demands on the state budget. Although collection has improved, non-payment of taxes and revenue hidden from tax authorities provides a major challenge to state budgetary collection.

Two areas that were significant sources of corruption before the Rose Revolution remain particularly problematic in the present government. The enduring legacy of corruption in state target programs and in the use of “special funds” remains of great concern. State target programs are intended to achieve specific objectives not funded in ordinary budgets. Many of these programs were redundant and did not represent an efficient use of limited government resources. They grew dramatically in the final years of the Shevardnadze era; their numbers increased by 86 percent from 2000 to 2003.

Illustrative of this duplication were “target programs” for sports funded simultaneously by different government ministries; for example, the State Department of Youth funded the “Martve” Youth-Military Patriotic Games, while the Ministry of Education funded the Training and Invigoration of Youth under 18, Participation in the World, and the European and Youth Games. In addition, the Department of Sports sponsored Preparation of Olympic Reserves of Children and Youth from Georgia’s Regions in Sport Invigoration and Training of Teams for World and European Championships. The only possible explanation for these duplicative expenditures was that government bureaucrats enriched themselves from these programs.

The use of “special funds” paid out of the State Budget also resulted in significant expenditures for the Georgian government. The government poorly defined special funds and had limited regulation to govern activities utilizing these funds. Special funds were regulated only by three vague paragraphs in the 2001 Law on State Budgets, which in particular stated, “Changes in volumes and types of special fund revenues and expenses may be introduced after the submission of proper justification only in agreement
with the Ministry of Finance of Georgia.” This all but gave carte blanche to government employees to approve programs that were at best questionable. In 2001, these non-budgetary programs received 10 percent of tax revenues. Special funds were established for refugees of the separatist conflicts, for children assistance programs and in support of particular regions. The problem of lack of transparency in special funds endures today as there is an absence of transparency in the Adjara Fund. The establishment of these special funds simply permitted government employees to dispose of tax revenues as they desired.

Duplication in the executive branches

During the first wave of reform of the 1990s, the absence of a unified government strategy for social, economic, and political development caused the complete disintegration of Georgia’s system of public administration. The system was characterized by a high rate of functional overlap among government entities. For example, almost all executive branch institutions (ministries, departments, sub-departmental bureaus) were equally empowered to identify priorities. Ministries could independently conduct foreign economic relations, including communicating with international donor organizations and foreign private-sector companies to attract investment and credit. They could also develop lists of entities for privatization. Ministries often overlapped in their missions and conducted foreign policies that undercut each other.

The profusion of government agencies occurred as a result of either a trigger event or the desire of government ministers to create new “employees” who owed their jobs to the ministers. In the more benign case, a crucial event would occur that would cause ministers of different government agencies to realize separately the need for a new agency. In response to this trigger, and in the absence of coordination among ministers or oversight from President Shevardnadze, several different ministries would open new agencies to deal with the same problem. In the latter case, particularly evident in the environmental arena, new unnecessary departments were created. The Ministry of Environmental and Natural Resource Protection should have overseen all bodies regulating the environment. Four federal departments, however, coexisted—Forestry and Protected Territories; Reserved Territories and Hunting; Geology; and Land Management—all competing for resources and all paying their personnel.

Further duplication of government function occurred because the law “On Legal Entities of Public Law,” allowed ministries, the State Chancellery and local governments to establish legal entities. An “entity of public law” is akin to a non-governmental organization (NGO) set up by the government, but privately administered; the entity’s task is to assist the government in research. Dozens, if not hundreds, of these entities existed without a comprehensive registry, effectively blocking any government oversight. Overlap
and duplication occurred because these entities usually lacked clearly defined functions. In theory, entities of public law and agencies within ministries and departments should only have conducted research and provided analytical assistance to ministries. Ministries, however, often transferred specific functions to entities of public law, functions that these entities were expressly forbidden by law to exercise. For example, both the Ministry of Energy and the Ministry of Transportation gave entities of public law the right to grant licenses, a key ministerial responsibility, and a highly lucrative one in terms of corruption.

Another problematic area of governance was the proliferation of subdepartments. Although subdepartments performed public functions, their employees were not considered civil servants. They possessed neither the rights nor the responsibilities of a civil servant. With poor regulation, corrupt subdepartment employees “transferred” state property to private interests. In addition, these organizations undertook entrepreneurial activities, a function they were also not permitted. No serious discussion of these abuses ever occurred in public.

These extensive problems in subdepartments reveal the need for improved regulation. First, greater transparency in the financing of these government organizations is needed and this information must be made available to the public. Second, each ministry must more clearly define the economic functions of the subdepartments under its jurisdiction. Third, regulations concerning subdepartments must conform to the law “On Executive Power.”

Salaries of personnel

In 1998–2003, according to Georgia’s State Department of Statistics, civil servants’ average salary represented only 34–47 percent of the minimum cost of providing for a family of four. Beginning in 1998, a presidential decree set the monthly salary for the lowest level of public servant at 18 GEL (approximately $9), only 18 percent of the subsistence wage for an individual. The minimum level was later increased to 20 GEL. According to the same decree, the highest salary a government employee could make was 66 GEL, 59 percent of the subsistence wage. In 2000, a further presidential decree increased salaries for the highest ranking government officials and legislators. Ministers were to receive 170 GEL, a full 152 percent of the subsistence wage, but still only 76 percent of the amount necessary to provide for a family of four. The lowest salary paid to high-ranking officials (such as department heads and their equivalents) was 90 GEL or 80 percent of the subsistence wage.

When analyzing these data, a true paradox emerges: despite the meager official earnings of public-sector officials, for whom the average income was only 34–47 percent of the subsistence level, the demand for jobs at government offices was very high, and remains so today. This paradox can be explained by reviewing budgetary legislation that authorized distribution of
state resources to bureaucrats. Bureaucrats, therefore, had the opportunity to obtain significant compensation outside of their fixed salaries. The most important vehicle for receiving funding outside of their state salaries was the well-financed special funds. The 2002 budget, despite failing to meet financial goals established in 2001, increased the Presidential Fund by 225 percent from 8 million to 18 million GEL, providing ample discretionary resources to be distributed by and to bureaucrats.15

Following the Rose Revolution, the empty coffers of the Georgian government prevented raising the wages of civil servants, a necessary prerequisite to anti-corruption reform. International organizations, however, quickly filled the gap. The United Nations Development Project and the Soros Foundation each donated one million dollars. Many other international organizations together donated upwards of $15 million to ensure that the newly appointed high-level officials would be paid decent wages.

**Existing human resource management system**

As a result of the Soviet legacy personnel policies in Georgia diverge significantly from the best practices of contemporary human-resource management. Job descriptions rarely exist, vacancies are seldom advertised, and merit-based competitions for public positions are uncommon. With a long tradition of obtaining work through connections rather than qualifications, Georgian civil servants often lack the basic skills that they need to perform their jobs. Performance reviews of civil servants are rarely objective or comprehensive, as inadequate job descriptions give little foundation on which to compare expectations with actual work. Georgians often restrain from criticizing each other’s work performance, further preventing accurate assessments of their work. These problems were pervasive in the Shevardnadze era but persist particularly in mid-level positions in the Saakashvili government where most appointments are still made on the basis of personal and party loyalty.

In the absence of modern and centralized human resource management, effective personnel planning is impossible. Personnel whose backgrounds match the needs of an outdated system—and not a modern state—are still hired. The only exception is the Ministry of Interior where there has been complete structural reform and new personnel hired according to established criteria. This reform is discussed more fully in Chapter 5.

**Changes in the public service sector after the Rose Revolution**

Reform in the aftermath of the Rose Revolution has differed dramatically from that of the immediate post-Soviet era. During the Shevardnadze era, as was previously discussed, ministries and subministries proliferated. There was no stability in governance, no long-term reform strategies and no coordination of reform processes. Various ministries pushed for many constitutional amendments based on multiple reform strategies. Centralization of government
control prevented rational decision-making at lower levels of government. In contrast, the Rose Revolution has attempted to introduce rationality in the reform process. The number of ministries was reduced, duplication of function was reduced and salaries were raised.

One of the first legal measures passed after the revolution was the new law: “On Structure, Authority, and Regulation of the Activities of the Government of Georgia.” Passed in February 2004, the law reduced the number of ministries from 18 to 15. Amendments to the law in June and December 2004 further reduced the number of ministries to 13 including the Ministries of Agriculture, Culture, Preservation of Monuments and Sport, Defense, Economic Development, Education and Science, Energy, Environment and Natural Resources, Finance, Foreign Affairs, Internal Affairs, Justice, Labor, Health and Social Security, and Refugees and Settlement. Streamlining the executive branch reduced the number of civil servants by 20 percent.

The reduction in the number of ministries was only the first step in creating a coherent bureaucracy. The government created the Public Service Council to coordinate public service reforms within the executive branch. The Public Service Bureau was given the authority to implement reforms approved by parliament and the president. These two bodies together provide crucial assistance in creating a unified, coherent public service system based on clear and precise structures.

One of the first results of streamlining the executive branch and cutting personnel levels was a budget surplus of nearly 15 percent ($142.5 million) for the first half of 2004. This was the first time Georgia’s budget was in the black since Georgia’s independence.

The government made great effort to legalize the shadow economy. Georgia at this time had one of the largest shadow economies in the world as a percentage of its overall economy. Reductions in the size of the illicit economy and in the possibilities for money laundering were accomplished by adopting, in 2004, the legislation: “On Support for Banning the Legalization of Illegal Incomes.” This law helped push 2.6 percent of the shadow economy into the legal economy in the first quarter of 2004 alone. The streamlining of the state bureaucracy and the reduction of the shadow economy brought about real, positive fiscal results in a short time period.

The second stage in improving public sector performance was to raise the salaries of remaining government workers. The government increased revenues and reduced expenditures, permitting significant salary increases for remaining state employees. For example, employees in the Chancellery received raises of between 140 and 200 percent, based on rank and period of service. Similar raises were given to employees of other ministries. These salary increases not only lifted morale among government employees, but also both enhanced government legitimacy and the possibility to implement successful anti-corruption measures.

Successful reform was implemented in the Ministry of Education through a combination of structural reform of the Ministry, reduction in superfluous
personnel, and effective anti-corruption measures. Fundamental changes were made in the organization of local and regional educational institutions. In a reversal of the reforms of the early 1990s, which created duplications of management structures outside of the capital, the government dramatically reduced staffing levels of local educational bureaucracies. The number of staff of the Ministry of Education declined from 7832 employees in 2003 to 1044 in 2004. Regional educational administrations gained more authority to implement government policy. Three laws provided the legislative framework for this dramatic reform. They included the law “On Higher Education” adopted in December 2004 and the laws “On the Licensing of Education and Pedagogic Enterprises” and “On General Education” which followed in March and April of 2005. In fact, by the middle of 2005 only 360 civil servants were left in the Ministry, less than 5 percent of the originally employed staff. Staff cuts appear to have increased efficiency while reducing costs. Furthermore, many analysts believe that dramatic reform has been achieved in the administration of Georgian education.

Among the most noted of the reforms associated with the overhaul of the educational bureaucracy was the reduction in corruption in the admissions process to institutions of higher learning. The new laws authorized the Georgian government to implement a unified nationwide entry examination for high-school students that governs admissions to all of Georgia’s institutions of higher learning. The reforms eliminated the individualized entrance exams of particular institutions that were prone to corruption. Among the most noted of the reforms associated with the overhaul of the educational bureaucracy was the reduction in corruption in the admissions process to institutions of higher learning. The new laws authorized the Georgian government to implement a unified nationwide entry examination for high-school students that governs admissions to all of Georgia’s institutions of higher learning. The reforms eliminated the individualized entrance exams of particular institutions that were prone to corruption. Among the most noted of the reforms associated with the overhaul of the educational bureaucracy was the reduction in corruption in the admissions process to institutions of higher learning. The new laws authorized the Georgian government to implement a unified nationwide entry examination for high-school students that governs admissions to all of Georgia’s institutions of higher learning. The reforms eliminated the individualized entrance exams of particular institutions that were prone to corruption.

Entrance to all of Georgia’s universities is now based on this new exam, reducing the possibility for corrupt deals between test-takers and university officials. Moreover, the stricter rules governing institutions of higher education established by the recent laws has resulted in 40 percent of Georgia’s institutions of higher education losing their accreditation. The dramatic changes brought by these reforms may have shocked Georgian society; however, the reduction in corruption and the higher admissions standards for institutions of higher learning show both the positive impact of these reforms and their necessity.

**Conclusion**

The reforms of the Saakashvili government have been very much affected by the legacy of the Soviet years and of the Shevardnadze period. The bureaucracy inherited by the present government is too inflexible and too large. It continues to undermine the economic and political reforms that the current government seeks to initiate.

Georgian public administration still retains the main characteristics of Soviet bureaucracy, including autocratic and vertical management, and weak horizontal links among organizations. The bureaucracy responds to the desires of the bureaucrats and the politicians rather than the needs of the state. Ministers retain authority to hire and dismiss personnel. Power is
centralized and not delegated to lower levels of the bureaucracy, creating inefficient implementation of government policy. Citizens use bribes and other forms of corruption to receive the services they need from the state.

The transitional period of the 1990s made the development of a more effective bureaucracy even more difficult to achieve. Bureaucratic growth in the number of personnel and the proliferation of administrative bodies during the Shevardnadze era contributed to the cumbersome and corrupt bureaucracy. The passage of incompatible and overlapping pieces of sub-legislation and regulatory acts made effective governance more difficult.

The Saakashvili administration has brought many highly trained youthful executives into higher levels of government. Without much senior administrative experience, they are facing enormous difficulties in transforming these antiquated and corrupt bureaucracies into modern, well-functioning institutions. The consequence of this is a low morale among many members of the state bureaucracy. Moreover, trust has not developed between the lower level bureaucrats and the newly appointed managers.

Significant reform has, however, been achieved in education, the collection of taxes and in the lower levels of the police. These positive changes in different sectors show that reform is possible. However, these are only the first of many steps needed to create a well-working, transparent, and honest bureaucracy that would allow Georgia’s economy to grow and its political reforms to be institutionalized.

Notes

1 The section “Analysis of Coordination within the Executive Branch” was performed with Dr Gela Grigolashvili; “Analysis of the Utilization of Budgetary Resources in the Executive Branch” was researched with Dr David Chelidze and L. Gigashvili; “Duplications in the Executive Branch and an Evaluation of Governmental Organizations” with Dr Kartlos Kipiani.


9 For example, on June 28, 2005 the chief of Tbilisi’s tax department and several of his officials were arrested for writing off a $1.5 million tax bill. See, Civil Georgia.

14 Presidential Decree No. 139, 2000.
3 Georgian organized crime

Louise Shelley

Introduction

Georgia’s Soviet-era crime has become global. The internationalization of Georgian crime occurred before the collapse of the USSR. In the 1970s, after Shevardnadze’s appointment as Secretary of the Communist Party of Georgia, he launched a campaign against “negative phenomena.” Many criminals were arrested but many more fled to Russia and other republics. They developed deep roots in their new communities while maintaining close ties with Georgia. The internationalization of Georgian crime also occurred through the emigration of tens of thousands of Georgian Jews to Israel. The process has accelerated since 1991 with the decline of state controls, the disappearance of Soviet-era border controls and the rise of civil conflicts within Georgia. Years of civil war and secessionist conflicts allowed crime groups to flourish outside of central state control. Moreover, the post-Soviet process of privatization proved conducive to the acquisition of key state assets by crime groups and their associates within state institutions, a phenomenon common to all the states of the former USSR, but especially acute in Georgia because of the political-criminal groups ruling the country. These destructive processes culminated in the anti-corruption “Rose” revolution of November 2003 and the profound governmental efforts to address the criminal elites and their ties to the state.

Law enforcement reforms have inadvertently contributed to the rise of organized crime as the ranks of Georgian organized crime have been replenished by some of the 16,000 police officers dismissed after the Rose Revolution. There are parallels with the Gorbachev years. During the final years of the Soviet Union, crime rates soared as hundreds of thousands of offenders were released from labor camps with no possibility of employment or financial support from the state. They returned to a life of crime as a means of survival. Something similar is occurring after the Rose Revolution because dismissed law enforcement personnel received no unemployment or social benefits. Some of the dismissed police personnel were highly corrupt and had close ties with crime groups. As Kupatadze, Siradze, and Mitagvaria discuss in Chapter 5, many former law enforcement personnel have found
employment in the private security sector—a sector that in the Soviet era became highly criminalized and risks evolving in the same direction in Georgia. Others have turned to overt criminal activity within Georgia and abroad. Belgian police have arrested former police personnel running a car smuggling operation, and Belgian and Georgian prosecutors are investigating at least 50 cases involving former law enforcement personnel. In spite of this new crime challenge to Georgian society, contemporary law enforcement personnel have limited training and capacity to investigate and root out crime with strong international ties.

The organized crime operating in Georgia today is not exclusively Georgian. Because of the institutionalized corruption of the Shevardnadze era, crime groups and terrorists found it possible to operate on Georgian territory. Although important strides have been made by the present Georgian government to improve law enforcement, the transit routes for many criminal groups still cross Georgia as a route towards the west and the Middle East. The discovery of recent cases of trafficking of nuclear materials across Georgia, emanating from Russia and being transferred by non-Georgians, reveals the seriousness of the crime threat to international security.

Historical development of Georgian organized crime

Georgia’s long tradition of organized crime pre-dates the Bolshevik revolution, when Georgia was the trade and transportation hub for the Caucasus and the southern part of the Russian empire. Stalin, as a young revolutionary, helped support his political activities by teaming with organized criminals of the region to raise money by robbing banks, extracting money from citizens and businesses and expropriating property. The nexus of political and organized criminals in Georgia had non-monetary functions as well. It facilitated the intimidation of rivals and the successful execution of terrorist acts. Stalin’s links with crime and terrorism are cited by such leading terrorism experts as Walter Laqueur as one of the first examples of the crime-terror nexus. The links between the revolutionary and the criminal world have often been overlooked because of many of Stalin’s criminal associates who rose to positions of responsibility in the Bolshevik Party after the revolution were eliminated, such as Ordzhonokidze. But these links between crime and terrorism that were observed a century ago endure in Georgia today, as will be discussed subsequently.

The pre-revolutionary underworld was transformed by the revolution just like all other sectors of society. Exploited by the Bolshevik revolutionaries, the criminal world developed a symbiotic relationship with the new state. Stalin’s accession to the party’s leadership propelled Caucasian crime groups closely associated with him to positions of power. Just as Georgians assumed key roles in the power structures of the Soviet state disproportionate to their representation in the population, so did Georgian criminals in the criminal world. At the close of the Soviet era, one-third of the
“thieves in law” (Russian: vory v zakone; Georgian: kanonieri qurdebi), the elite of professional criminals, were Georgian, whereas Georgians represented about 2 percent of the Soviet population.8

During the Soviet era, the professional criminals—the thieves-in-law—established rules to guide their conduct and way of life. A central rule of their “code” was that they would not cooperate with the state by participating in its institutions or serving in the military.9 But as the memoirs of political prisoners testify, the professional criminals helped serve the Soviet state during the Stalinist era by controlling the political prisoners.10 Therefore, despite their ideology of non-cooperation with the state, criminal groups were not as autonomous from the state as they believed. In fact, they were complicit in maintaining control in the labor camps, and in return were granted privileges and special status in the vast labor camp system.

With Stalin’s death and the lessening of totalitarian controls, organized crime reemerged as convicted criminals returned to Soviet society. Just as the Caucasian crime groups had exploited trade in the pre-revolutionary era, they became key figures in the Soviet illicit economy. But only in 1980, in closed Party meetings did the Soviet authorities finally acknowledge that they had an organized crime problem.11 As Rawlinson notes about organized crime in the Brezhnev era, “there was a formation of a direct alliance between organized crime groups as suppliers of commodities and services to the political elite and the patronage offered in return.”12

The criminal clans that emerged in Georgia in the 1970s consisted of professional criminals, members of the shadow economy, and corrupt officials at the highest levels of the republic’s government. Access to the international world in the closed society of the Soviet era was provided by the sportsmen who traveled and also by Jewish emigrants to Israel who had been significant actors in the Soviet Union’s shadow economy.13 The Georgian diaspora in Russia played a significant role in the illicit economy by ensuring deliveries to the thriving farmers’ markets, the provision of illicit goods and services and helping to establish links with officials.14 Georgians profited enormously by providing large quantities of citrus fruits and other agricultural commodities to Russian markets. Georgians also developed an extensive system of underground production, often by siphoning off raw materials from the official economy. The shadow economy of the Soviet era could not function without the cooperation of Party officials responsible for trade and manufacture.15 This underground economy was also exploited by the criminals, who by the late 1970s were extracting a percentage of its profits.16 Therefore, the criminals early on formed links with state officials contributing to a highly significant political-criminal nexus in Georgia.

This new crime structure, an amalgam of many different elements of Soviet society, differed from the hierarchical thieves-in-law whose code rejected all contact with the state and its institutions. This new form of organized crime, favored by much of Georgian organized crime, focused on rule evasion and exploitation of the state, requiring close relations with state
institutions. Georgian crime structures and its components spread throughout the different republics of the former USSR. They were key players in the flourishing and profitable second economy of the final decades of the Soviet state.

As the Communist Party began to acknowledge the corrosive impact of this vibrant second economy on its economic monopoly, the Party leadership instituted campaigns against leading actors in the second economy. Eduard Shevardnadze, who served as Minister of Interior and subsequently Party Secretary of Georgia from the late 1960s to early 1980s, achieved national recognition for his efforts to clean up the second economy and combat corruption in Georgia.17 This anti-crime and corruption campaign did more for the promotion of Shevardnadze’s career than the elimination of this deep-seated phenomenon in Georgian society. As a result of Shevardnadze’s crackdown, many important crime figures moved to Russia rather than face imprisonment, strengthening the existing Georgian criminal diaspora. In fact, the established Georgian criminal diaspora in Russia is, in part, a legacy of these anti-crime campaigns and helps explain the strong links that have long existed between Georgian and Russian criminals.

Djaba Ioselani, the leading Georgian crime boss, a thief-in-law with a long pedigree of confinement in various Soviet penal institutions, carried significant weight in the Soviet criminal world. In a meeting of major criminal bosses convened in Tbilisi on the eve of Brezhnev’s death in 1982, Ioselani proposed a new role for the criminals in the post-Brezhnev political transition—one based on the successful Georgian model of greater collaboration with the state and also on participation in underground private businesses.18 Many Russian thieves-in-law rejected this change in strategy as it threatened the core of their way of life and beliefs. In Georgia, at least, this conflict was resolved in favor of Ioselani’s proposal.

Ioselani’s career trajectory in the subsequent decades is highly significant in explaining the penetration of organized crime into the Georgian state. After Georgian independence, Zviad Gamsakhurdia assumed the presidency for a short and tumultuous period that ended in a coup d’etat against his government and violent conflict throughout Georgia. During this time period, Mkhedrioni, or armed gangs, terrorized the population.19 Ioselani was a key figure in leading these armed insurgents groups which were manned by many violent young men of good Tbilisi families.20 While many of these young men died, Ioselani survived the fighting. In the grab for power that followed the violent civil conflict, Ioselani assumed a key role in the post-Gamsakhurdia transition. He became a member of parliament from 1992 to 1995 and was one of the people who invited Eduard Shevardnadze back to Georgia as president. Ioselani subsequently became an important advisor to President Shevardnadze. As such, he and his key associates and former members in the Mkhedrioni acquired important stakes in the Georgian economy during privatization through insider relationships with government officials. Many of the significant contemporary real estate investments
in central Tbilisi and in the wholesale and retail trade are owned now by Ioselani’s associates.

At the time of his death, Ioselani had completely integrated himself into the political and economic elite of Georgian society. When he died in the summer of 2003, the Georgian patriarch buried him at the Sion Cathedral, and leading Georgian government officials including President Shevardnadze were at his funeral. Few in Georgia criticized the patriarch for burying a professional criminal but Russian television provided scenes of the funeral and described it as that of a leading “thief-in-law.”

The rise of Ioselani epitomized the unambiguous merger of the criminal and the political world in Georgia prior to the Rose Revolution. Ioselani’s rise to political power facilitated the criminalization of the state and the destruction of the economy.

Explaining Georgian organized crime

The historical pre-conditions leading to the rise of the Sicilian mafia, identified by many specialists, also existed in Georgia. They may also help explain the entrenchment and endurance of organized crime in Georgia and the reasons that Georgian organized crime differs significantly from Russian. Russia lacks the family- and clan-based crime of Sicily or Georgia. Russia was always a conquering rather than a conquered state. Russian professional criminal groups were formed based on criminal interests rather than on family- and clan-based structures as in Georgia.

Many of the explanations for the rise of the mafia in Sicily can also be applied to Georgia. Like Sicily, Georgia over the centuries was constantly invaded by greater powers in the region and never had periods of self-governance. The Georgian princes, like the Sicilian nobility, owned extensive lands in the countryside but were often absent or inattentive landowners. In Sicily, commerce was dominated by a business elite that descended from Arab and Jewish traders who came to Sicily centuries earlier but never could acquire land. Similarly, trade in Tbilisi was dominated by Armenians not tied to the land. As in Sicily, Georgia did not have a well-developed civil society. In both Sicily and Georgia at the end of the 19th century and beginning of the 20th, there was a strong rebellious movement against the central state authority. In Sicily, this was more rural based whereas in Georgia, it was urban centered. In Sicily, as in Georgia, there was an elite that was not responsible for its governance and a country accustomed to accommodation to its conquerors. In Georgia, as in Sicily, loyalty was to the extended family rather than to any central state or authority. A culture in Sicily developed in which it was considered laudable to be “furbo,” or cunning; a similar mentality prevailed among Georgians.

The explanations of Sicilian organized crime as mediators in the absence of an effective state and the subsequent extension of this concept to Russia do not seem to have much explanatory force in Georgia. Georgian organized
crime was more concerned with profiting from the high consumer demand created by a non-functioning central economy than in mediating conflicts. Within their extensive illicit business operations, they might regulate relations among competitors, but there was much greater profit to be made in the second economy than as mediators.

The impact of Georgian organized crime

Georgian criminals performed an important service function in the overly regulated Soviet state: they effectively circumvented regulation to run an illicit economy that satisfied an unmet consumer demand. Their impact is, however, quite negative when they are key players in an official, legitimate economy. The criminals’ interests lie in the extraction of goods and benefits from the state, rather than on the building of a viable economic system. As a new state, Georgia has to develop its economy, but the combined impact of the high levels of organized crime and corruption has been to deter almost all foreign investment and to strip assets from once-functioning enterprises. Georgia’s economic collapse after the disintegration of the USSR is explained not only by the loss of Russian markets but also by pervasive corruption and by the central role that Georgia’s criminals have had on post-independence economic development.

Analyses of Georgia’s economic, political and social problems focus primarily on the impact of corruption on Georgia. The problem of organized crime is often overshadowed by the pervasive corruption.

Georgia’s organized criminals survived the Stalinist purges, criminal crackdowns and exile. Criminals have flourished in Georgian society where rule evasion is valued over legal compliance. Just as the purges of the Stalinist era were run by Georgians of extraordinary cruelty, Georgian criminals have survived in a competitive environment because of their violence, their absence of restraint against their enemies and their neutralization of the justice system. Their efforts to recast themselves as “legitimate” businessmen are only a veneer because behind this lies pervasive corruption and control of markets achieved through the deployment of violence.

Compounding the organized crime problem in Georgia were the civil war in the early 1990s and the prolonged secessionist conflicts, both of which permitted criminal actors to flourish outside state control. Georgia, lying directly south of the North Caucasus, one of the most unstable regions in the world, has provided a service function for the conflicts to the north, particularly in Chechnya. The Pankisi Gorge in northeastern Georgia once housed terrorist training camps and Chechen insurgents crossed Georgia in the Shevardnadze era having made pay-offs to the Minister of Interior.26

The consequences of this high level of organized crime and corruption are significant in both political and economic terms. The crime problem continues to pose a continuing threat to national, regional and international security. The passage of massive contraband through Georgia and the
separatist regions, the enduring links between crime and terrorism both domestically and internationally and the close links between the criminals and the state represent diverse security threats. Moreover, the extent and depth of the crime problem undermines legitimate foreign investment. Investors are limited only to those capable of functioning in a highly criminalized and corrupt state. Therefore, Georgia sells off its assets at uncompetitive rates and loses control of its economy to Russian investors, thereby reducing its political and economic independence. The key roles that Georgian criminals continue to assume in the contemporary Georgian economy, however, compound the challenges presented by this highly corrupted economy. As key players in some of the most important sectors of the Georgian economy—hotels, restaurants, retail trade—they drive out potential investors who cannot compete against those who use criminal tactics to protect their financial investments.

At the end of 2004, the citizens rose up against the corrupted system and President Shevardnadze’s falsification of the electoral process in the so-called “Rose Revolution.” This revolution brought in a new government under President Saakashvili that has made legal reform a top priority.

**Contemporary Georgian organized crime**

The structure of Georgian organized crime is very different from that of Slavic crime groups. Slavic crime groups are not based on family or clan ties as in Georgia. The associations of many Slavic crime groups is based on common experiences as athletes, military personnel in the Afghan war, or criminals who served in labor camps together. Georgian crime groups are, however, often based on kinship networks. Even today, Georgian crime groups are often specific to a particular region or consist exclusively of one of the numerous ethnic groups that inhabit the different regions of Georgia. For example, recent arrests of Georgian organized criminals in Spain revealed that they were controlled by a criminal leader, Tariel Oniani, originally from the epicenter of Georgian organized crime, Kutaisi, the second city of Georgia. The crime group that functioned in Spain, that will be discussed more fully later, had a very significant proportion of Svans, a group of West Georgian highlanders, as Oniani is himself a Svan.

Traditional Georgian organized crime was hierarchical with a leader such as Ioselani and group members in strict subordination. Ioselani, imprisoned for many years in Soviet labor camps, transmitted a criminal culture rooted in the camps. Today Georgian organized crime is no longer tied to the Soviet labor camp experience and has become less traditional. No longer strictly hierarchical, it often consists of multi-national networks. Therefore, some of Georgian organized crime has evolved from its traditional mafia-like structures and has cells in many different countries as well as diverse regions of the former USSR. Georgian thieves-in-law have been identified in Chelyabinsk on the Kazakh border, in Siberia and in Spain and Belgium.
While many of Georgia's most serious professional criminals have left for greener pastures in Russia and Western Europe, they still maintain close ties to their family, homeland and clan associations. Therefore, although the locus of Georgia's major organized criminals is now outside their country, they are facilitators of major international smuggling, money laundering and other forms of illicit activity. The ties of certain groups to their home base in Kutaisi have been facilitated by the infiltration of members of the criminal elite into the local government and by the long-term failure of Georgian law enforcement to uproot organized crime infiltration of the state. The state capture by criminals continues there even after the Rose Revolution. Under these circumstances, it is hardly surprising that equipment provided by the U.S. government to safeguard against bio-terrorist chemicals was stolen shortly after installation in Kutaisi.31 A Georgian brothel keeper who was interviewed by the author in Antalya, a major resort city in Southern Turkey, had traveled for the past decade between Kutaisi, Georgia and Antalya, Turkey. Therefore, although the most serious criminals may lie outside Georgian territory, the crime's impact is felt both in Georgia and abroad. The severity of this crime undermines the international financial system through massive money laundering and international security through the smuggling of radioactive materials across Georgia.32

The structure of Georgian organized crime

At present, three stages of organized crime development exist simultaneously in Georgia. All of them are international, but they have different relationships to the state and the global economy. First, there is traditional organized crime, most hierarchical in nature and linked to the traditional world of thieves-in-law. The most traditional crime groups need the state because they are parasites on its institutions. They exist in the legitimate and illegitimate economies both in Georgia and abroad. Second, globalized organized crime is dependent on the weakness of the Georgian state, and its safe haven in Georgia exploits the international financial system. For example, these groups benefited from the collapse of the USSR, providing services such as money laundering for international crime actors. The third group exists primarily in the conflict zones and represents the close and often indistinguishable relationship between organized crime and terrorism.

There are some links between these different stages of organized crime in Georgia. For example, some of the organized crime groups active in the Tbilisi economy have emerged from the Mkhedrioni, the armed guerilla groups of the early post-Soviet period, as have some of the groups in the separatist regions. But these types of organized crime are largely distinct, consisting of different criminal actors, spheres of economic activity and even geographic regions of the country. Each has a distinct relationship to the state and the economy.
Traditional organized crime in Georgia

Georgia presently contains several kinds of traditional organized crime. Parts of this traditional criminality have much in common with the Sicilian mafia in structure, organization, recruitment and rules of conduct. These traditional forms of organized crime, like the Sicilian mafia, have deep roots in Georgian society—they are the thieves-in-law and the crime groups formed out of the Party structures. There are also athletes who represent the brawn of Georgian organized crime.

The “traditional crime groups” no longer follow the traditional rules of the thieves-in-law, although many of these thieves are central parts of these organizations. Their culture is not based on the labor camps of the former Soviet Union. Furthermore, they strive to appear as “legitimate” businessmen. But behind this veneer of legitimate business lies pervasive corruption and control of markets achieved through the deployment of violence.

These crime groups, by corrupting and penetrating the state, have a long-term collusive relationship with the government and its officials. As in Italy or Colombia, the Georgian crime groups have expended significant amounts of human and financial capital to influence the state. They may contribute to political campaigns or run candidates for office, as has happened in Georgian parliamentary elections or in the Kutaisi city government. They have informants at high levels of the state structures. This symbiotic relationship, which has proved valuable to the rise of traditional crime groups in other countries, has also proved beneficial in Georgia. Just as Italian and Japanese organized crime groups have benefited enormously from the post-war recoveries of their countries, Georgian crime groups benefited from the greater stability in the post-conflict years of the early 1990s. They profited from valuable municipal and public construction contracts and privatization possibly as much as from their illegal activities. The preservation of the state is therefore of paramount importance to them because they are parasites on the state’s economy and financial institutions.

The thieves-in-law and the crime groups that emerged from the structures of the dissolved Communist Party function as criminal organizations. Their spheres of activity are similar to those of mafia-type organizations observed in Italy or among the Cosa Nostra in the United States. Both the professional thieves and the Party-based criminal groups are hierarchical in organization with a top down leadership and strict subordination by lower-ranking members. The professional criminals, however, have established procedures for recruitment and have rules of conduct. Tattoos reveal the history of a member’s involvement with the crime group. Like a traditional mafia-type organization, they exercise control over territory.

It may seem ironic to couple the crime groups emergent from the Party structures with those that derived from the criminal underworld. The Communist Party structures, after years of absolute rule were, however, not only corrupted but highly criminalized. The history of collusion, especially
strong in Georgia, between the thieves-in-law and the Soviet state helps explain the similarities in conduct. After years “of dirty togetherness,” a phrase initiated by Adam Podgorecki to describe the Polish Communist elite, this “criminal togetherness within the ruling stratum often made the officials little different from the criminals.” The impact of this on the hijacking of the privatization process in Poland is clearly discussed in Privatizing the Police State, and it has enormous applicability to the Georgian experience.

What differentiates the vory v zakone from the Communist Party crime groups are their spheres of economic activity. Vory v zakone function in both the legitimate economy as well as in traditional spheres of organized crime—gambling, prostitution, and extortion. The criminals emergent from the Communist Party structures only infiltrated the legitimate economy, the later stage of mafia development. Just as mob bosses in New York control garbage collection—like fictional mob boss, Tony Soprano—in Tbilisi Georgian organized criminals based in the Communist Party too have moved into garbage collection.

The Communist Party crime groups of Tbilisi entered into the garbage business in the same way as their New York counterparts. When New York City privatized its function of garbage collection without safeguards over who acquired the contracts, organized crime entered this sphere of legitimate business. Through collusion, intimidation and overt violence, different mafia families controlled different territories in New York. They maintained their control over garbage collection for decades until Mayor Giuliani mounted a major campaign against their monopoly. In Tbilisi, in the early 1990s, former Party officials grouped themselves into private companies. During the privatization of Tbilisi’s municipal garbage collection, they acquired lucrative contracts. Like mafia-controlled garbage companies in New York, these companies control different territories of the city and each company does not intrude on the other’s territory. They use violence and intimidation to maintain their control and deter any potential competitors. Like the garbage mafia of Italy, they have no safe mechanisms for the disposal of hazardous waste. Some of this waste is consumed by the pigs that are subsequently sold in Tbilisi’s markets. This organized crime may be the most territorially based of any presently operating in Georgia and does not appear to have international elements.

In contrast, the thieves-in-law have expanded beyond the territory of Georgia, although their international criminal activity remains primarily in the illicit sector. The recent arrests of Georgian criminals operating under the thief-in-law, Oniani, reveal their investment in the construction and hotel sectors in Spain.

This internationalized Georgian organized crime has the possibility of destabilizing Georgian society. At the very end of June 2005, there were serious riots in the center of Tbilisi. These were the result of the politicization of criminal activity combined with the activities of counter-revolutionary forces in Georgian society. The riots were initiated when the Georgian government
arrested three world-class Georgian athletes. The police claimed the three athletes had attempted to extort $8000 from a Greek businessman in Tbilisi. The perpetrators strongly denied these charges. Their friends and relatives destroyed the court house after the judge upheld the decision to detain the wrestlers and shortly after there was a violent confrontation on the central Rustaveli Avenue in Tbilisi by their supporters. The protest action was supported by several hundred citizens and opposition politicians. The OMON, the specialized riot police, were deployed for the first time since the Rose Revolution to control the violence.40

Badri Patarkashvili, the exiled Russian oligarch, who supports the international sports organization to which the wrestlers belong, intervened in the court system. But the legal authorities decided to detain these prominent athletes because they are part of an organized crime group headed by the previously mentioned, influential thief-in-law, Tariel Oniani. These wrestlers also allegedly have ties with Shevardnadze-era policemen, such as Davit Kachkachishvili, the former head of the Anti-corruption Unit of the Ministry of Interior who was dismissed after the Rose Revolution. These athletes' main activities included extortion, robbery, kidnapping, racketeering, and trafficking stolen cars from Europe to Georgia.41 Only the strong intervention by the Georgian state prevented this criminal activity from further destabilizing the political situation.

Efforts to crack down on the thieves-in-law in Georgian prisons in late 2005 and early 2006 led to riots and political instability. Violence in the prisons had ripple effects on the political process. According to Bacho Akhalaia, the chief of the Prison Administration, inmates called their political protectors in the parliament during the crackdowns.42

Globalized organized crime

The end of the Cold War and the rise of globalization have concurrently contributed to the growth of new transnational crime groups. Post-Soviet groups have become important beneficiaries of this process. Georgian groups, based in a weak state, grew unimpeded until the Saakashvili government emphasized international cooperation in law enforcement. Whereas state intervention in countries with stronger governments has slowed the growth of the mafia in Italy and the United States and the yakuza in Japan, there was nothing previously in Georgia to impede their growth or their contact with transnational criminals.43

Recent investigations by law enforcement since the Rose Revolution have exposed some of the large-scale international organized crime activity supported by criminals in Georgia. Recent arrests in Belgium revealed the links of Georgian and Lithuanian crime groups.44 There is also much cooperation between Russian and Georgian crime groups. Georgian criminals have maintained strong ties in Moscow particularly in the areas of casinos and nightclubs where Georgians are significant investors. Evidence of extensive
ties between Russian-speaking organized crime and Georgians is provided by the Gamma Bank Case, a case prosecuted by Georgian authorities.

The Gamma Bank Case involved one billion dollars of dirty money laundered through a single bank in Tbilisi that had only a few personnel. The arrest and prosecution of the officials and personnel of this bank represents one of the most significant cases of money laundering ever successfully pursued. The movement of so much in illicit funds through the Gamma Bank demonstrates that, contrary to many western analyses of money laundering, it is possible to have a bank that exists almost exclusively to launder dirty money. The Gamma Bank was not run by traditional organized crime but was instead run by a high level official of the Shevardnadze era with close ties to Moscow.

In the 1990s over 200 banks operated in Georgia. This was an excessive number in a country where the economy had contracted dramatically, citizens had little to invest and 70 percent of the total economy was in the shadows. There was no need and no capital to run more than a few banks. The Gamma Bank represented possibly the most egregious example of money laundering in the country. Yet it was only one of many such institutions that laundered funds for international criminals.

After the Rose Revolution and in response to the Financial Action Task Force, Georgia established a financial intelligence unit under the Central Bank. This unit along with the General Prosecutor’s Office investigated and prosecuted the officials of the Gamma Bank. Seizing the records of the Gamma Bank, investigators plotted the movement of a billion dollars through this small bank which had approximately a dozen employees. The money laundered through the Gamma Bank was linked to many of the most important cases of post-Soviet organized crime and many of its leaders.

On the basis of this investigation, Georgia initiated a prosecution of Gamma Bank personnel, but other international investigations were also initiated. The case illustrates the very significant service functions provided by Georgian organized crime to the larger world of post-Soviet criminals. Moreover, it shows that a small number of individuals in the financial intelligence unit and in the prosecutor’s office can disrupt transnational crime and reveal its international links.

The international nature of Georgian organized crime was also revealed by the Spanish criminal investigation “Operation Wasp” that involved 400 police officers. “Operation Wasp” resulted in the arrest of 28 individuals from the former Soviet Union, many of them Georgians. Eight hundred bank accounts were frozen; large amounts of cash and arms were confiscated. Georgian organized crime was active in the Costa del Sol and laundered significant sums of money into Spanish real estate, hotels and farms.

This crime group, headed by the criminal leader, Tariel Oniani, moved to Spain in the late 1990s. There, Oniani founded several construction companies and employed hundreds of Georgian illegal immigrants. The crime ring was broken up with cooperation from Georgian law enforcement. But
the major crime boss, Oniani, escaped apprehension and is reportedly residing in Russia. His informants within Georgian law enforcement apparently tipped him off to his imminent arrest by the Spanish authorities. He is now believed to be hiding in Moscow.51

Another major Georgian organized crime network has been identified by the Viennese police. Many Georgian organized criminal groups there specialize in burglaries and theft of items sought by consumers in Tbilisi such as clothing and medicine. These stolen items are often taken to Tbilisi and sold on the black market.52 The arrests of Georgians by the Viennese police point to their ability to identify part of the networks.

A well-organized post-Soviet crime network that operates in Belgium is dominated by Georgians. According to Belgian police representatives, the network has matured to become a serious problem for the state’s law enforcers. Georgian organized crime groups now constitute a more serious problem than their Albanian counterparts. Seven Georgians were detained in Belgium for running a car theft ring. One of those arrested was a thief-in-law and had existing connections with other leading members of the criminal world. These groups are also deeply implicated in the large-scale smuggling of Subutex (a medicinal drug substitute like methadone) to Georgia, which has resulted in a very serious problem of addiction in this small country.53

Crime-terror relationship

The crime-terror nexus exists particularly in the separatist regions of Georgia but is not confined exclusively to these territories. A participant observer in western European prisons has noted the service function provided by Georgian organized criminals to imprisoned terrorists such as providing them fraudulent documents, a specialty of Georgian organized crime groups abroad.54 Foreign terrorists are no longer being trained in the Pankisi Gorge on Georgian territory, but other terrorist threats remain in Georgia. Georgia, historically a center of trade and at a crucial point between Russia and the Middle East, has served as an important transit route for radioactive and nuclear materials.55

The crime-terror links are of greatest concern in the separatist regions through which the nuclear materials pass. There are important reasons why crime groups in Ossetia and Abkhazia share common interests with terrorists. These criminals have no interest in the endurance of the state; rather, their profits are made by destabilizing the state and its structures. Both criminals and terrorists exploit the porous borders and uncontrolled territory of the region.56 The terrorist-transnational crime relationship extends beyond a marriage of convenience that generates profits or provides logistics. It goes to the very heart of the relationship between the crime groups and the state. Georgia’s crime groups from the conflict regions, like other new transnational crime groups, thrive in environments where there have been long-term conflicts.57 These conflicts have often destroyed both families and well-established
communities. Consequently, crime groups function differently within these societies. The violence in which they have lived has brutalized the participants, breaking down norms and values of the community. They are not as concerned about the preservation of their communities as of their established crime groups. In the Balkans, Kosovar Albanian organized crime groups traffic women from their own community into the brothels of western Europe. Similarly, crime groups in the Caucasus region traffic in arms and drugs, leading to a proliferation of drug abuse and violence in their region. Furthermore, their lack of scrutiny of the arms and nuclear materials that pass through their borders allows for the nexus with terrorists.58

The impact of the Rose Revolution

The Rose Revolution has improved the Georgian state’s capacity to fight domestic and international organized crime. The successful Gamma Bank prosecution and the arrests of dozens of Georgian organized criminals in Spain and Belgium have been facilitated by the political will of the Georgian state and justice system reform. Information sharing with foreign governments, determined and honest prosecutors in high-level positions and improved investigative capacity have facilitated concrete action against organized crime. Disrupting crime even in a small country like Georgia has a positive global impact because many elements of international organized crime are linked.

The new government has made significant efforts to crack down on the thieves-in-law. A special law was passed in 2005 that targets organized crime. It criminalizes the status of being a thief-in-law and allows confiscation of assets.59 Since the passage of this law, the number of incarcerated elite criminals has increased dramatically. According to the head of the prison system, in mid-2006, there are 37 thieves-in-law in Georgian prisons.60

High-level corruption within Georgia, however, impedes the full effectiveness of international investigations. Foreign investigators, knowing that their investigations have been compromised by high-level informants within Georgian law enforcement organizations, are reluctant to share information with their Georgian counterparts.

Sixteen thousand law enforcement personnel were removed from Georgian law enforcement after the Rose Revolution. This decisive step broke the institutionalized bonds between the law enforcement personnel and the criminals at the operational level.61 The absence of a social safety net or job retraining for alternative employment for dismissed personnel, as the Introduction and Chapter 5 indicate, resulted in the replenishment of the ranks of organized crime with experienced, criminalized former law enforcement personnel. The arrest of a dismissed police officer in Belgium is indicative of the international aspects of this problem.

Anticipating increased political will to crack down on their activities, many criminals emigrated after the Rose Revolution. The network of serious
Georgian criminals now extend across Russia, into western Europe, and as far as South America. As the documents seized in the prison searches in December 2005 indicate, these criminals maintain daily contact. Many Georgian criminals have been arrested overseas, often as a result of cooperation with the Georgian government. But the internationalization of Georgian crime, exacerbated by the Rose Revolution, remains a challenge both for Georgia and other countries.

Partial reforms have exacerbated the crime situation domestically. Trafficking in humans, large-scale cross-border smuggling and increased street crime undermine social order, and to the Georgian population symbolize the difficulty of maintaining order. The new police lack sufficient expertise to dismantle the serious smuggling in border regions, the mafia that controls garbage collection in Tbilisi or the ongoing smuggling and trafficking in human beings. In 2006, severe tensions developed between the citizenry and the police as high-level police personnel were implicated in the murder of Sandro Girgvliani. Public protests over the relatively short sentences imposed on his killers have galvanized the opposition, NGOs and friends and family of the murdered young man. President Saakashvili has discounted the strong criticism of the police and the Minister of Interior. As a result, only the patrol police maintain a positive image among the population.

Conclusion

Corruption alone is not the only impediment to a healthy and viable Georgian economy. Georgian organized crime, which many associate with the Soviet past, has not disappeared but has instead been transformed by the tumultuous and traumatic period of independence. Georgian thieves-in-law, by abandoning their central tenet of autonomy from the state before the end of the Soviet period, were major beneficiaries of one of the greatest property redistributions in history. Their pivotal role in privatization and in business achieved and sustained through their criminal-political links, have made them powerful economic and political actors in contemporary Georgia. They are not a counterbalancing force to the state, as is civil society, nor are they interested in the rise of democracy in Georgia. Rather, crime groups are major obstacles to the rise of civil society, democracy, and free markets.

The theory of state capture was developed to explain the nature of governance in highly corrupt states. But the capture in Georgia is not only by corrupt officials but also by organized criminals. The consequences are very negative for the economy and the quality of life. Whereas the problem of the criminalization of the state is most acute in the separatist regions, it is not exclusively located there. Members of parliament and high-level state bureaucrats protect criminals.

The current situation is significantly better than in the Shevardnadze era when the criminals were key political advisors, such as Ioselani. No longer is the Minister of Interior receiving payoffs from criminals and terrorists to
provide safe escort across Georgian territory.65 But the legacy of the Soviet era provides an enormous challenge to post-Rose Revolution Georgia.

Georgia, by possessing all three stages of organized crime development—traditional, globalized and crime-terror networks—faces formidable challenges to its state security and economic development. As the Gamma Case and the smuggling of radioactive material through Georgia indicate, its crime problems have security implications that far transcend its borders. Georgia’s future viability may be decided, in part, by its capacity to deal with its organized crime problem. As the events of summer 2005 and the prison riots of winter 2006 indicate, the crime groups have the capacity to destabilize the state, undermining citizen faith in the political system. Furthermore, organized crime, as a key actor in the Georgian economy, deters legitimate investors. Honest capital cannot compete in an environment where violence is a prime tool of business competition.

Notes
2 Kupatatde, A. (2005) Smuggling in, from, and to Georgia: Threats to Europe. 5th Annual Conference of the European Society of Criminology, 31 August–3 September 2005, Cracow, Poland.
4 After the Bolsheviks came to power in 1917, Stalin was accused of banditry and armed robbery carried out before the revolution. Martov accused Stalin of committing armed robbery on the boat Nicholas I in 1908 and other crimes, for which he was expelled from the ranks of the Social Democrats. The trial of Martov is presented in “Delo Martova,” Ranee Utro, 6 April 1918.

14 In the early 1980s, the author conducted interviews with émigré lawyers in Israel and the United States. Interviews with Georgian lawyers in Israel, now housed in the archives of American University, discuss the role of the diaspora community and Georgians who traveled to Russia to ease relations with government officials or buy their relatives out of the legal system.


17 Vaksberg, p. 53, suggests that Shevardnadze was motivated by ambition as well as hatred of corruption. But his subsequent behavior in the 1990s suggests this was not the case. For a discussion of this stage of his career, see Melvin A. Goodman (2004) “The Shevardnadze Paradox.” *The New Leader* March 2004, p. 13.


20 In a recent visit to Likani, an elite preserve of the Soviet era near Borjomi that contains a Romanov palace, an explanation was provided to the author as to why the Romanov palace was not gutted during this war. The administrator of Likani was named Ioselani and out of deference to what must have been a kinsman, Djaba Ioselani did not attack the complex or the palace.

21 The author observed the funeral from the next block.


23 Humphrey (1999).


30 Ibid.

31 Information provided to the author by a U.S. government official in 2005.

41 Based on the data of Special-Operative Department of the Ministry of Interior, July 2, 2005.
42 Interview by the author with the head of the prison administration, Bacho Akhalaia in Tbilisi, Georgia, January 2006.
50 Akhali Versia (newspaper), June 23, 2005. Tbilisi, Georgia.


Kupatadze, A. (2005) Smuggling in, from, and to Georgia: Threats to Europe. 5th Annual Conference of the European Society of Criminology, 31 August–3 September 2005, Cracow, Poland.


Statement by B. Akhalaia, Head of Penitentiary system, Ministry of Justice at a public discussion on June 14, 2006.


Interview with B. Akhalaia, January 2006.


Smuggling in Abkhazia and the Tskhinvali region in 2003–2004

Alexandre Kukhianidze,
Alexander Kupatadze and
Roman Gotsiridze

Introduction

Following civil conflict in the 1990s and the ensuing loss of territorial control, the Georgian government saw contraband trade rise dramatically. This contraband trade posed a threat to the country’s tax revenue system, security, and sovereignty. It fostered corruption, created powerful criminal clans, and provided an incentive for collusion among the criminal world, Georgian officials at the national, regional and local levels and law enforcement officials. The profits of the contraband trade helped perpetuate the regional conflicts. This chapter examines smuggling in Abkhazia and the Tskhinvali regions in the year preceding the Rose Revolution, the challenges it provided to Georgian security, and the initial attempts of the post-Rose Revolution government to secure Georgia’s borders.

In the years following Georgia’s independence from the Soviet Union in 1991, the security of its land and coastal borders became a vital issue because of secessionist movements in South Ossetia (the Tskhinvali Region) and Abkhazia. Armed civil conflicts took place in South Ossetia in 1991–2 and in Abkhazia in 1992–3. Both of these secessionist territories border Russia: Abkhazia’s border with Russia is 197 km long (with 200 km of coastline border on the Black Sea), and landlocked South Ossetia shares a 66 km border with Russia (see Map 4.1). With Russia’s military support, separatists in both regions have won wars and are de facto independent, while remaining de jure parts of Georgia. As these regions now fall outside the jurisdiction of the central Georgian government, the country’s borders are uncontrolled. Contraband trade through Abkhazia and South Ossetia is an especially crucial problem in Georgia because it is closely connected to the broader problems of separatism, unresolved armed conflicts, violence in these regions, and border security.

These self-proclaimed autonomous republics have high concentrations of weapons among the population, and most particularly among criminals. Smugglers operate throughout Abkhazia and South Ossetia. The regions are rife with assassinations, kidnappings, hostage takings, and numerous other serious crimes. Crime prevention is compromised by the inability of
the Georgian and secessionist governments to agree on the political status of these territories, and therefore to enact law enforcement programs, legislative measures and/or policies to address crime.

The resolution of these problems is aggravated by a range of geopolitical issues, including Russia’s intention to use the Abkhaz and South Ossetian separatism to put political pressure on Georgia to cease its westward orientation. Georgia’s close cooperation with both the United States and NATO has aggravated Russia. Both the Georgian population and the Georgian government believe that Russia continues to support separatism in Abkhazia and South Ossetia by economically integrating these territories, a move Georgia terms “creeping annexation.”

During the war years and in the post-conflict period, neither Georgians nor Abkhazians perceived Russia as a neutral mediator. Most Georgians believe Russia fought against them in Abkhazia. Sergei Shamba, de facto Foreign Minister of Abkhazia, stated that, for all intent and purposes, Abkhazia is a protectorate of Russia. More than 10 years of Russian-led mediation of the conflict in Abkhazia has failed to ameliorate the deadlocked situation. Even the most effective mediation efforts cannot result in full success without the cooperation of local political clans. It is not, however, always in the best interest of clans to contribute to the success of mediation efforts. Unresolved conflicts provide fertile ground for clans to retain power and amass wealth. These conflicts limit democracy-building initiatives, lead to militarism, and/or revenge campaigns.

In the case of Abkhazia, criminal-political clans have formed on both sides of the conflict. These clans use power for personal enrichment and capitalize on corrupt law enforcement structures. These corrupt law enforcement officials do not have open and direct contact with their counterparts on the other side of the cease-fire line (CFL), but they actively use representatives
of the criminal world as “mediators.” In the case of South Ossetia, law enforcement officials from both sides are involved in collaborative criminal activity. The newspaper Rezonansi quotes Eduard Kokoity, de facto President of South Ossetia, discussing ministers he dismissed for conducting criminal activities with Georgian law enforcement officials. In recent years, efficient smuggling networks have formed in South Ossetia, which are comprised of corrupt officials, law enforcement agencies, criminal groups, Russian peacekeepers, and socially vulnerable persons (the poor, IDPs (internally displaced persons), refugees, and persons living in the conflict zones).

Overview of the political-economic landscape in Abkhazia and South Ossetia

Abkhazia

Abkhazia is located in northwest Georgia. Its area is 8700 km² (3360 square miles), and represents 12.5 percent of Georgia’s entire territory. According to the 1989 census, the population of Abkhazia was 525,000, 9.7 percent of Georgia’s total population. The UN estimates that the demographic structure changed substantially after the 1992–3 conflict, with a population today of only 180,000.

Following the collapse of the Soviet Union and the Abkhaz civil war, the economy of Abkhazia fell into deep crisis. GDP was approximately $70–80 million dollars ($350 per capita annually) in the early 2000s, compared with $692.5 million in 1988 ($1300 per capita). The minimum monthly salary was $17 and the minimum pension was $2. The budget of Abkhazia is very small and the social safety net has all but disappeared. In 2001, its official revenue amounted to $7.2 million, and expenditures per capita were $30, an inadequate level to maintain a decent standard of living for the Abkhazian population. Additionally, the de facto government of Abkhazia was in arrears to the employees of its Ministries of Health Protection and Education, Defense and Internal Affairs. The population, plagued by unpaid wages and massive unemployment following the collapse of industry, agriculture and tourism, survived on subsistence farming and international humanitarian aid.

Spending patterns of the de facto government of Abkhazia have not reflected a commitment to social and economic development. Abkhazia spends a significant part of its revenue on the military. Military expenditures comprised 15.8 percent of total budget expenditures in 2001, while expenditures on social security and pension funds amounted to only 0.97 percent of overall spending.

The official means of payment in Abkhazia is the Russian ruble. Fifteen commercial banks operate in Abkhazia. Deposits held by the population are minimal; the lion’s share of deposits is held by foreign sources, the bulk of whom are Russian. Trade in Abkhazia is conducted mainly in cash or by barter, thus hindering the establishment of long-term businesses.
In the Soviet Union, agriculture was a key sector of Abkhazia’s economy. Tea, citrus, timber, and other labor-intensive perennial crops occupied 40 percent of the arable land, but with the collapse of the Soviet Union came the end of Georgia’s monopoly on subtropical products and, therefore, Abkhazia’s contribution as well. Moreover, the war destroyed much of Abkhazia’s agricultural infrastructure. Currently, the export of traditional products, such as citrus, tobacco, and tea, is only 10 percent of the 1989 level. Trade restrictions on Abkhazia in effect since 1996 have created further obstacles, although legal and illegal export of products to Russia and Turkey still occurs. In 2001, the entire volume of the citrus crop (4.5 thousand metric tons) in Abkhazia was exported to Russia. Recent trends also show that there has been a revival in timber production, one of the main export items of the de facto government. The lack of control over logging and other aspects of timber production, however, is a serious ecological threat to the region.

Tourism was one of the most important sources of income and employment in Abkhazia. The tourism facilities were badly damaged during the war and its aftermath, though in comparison with other sectors of economy, the recreational industry is in better condition. Tour tickets sold in 2001 constituted only 3 percent of pre-war annual ticket sales although the number of visitors has increased since then. Visitors are mainly Russian citizens, among them family members of peacekeeping forces and Gudauta military base personnel.

The vast majority of factories in Abkhazia are no longer functioning. The transport system of Abkhazia was severely impacted by the conflict. Roads and bridges badly damaged during the war still await repair. Abkhazia has four functioning ports: Ochamchire, Gagra, Gudauta and Sukhumi. The Sukhumi port is most important for the Abkhaz economy due to its capacity to accommodate large vessels. The main airport is located near Sukhumi, in Gulripshi. The airport is well equipped and can handle cargo flights as well, although it does not at present. There is another airport in Gudauta, which is the Russian military base. Russia has officially declared it closed, though international and Georgian military observers have never been able to verify this. As a result of the conflict, railway transport has been curtailed. Despite repair work, the movement of heavy freight is impossible, though passenger trains and small freight trains still move from Sukhumi and Ochamchire to Sochi and Moscow in Russia. The railroad between Ochamchire and Zugdidi no longer exists.

Foreign trade is subjected to restrictions. Commonwealth of Independent States (CIS) leaders decided on January 19, 1996 to limit economic cooperation with the separatist government of Abkhazia. Under the economic sanctions imposed, only the import of food products, medical supplies, and similar goods is allowed. For the import of other goods, a license is required from the government of Georgia, which is not recognized (or ignored) by traders in Abkhazia. Thus, all freight and goods transported through Abkhazia are by definition illegal according to CIS and Georgian government
regulations. Trade in clearly illegal goods avoids taxation by the de facto government. The profits generated from this smuggling go into the pockets of local criminal and political clans. Experts estimate that 60 percent of registered exports from Abkhazia go to Turkey and 40 percent to Russia. Tax receipts from exports are higher than from import duties. Exports represent the main source of income, which provides an incentive for illegal outflow of various goods from Abkhazia. Freight flowing into Abkhazia from Georgia provided another source of corruption. In 2003, the Customs Committee of Abkhazia took anti-smuggling measures and collected approximately $3.4 million.\textsuperscript{15}

South Ossetia

South Ossetia is situated in the northern part of Georgia. The area comprises 3900 square kilometers, 5.6 percent of the entire territory of Georgia. Since 1992, the region has experienced a sharp population decline from 100,000 to 60,000.\textsuperscript{16} Not only did the local ethnic Ossetian population force the Georgian majority population out of the region, but approximately 17,000 of the most-educated segment of the ethnic Ossetian population emigrated to the Russian Federation. Eleven settlements were built on the Russian territory of North Ossetia for 900 refugee families from South Ossetia.

Economic indicators for South Ossetia are on par with those of the world’s poorest countries: GDP is equivalent to $15 million, or $250 per capita. The minimum pension in South Ossetia was 60 Russian rubles ($2) per month, and the average monthly salary was 2000 rubles ($70), whereas the subsistence level was 1100–1200 Russian rubles ($40).\textsuperscript{17} The separatist government had a huge internal debt to the population due to non-payment of pensions, salaries and social assistance. High unemployment rates have taken their toll on the youth, who are frequently self-employed or complicit in criminalized businesses.

Customs tariffs comprised the major source of budgetary income for the region: in 2000, the budget receipts from customs tariffs were 48.6 million Russian rubles (approximately $1.7 million), 54.5 percent of total revenue. Industry too has suffered in South Ossetia. In 2000, the value of industrial output constituted a mere 10.2 million Russian rubles ($333,000).\textsuperscript{18} Only the Tskhinvali timber processing factory and mineral water plant were functioning comparatively soundly despite limited electricity supply from Georgia and Russia.\textsuperscript{19} Moreover, given the precarious political situation in South Ossetia, investment is limited and shows little potential for growth. The absence of both local energy resources and the financial ability to purchase energy make the energy crisis irresolvable. Currently, the Tskhinvali government owes several million dollars to Russian energy companies. Food security is weak in South Ossetia. The output of small farmers and of subsistence farming is inadequate to meet local demand. Agricultural output is further limited by poor infrastructure; irrigation systems are in disrepair.
General smuggling trends

The current situation demonstrates that the conflicts in Abkhazia and South Ossetia are not simply in a deadlock. In Abkhazia, the CFL has been transformed gradually into a criminal zone with no one exercising full control. Crime rates are highest in the Gali district and the Kodori Gorge with frequent assassinations and kidnappings. In South Ossetia, the criminal world and law enforcement officials from both sides of the conflict have created favorable conditions for a prosperous smuggling trade, unpunished crime, and violence. Officials and criminals from both sides of the conflict cooperate to their mutual benefit.

Georgian authorities have not established border guard and customs service checkpoints in South Ossetia since secessionists would immediately interpret this as an attempt to establish a new Georgian state border. The Abkhaz part of the Georgian-Russian border remains porous permitting smuggling and the cross-border movement of criminals across the CFL between Zugdidi and Gali districts.

The problem of smuggling is troubling for both Georgia and the secessionist government of Abkhazia because contraband goods flow in both directions. Both sides are deprived of revenues to boost their small budgets. The de facto government of South Ossetia, however, does not raise the issue of cross-border smuggling between Russia and Georgia because it benefits significantly from these activities.

Illegal economic activity is evident in Abkhazia and South Ossetia. The illegal turnover of various goods occurs all along the Enguri River. Non-ferrous metals and illegal cigarettes flow to Abkhazia through Sukhumi by Russian and Turkish ships and then to markets in Zugdidi. Contraband goods flow to Abkhazia from other regions within Georgia. Approximately 4.5 million packs of cigarettes flowed illegally from Abkhazian territory every month, resulting in an annual profit to the smugglers of $16 million annually. Other goods smuggled to Russia through Abkhazia and South Ossetia include drugs, stolen cars, cigarettes, flour, gasoline, wine, citruses, and hazelnuts.

Smuggling routes to and from Georgia

This research is focused on the methods and smuggling routes through Abkhazia and South Ossetia before the Rose Revolution. Aside from the central roads where customs and border control is present, smugglers also avoided roads with official checkpoints and preferred several alternative routes. In Abkhazia, these smuggling routes included: 1) the Psou River through the Caucasus Mountains to Russia; 2) the Black Sea ports of Gagra, Gudauta, Sukhumi, and Ochamchire; and 3) the CFL on the Enguri River in Gali and Zugdidi districts. In South Ossetia, the land routes were: 1) through the Roki tunnel from Vladikavkaz (Russia) into the Ergneti Market; 2) from Russia into the Ergneti market; and 3) from the Ergneti market to Tbilisi and
the other areas of Georgia. This chapter does not include a discussion of other important smuggling routes of the pre-Rose Revolution period including Adjara (autonomous republic bordering Turkey, also providing an outlet to the sea); Poti (Black sea port); Akhaltsikhe (bordering Turkey); Kazbegi (bordering Russia); Lagodekhi and Jandara (bordering Azerbaijan); and Sadakhlo and Ninotsminda (bordering Armenia) (see Map 4.2).

Interestingly, because the conflict zones in Abkhazia and South Ossetia border Russia, some of the main land routes connecting Georgia to both Russia and Europe transverse these separatist, conflict regions. This unique factor has a clear implication for smuggling trends through these regions.

Russia is Georgia’s largest trading partner for smuggled goods, followed by Turkey. Illegal goods are usually transported to Turkey from Abkhazia by the Black Sea. Illegal goods smuggled into Georgia through conflict zones undermine the market for legal goods, thus preventing market development. The illegal inflow and outflow of goods inflicts considerable damage on the financial structure of the country, as the state budget receives decreased revenue and local production faces unfair competition. The conflict zones have, in fact, been transformed into “free trade zones.” The “free trade zones” received a further boost when Russia gave residents of Abkhazia and South Ossetia Russian citizenship, ignoring Georgia’s protests.

Psou River

In 2002, 2.3 million people and 500,000 transport vehicles crossed border checkpoints on the North Caucasus Regional Administration of Russia. More than 800 illegal entrants were detained and roughly 70 firearms, 55,000

Map 4.2 Main smuggling routes in Georgia.
cartridges, 19 kg of explosives, 10 kg of drugs, and $140,000 worth of contraband goods were confiscated. Nearly 26,000 individuals were refused entrance across the border because of absent, fraudulent, or false documents. Border guards arrested around 20 members of illegally armed groups.21

The Abkhazian segment of Georgia’s border with Russia is guarded by five Russian security detachments and one reserve unit on standby alert. The Russian border guard is also active in the mountains, where detachments are delivered by helicopters due to the difficulties in accessing the terrain. During summer, smuggling is frequent across the mountain passes. Trucks can easily cross shallow portions of the Psou River, which marks the Russian-Georgian border in Abkhazia.22

The Abkhaz and Krasnodar regional authorities agreed to allocate approximately $1 million to develop infrastructure including bridge construction.23 The de facto government of Abkhazia declared that 18 billion Russian rubles ($593 million) is needed for capital reconstruction of the Psou-Enguri railway line. This segment of the railway is 314 km long and the Federal Service of Railway Troops of the Russian Federation is scheduled to perform the repair.24 In May 2003, Russia began construction on a new bridge across the Psou River. The old bridge, in total disrepair after 10 years of neglect, was in poor condition.25

Border guard and customs control are present on both sides of the river: the Tsandripshi post from Abkhazia and the Vesioloe from Russia.26 During the citrus season, when traffic across the border is most intense, around 12,000 people and 600 transport vehicles cross the border daily.27 Trade on Russian territory is the most important source of income for Abkhazians. During the summer, citrus fruits (mainly mandarins), hazelnuts, and bay leaf are transported by Abkhazian residents to Sochi and other Southern Russian cities. Russian sources call this period the “Mandarin Boom.”28 An electric train moves once a day, limiting the number of people who can cross the border by rail to 200–300. Traders do not use the train as it is prohibitively expensive and slow (around 7 hours). By foot or vehicle they can cross the border up to seven times in 24 hours.29 Valentin Meteruk, the head of the Russian “Psou” customs checkpoint, stated that during the Mandarin Boom almost 20,000 people cross the border daily, transporting approximately 140–150 tons of mandarins. On the return trip, they bring sacks of flour, sugar, and salt, and boxes of industrial products.30

Smuggling is common on the Abkhazian part of the Georgian-Russian border, with detected contraband averaging $132,000 annually. The smuggling from Russia is diverse, including a 19th century icon,31 significant quantities of gasoline32 and unused identification cards from the Ministry of Internal Affairs and the Federal Service of Security. These cards have been exploited by Georgian organized criminals and terrorists.33 The Ministry of State Security of the Government of Abkhazia in exile reports several cases when Russian criminals changed their names in Abkhazia.34 Criminals from Russia go to Abkhazia, procure a “new” fraudulent Russian passport and
go back to Russia with a different identity. For instance, Ruslan Elmurzaev, the deputy to the late Chechen terrorist leader Shamil Basaev, was found with a passport identifying him as “Fuad Khunov,” a resident of Sukhumi.35

Conflicts are frequent on the border. For instance, one smuggler attempting to cross the border with two gasoline cans was detained. The smuggler took out a machine gun and a grenade and demanded that they let him pass. The Russians asked the Abkhazian side for help, and the latter calmed the smuggler down. In another case, two individuals requested that the border guards let them pass without waiting in line. When the Russian border guards refused, they were threatened with pistols. Russian sources reported an increase in such cases on the Abkhazian part of the Georgia-Russian border.36

For criminals, and especially for fighters, Russian border troops pose no substantial obstacle. A virtually foolproof system exists for smuggling goods and people across the border. Guides charge 200,000 rubles (approximately $7100 USD) to smuggle people across the border. The most frequent users of these services are criminals and fugitives from justice.37

Trade across the CFL between the Gali and Zugdidi districts

Up to 60 or 70 percent of Abkhazia’s trade is done by sea through the ports of Sukhumi, Ochamchire, Gagra and Gudauta. Sukhumi is the most important port in terms of its capacity to dock large ships. Before 1991, freight traffic predominated, far surpassing that shipped by rail and by road.38 With the current poor state of infrastructure and the political and economic situation, freight cannot move by auto or rail. The sea becomes the only option for trade. Despite trade restrictions, the turnover in Abkhazian ports is significant with three to five ships passing through the ports weekly.

Many commodities are moved illegally through the Zugdidi district including stolen cars, gasoline, scrap iron and timber. Timber and scrap iron arrive in the Zugdidi district from Gali, and eventually find their way to the ports of Poti and Batumi for export to Europe or Turkey. Depending on prices in Zugdidi and Gali, flour and sugar are also traded across the CFL in both directions. The Deputy Regional Prosecutor of Samegrelo-Zemo Svaneti Region, in an interview, informed the authors that hazelnut traders are often robbed by Georgians when they cross the CFL. He also stated that an increase in police would reduce the level of smuggling of gasoline and stolen cars by 50 percent. Personnel, however, cannot be increased because agreements made in Moscow in 1994 and 1999 between the Abkhaz de facto government and Georgian authorities limit the number of security personnel to 600 persons. Residents are afraid to go out at night in Zugdidi due to the high level of crime.39

The State Security Service of the de facto Abkhazian government itself contributes to criminality and corruption. The service has five checkpoints in the Dikhazurga, Saberio, Samarkvalo, and Tagiloni villages and on the main bridge of the Enguri River. Two of them, located in Tagiloni and on the Enguri main bridge, represent district level security sub-units and are
custom checkpoints as well. The Security Service demands illegal payments from freight transporters. They also extort money from the local population.

The Enguri River is 70 km long and can normally be traversed along one of its six-eight bridges. During periods of low water level there are an additional 70–80 crossing points. All official bridges are controlled by the de facto Abkhazian customs and border guard, the Russian Peacekeeping force and Georgians. On the main bridge across the river, there are two checkpoints: one Georgian where law enforcement officials are present and one Abkhazian customs post. Only petty smuggling occurs on the bridge, mostly by the impoverished Georgian and Abkhazian residents of the Gali and Zugdidi districts. According to Murman Malazonia, Chairman of the Coordination Council of Internally Displaced Persons, 15–20 Abkhazians per day may cross into the Zugdidi district. Abkhazians even visit the Lilo market in Tbilisi to buy goods and return. Big trucks mainly use smaller bridges or hidden passes.

Abkhazian and Georgian criminals facilitate contraband trade in sugar, gasoline and other products through the ports of Poti and Batumi for distribution throughout Georgia. In August 2003, 100 tons of sugar were transported to Ochamchire from the Poti port and then transported to Zugdidi across the CFL, where guerrillas sold the sugar to local traders. One of the regional branches of the Ministry of State Security of Georgia monitored the movement of freight and goods on the Enguri River. Georgian officials stopped the monitoring for two reasons: some high-level officials profit from the activity and guerrilla groups have patrons in the parliament of Georgia.42

**Violence and smuggling in the security zone**

Violence in the region is directly attributable to the smuggling activities in the Gali and Zugdidi districts. Seventy percent of all “terrorist acts” (as defined by the Ministry of Interior of the de facto government of Abkhazia) occur in the Gali district, including several cases of the killing of Abkhazian customs and military officers located along the CFL.

Turf wars and gang fights between different criminal elements in the region occur for economic rather than political gain. Moreover, many believe that if peace becomes a real possibility, the bandits controlling the smuggling rackets will instigate another cycle of hostilities like those of May 1998, when killings and hostage takings kept illegal trade alive.

The majority of assassinations and kidnappings involve businesses that work on both sides of the CFL. Abkhazian and Georgian armed groups and criminals generally cooperate. Violent confrontations do occur when there are disagreements on the division of spoils. In 2002, official statistics show there were 16 cases of kidnapping and four cases of assassination from the Georgian side; from the Abkhazian side, there were 46 cases of kidnapping and eight assassinations. According to Deputy Regional Prosecutor Chkadua, 90 percent of these criminal cases were related to illegal businesses.44
Local police say that organized criminal groups on both sides of the Enguri River, which separates western Georgia from Abkhazia, are exploiting the border to escape capture. “In most of our investigations of these incidents we've come to the conclusion that both Georgian and Abkhaz smugglers are involved,” according to Gogi Nachkebia, chief of the regional office of the Security Ministry. “This business is the main reason for the murders and explosions and unfortunately we have to admit that men in uniform are often mixed up in the smuggling.”

**Smuggling groups**

Smuggling is possible when crime groups link with corrupt law enforcement and government officials. Crime groups operate in the Gali district and Kodori Gorge of Abkhazia, and in the Zugdidi district of Samegrelo. Georgian and Ossetian crime groups in Tskhinvali and Gori were part of a smuggling network concentrated on the Ergneti market, a trans-shipment point of smuggled goods. These groups even now collaborate with each other regardless of their ethnic origin or political orientation. They have different, sometimes paradoxical partnerships with other crime groups, law enforcement bodies, and governmental structures (or individual government officials) in other parts of Abkhazia, South Ossetia, and Georgia.

All links of this intricate network must remain in place for goods to be smuggled successfully. If smugglers lose even one link, the entire smuggling process into Georgia stops. A system of bribes, mutual profit sharing, and “roofs” (protection) provided by influential government officials outside and within the secessionist territories protect goods flowing into Georgia from Russia and Turkey, and elsewhere through Abkhazia or South Ossetia.

All of the main actors (law enforcement bodies, crime groups, and Russian peacekeepers), especially in the Gali and Zugdidi regions, along with their partners, compose a successful smuggling network that operates with near impunity. The network increasingly expands its influence by involving more and more poor people in the contraband trade.

These circumstances generate the following questions: how dangerous is the criminal situation and smuggling both to the population living on both sides of the Enguri River and for the international community at large? What impact does it have on the economic, political, and military situation? What forms of contraband trade exist, and what are the dominant contraband goods? Which political actors of the conflict benefit from the situation, and, most importantly, are there any possible solutions to the problem?

**Abkhaz armed groups, Georgian guerillas and crime groups**

The territory of Abkhazia is divided into four areas controlled by four criminal groups: 1) the Western Abkhazia group controls the transportation of oil, tobacco, and food products, and to a lesser extent is involved in drug
smuggling to Russia; 2) the Gagra group (mainly local Armenians) controls timber exports and is complicit in drug production and trade; 3) the Gudauta group (mainly Abkhazians) is heavily involved in the narcotics business and supervises drug exports; and 4) the Chechen-Abkhazian group controls the Eastern region of Abkhazia as well as goods crossing the CFL, the Sukhumi railway station, transport routes and entrepreneurial activities. In these regions, the distinction among official security and police forces, criminals, and various armed groups is completely blurred.

Georgian guerillas have two often-conflicting identities: a political one that makes them fight against Abkhaz separatism, and a criminal role that creates an incentive for them to cooperate with Abkhaz militia and criminal groups in smuggling. Both identities provide a justification to keep weapons. Georgian and Abkhaz criminals collaborate in robberies, lootings, and most importantly, in smuggling. There are reports from the Gali district that masked robbers who spoke Georgian have committed several robberies.

Abkhaz armed groups operating in the Gali district smuggle various goods across the CFL between the Gali and Zugdidi districts. Some of them have “official” status (i.e. represent secessionist law enforcement structures). The largest and most powerful group (50 people) is headed by Valmer Butba. A 10-person group headed by Roza Mirtskhulava operates with Butba’s group. These groups have the status of a Presidential Guard, although it is incomprehensible why Presidential Guards are stationed in Gali instead of in the capital, Sukhumi. Various sources report that the Butba group has modern weapons, including anti-aircraft artillery. It enjoys high prestige among criminals and de-facto government structures alike.

The second most powerful group was headed by Otar Turnanba, who officially represents the Security Service of Abkhazia. Turnanba was based in the villages of Makhundjia and Shesheleti in the Gali district and was subordinate to General Anua of the Ministry of Defense, the commander of Abkhazia’s Western Region. The group’s main activities are looting and robbery, though his group was also complicit in smuggling.

Armed groups on the Georgian side can be divided into two groups: guerilla groups and so-called Zviadist groups. Two major guerilla groups on the Georgian side are the “Forest Brothers,” headed by Dato Shengelia, and the “White Legion” headed by Zurab Samushia. Moreover, it is difficult to discern who really are guerillas. The field commander of the White Legion, in an interview, mentioned that only 5–10 percent of guerillas are truly guerillas while the others are impostors. He clustered all guerillas into two groups: “real guerillas” who fight and so-called “asphalt guerillas” who have nice cars, live in Zugdidi rather than in forests, and are complicit in smuggling across the CFL. Nevertheless, even “real guerillas” are involved in smuggling according to numerous observers.

The Forest Brothers dominate smuggling across the CFL on the Enguri River. Though not complicit in smuggling, the White Legion inspires more fear amongst Abkhazians than the Forest Brothers. Guerilla groups are
mostly active in the upper and lower zones of the Gali district. The lower part is considered to be under the Forest Brother’s control.\textsuperscript{54}

Valeri Khaburdzania, the former Minister of State Security of Georgia, accused Davit Shengelia of smuggling between Georgia and Abkhazia at a December 2002 meeting of the National Security Council. Shengelia dismissed the accusation and leveled a counter-claim that employees of the Ministry of State Security are involved in smuggling.\textsuperscript{55}

One of the Forest Brothers’ commanders told the authors that he and his people participate in the illegal fuel business across the CFL, but that they would agree to pay state taxes and legalize their businesses if the government of Georgia demanded it. He said the Georgian regional police also participated in the smuggling of fuel and cigarettes across the CFL, and they do not bother each other. The Extraordinary Legion stationed in Zugdidi does not interfere at all in their activities.\textsuperscript{56}

According to the Chairman of the Council (in exile) of a village in the Gali district, Shengelia’s share from smuggling does not exceed 30 percent. The rest is distributed among law enforcement personnel at the local, regional, and central levels, including those of the Abkhazian government in exile.\textsuperscript{57}

The late Jaba Ioselani, the former leader of the Georgian paramilitary group Mkhedrioni, active in Abkhazia during the war, claimed that after the end of the war only one guerrilla group, the Forest Brothers, existed. He said that, “At least 80 percent of them [Forest Brothers] were Mkhedrioni members.”\textsuperscript{58}

The Forest Brothers further split up into two groups: Slava Bigvava’s group and Bakuri Buleskeria’s group. Badri Zarandia led another Georgian armed group in Zugdidi until his assassination by unknown assailants in January 2002. The murder was possibly linked to arms smuggling.\textsuperscript{59}

\textit{Ossetian and Georgian crime groups}

Criminal groups’ activities in South Ossetia and in the Gori district are also closely connected to smuggling and generate significant profits. The very grave criminal situation in these regions is exacerbated by poverty and political instability. The Ergneti market generated funds for both the smugglers and the South Ossetian budget. Experts estimated that only 10 percent of the funds extracted from the market were transferred to the budget, the rest went to various executives of the government of the self-proclaimed republic as illegal income.\textsuperscript{60}

Georgian and Ossetian crime groups actively cooperate. One of the most prominent Georgian crime groups was headed by Nikoloz Khiadashvili, known by the alias Robota. Khiadashvili’s group had 40 members, all of whom resided in the Georgian-Ossetian conflict zone. Khiadashvili and Giorgi Durglishvili, known as Kokhta, were arrested in August 2003 for possession of arms and heroin. After their arrest, locals blocked the Gori-Tskhinvali route and requested Khiadashvili and Durglishvili’s release. Locals feared that their arrest would result in increased activity by Ossetian criminal
groups, because Khmiadashvili would exercise his influence to stir up the situation in the conflict zone.

The newspaper *Kviris Palitra* gave further details on these criminals. Khmiadashvili was a member of a specially appointed police force (*spetsnaz*) stationed in the town of Gori. In 1997–8, he lived in Moscow where his criminal activity mainly consisted of stealing cars and selling them in Central Asia and Georgia. He returned to Georgia in 2001 and allied with his former rival, Givi Jalabadze, a smuggler and, allegedly, a police agent who had ties with Ossetian criminal groups. Both Jalabadze and Robota needed the Ossetian government’s patronage to conduct their business in stolen cars. They started to cooperate with another Ossetian criminal group headed by Alan Dzigoev. Their activities included trafficking in drugs, particularly methadone, that has recently become an increasingly serious problem in Georgia.61

Robota’s patron was allegedly his cousin, the Deputy Head of the Shida Kartli Regional Police, who was also a personal friend of the former Minister of Internal Affairs. Protectors in the State Chancellery ensured their protection from investigation.62 According to *Rezonansi*, the illegal profits going to patrons in the Chancellery totaled $20,000–30,000 monthly, while those to the Ministry of Internal Affairs were substantially more.63

The second suspect, Giorgi Durglishvili, had been an active smuggler since 1996. His cooperation with Robota started after 2002, and he also had a “roof” in the State Chancellery. Together they managed the company Express Service LTD in the Ergneti market, assuring “safe,” though illegal delivery of goods to Georgian markets. An anonymous respondent from *Kviris Palitra* claimed that if owners of contraband goods did “not request” them to escort the goods, they would shoot at or seize the truck or even kill the owner and then blame everything on the Ossetians.64

Two of the authors posed as smugglers to interview the criminals from Express Service LTD at their office in the Ergneti market several days prior to their arrest. Express Service LTD demanded 800 GEL (less than $400) to escort a truck filled with flour to the Mtskheta district, an hour and a half drive away. A traffic police officer present even recommended easier smuggling routes.65

Robota and Kokhta were able to administer the criminal activities of the group from jail. They were released from prison just after the November 2003 Rose Revolution because their patrons in the Georgian government managed to liberate many criminals before the new government could act. *Kviris Palitra* reported that Robota was transferred to a prison hospital, allegedly because of illness, and then was subsequently released after a large payment. When a vigorous anti-smuggling program was initiated after the Rose Revolution, two other members of Robota’s group were detained while two others managed to escape.66

Alan Dzigoev and his group, key collaborators with Robota in the car trafficking business, had other illegal dealings, notably kidnapping, that were revealed after his detention in Zugdidi.67 Dzigoev committed suicide after he was arrested.
The groups associated with Marek and Erik Dudaev, other notable Ossetian criminals, frequently attacked civilians and representatives of law enforcement bodies on Georgian controlled territory. This group, untouched by the Ossetian government, acted with impunity directly in front of peacekeepers, and was complicit in drug trafficking.68

According to Mamuka Areshidze, an expert on the Caucasus and a former Georgian parliament member, the “black” business of South Ossetia was backed and protected by the “Sport Mafia,” headed by the chief trainer of Russia’s free-style wrestling team.69 The trainer’s brother directly controlled the ongoing political processes in South Ossetia. The former chief of OMON, a special riot police detachment of the self-proclaimed republic, was on this wrestling team. His role in this smuggling network should not suggest that all law enforcement officials aided criminal groups and smuggling networks before the Rose Revolution although some were key participants.

Strong evidence exists that there was intense cooperation in many other regions between criminals and law enforcement officials, although official denial was frequent. An officer of the Department of State Security of the Region of Shida Kartli denied allegations that officers of his regional security service escorted contraband regularly. He admitted only their infrequent participation in this smuggling. Instead, he cited the involvement of Ossetian law enforcement structures in smuggling operations.70

**Russian peacekeeping forces**

Russian peacekeeping forces are wholly complicit in smuggling activities. In Abkhazia, they control all official bridges and without their say no vehicle can pass. They receive bribes from Georgian and Abkhazian smugglers, allowing the latter to pass through checkpoints without problems. Economic and political reasons provide an incentive for the Russian peacekeepers to engineer conflicts before their mandate runs out, thereby enabling them to extend their presence in the region.71

According to the Chairman of the Village Council of Tagiloni, trucks with the peacekeepers’ symbols deliver gasoline to gas stations in Zugdidi. Though the peacekeepers’ smuggling activities are not as frequent as the activities of Georgian guerillas and the regional police, they are still problematic. In one instance, a Russian tank full of illegal gasoline accidentally overturned in the Gagra district. The press-secretary of the Russian peacekeeping forces stated that the gasoline had come from the North Caucasian military base located in the Adler, Krasnodar region that supplies gasoline to peacekeepers stationed in Abkhazia. The military does not pay any custom duties on gasoline in Georgia and the Georgian state does not control the volume of imported fuel. In Armenia, however, the Russian military must buy gasoline from local suppliers, thereby reducing the smuggling activity there.72

Russian peacekeepers participate in smuggling of stolen cars. They allow criminals to cross the CFL on the Enguri River after payment of a bribe. In
2002, the independent Georgian television station Rustavi 2 reported this smuggling in a special documentary program. The desperate economic situation of the peacekeepers explains their complicity in the smuggling. According to the Ministry of State Security of the government of Abkhazia in exile, Russian soldiers recruited to peacekeeping forces are sometimes not paid when they finish their military contracts. Russian soldiers and officers have complained of this treatment in court cases. Consequently, with no certainty of payment some peacekeepers participate in smuggling to receive income.

**Socially vulnerable groups of smugglers**

Wholesale smugglers use a wide range of socially vulnerable people, including IDPs and the poor, who depend on smuggling to survive in difficult economic conditions. The authors interviewed many Georgian petty cigarette traders, Ossetian petty flour traders, and food smugglers. In the Zugdidi and Ergneti markets, there were thousands of poor petty traders, often accompanied by their children, who relied on their jobs to support their families.

Despite the general negative impact of smuggling on any conflict resolution, there may be one positive impact. Unlike in Abkhazia where the atmosphere remained tense and hostile, the smuggling through the Ergneti market in South Ossetia reduced tensions by allowing economic cooperation between Ossetians and Georgians. “Ossetians are smarter than Abkhazians,” said one expert from the American Chamber of Commerce in Georgia, “because they tried to use the Roki tunnel for their economic goals and now both Georgians and Ossetians can freely go to Tbilisi and Tskhinvali, have dinner in restaurants there, and more or less safely return to their homes. It is difficult even to imagine the same in any part of Abkhazia.”

**Groups in power and clans**

The smuggling networks in Abkhazia and South Ossetia contribute to overall crime, create corrupt economic interests in powerful political groups, and contribute to the lack of resolution of the conflict. Groups in power benefit from smuggling both financially and politically. The smuggling provides revenues that allow them to maintain political control, thereby limiting democracy. For example, since 1993 no new elections for the Tbilisi-based head of the government of Abkhazia in exile have been held. At the same time, the Sukhumi-based former secessionist President of Abkhazia held Soviet-style elections with no opposition candidates and won 98 percent of the vote. Both leaders of Abkhazia are hostile to each other, but their grassroots level supporters and the state organizations cooperate with each other through the smuggling networks.

The government of Georgia has also benefited from the status quo. The Constitution of Georgia does not allow Georgia’s administrative-territorial
divisions to be self-administered until the conflict in Abkhazia is concluded. The President of Georgia appoints local government (raion) administrators and regional governors instead of holding democratic elections. The justification for these undemocratic measures is that greater political participation might enhance aggression from the separatist regimes. Gerrymandering and the interference of local and regional authorities in presidential, parliamentary, and local elections had become an integral part of the electoral process in Georgia before the “Rose Revolution” in November 2003.

Two governments of Abkhazia

In 2003–4, there were two governments of Abkhazia: the government of Abkhazia in exile headed by Tamaz Nadareishvili (died on August 31, 2004) and the de facto government headed by secessionist president Vladislav Ardzinba (re-elected on October 3, 2004).

Vladislav Ardzinba, de facto president of Abkhazia, has created his own clan of relatives with informal influence and privileged access to material and financial resources in the region. They have dominated the most profitable business sectors, and have used different methods of generating wealth, including smuggling and other illegal economic activities. In the post-war period following the 1992–3 war, the local political elite diverted the attention of the local population from their internal social and economic problems by focusing on separatism and criticizing the Georgian state. Public discussion on corruption and local clans, however, does occur in Abkhazia.

There has been significant corruption to discuss. A Russian source reported that an anonymous representative of the Amtsakhara opposition movement has stated, “People close to President Vladislav Ardzinba, such as Levan and Pavel (Pasha) Ardzinba, Genadi Gagulia, and Ruslan Ardzinba (called Seryi Kardinal or Power Broker), monopolize power in Abkhazia and enjoy unlimited influence, controlling the entire shadow business in the republic.”

The most profitable illegal business sectors were controlled by Ardzinba’s family. Ardzinba’s daughter, Madina, controlled the tourism industry as the General Director of the Rusal-Tour Travel which was registered in the Russian Federation on April 5, 2002. In violation of the commercial license granted by the Russian Ministry of Economic Development and Trade to operate only tourism resorts, the company was also the General Representative of the Government of the Republic of Abkhazia in the Russian Federation. Her husband, Alkhas Argun, was the General Director of the recently introduced cellular company in Abkhazia, Akva-fon, which provides service to all the towns and villages on the coast. He was also the manager of TOK International, a company in Moscow that sells computer equipment. Together, the couple owned Dioskuria Ltd, which leased one of the biggest holiday houses, Nart, in Gagra.
Other members of the Ardzinba family divided up other spheres of illegal activity. Pasha Ardzinba, a close relative of Vladislav Ardzinba, was mainly engaged in the timber exporting business. From 20,000 to 30,000 cubic meters of valuable timber was exported, usually by Turkish ships, from Abkhazia with an annual profit of $5–6 million. The Abkhaz opposition movement, Amtsakhara, has also accused Pasha Ardzinba of smuggling out ferrous metals with a total value of $6 million. The opposition also accused Pasha Ardzinba of illegally exporting alloyed sheet steel with a value of $1.5 million from the Sukhumi Gas Equipment factory in the aftermath of the war. The head of Sukhumi port, Zurab Ardzinba, and his brother Aka (assassinated by unknown assailants in Moscow in February 2003) smuggled petroleum products. Zurab Ardzinba imported oil products from Russia by ship and then moved them to the Gali district by tanker truck belonging to Aka, and then to the Samegrelo region. Ardzinba’s clan also controlled the cigarette factory.

Ardzinba’s nephew, Levan Ardzinba (also assassinated in September 2003), controlled the cigarette business in Gudauta that supplied Georgia and Russia with cigarettes without the required excise stamps. He had extensive links with Georgians. He was also accused by the opposition movement Amtsakhara of having dealings with the leader of the Forest Brothers. A journalist from Rustavi 2 told one of the authors that Georgian government and law enforcement officials met Levan in Zugdidi at the beginning of August 2003. According to the same source, Levan Ardzinba, before his death, cooperated with both the Minister of State Security of the Abkhazian de facto government, and the Georgian head of the Regional Police of Samegrelo, reflecting the corruption and networks that crossed the CFL.

South Ossetian government

The South Ossetian secessionist government controls smuggling into Georgia, which is the main source of its official and unofficial income. Micheil Machavariani, as the former Minister of Tax Revenues, suggested that the Ossetian government should legalize trade in the Ergneti market, but his proposal was rejected by the secessionist government because they felt it would cause strong dissatisfaction among many Ossetian interest groups, the local government, police, and security forces that profited from the smuggling. If the secessionist government had legalized trade in the Ergneti market, the Russians would not have allowed smuggling into South Ossetia to continue any longer.

In November 2002, both the Georgian and Ossetian sides expressed their readiness to participate in the joint EU Customs Control project—a joint taxation scheme on transit cargo traffic through South Ossetia. The program was to be implemented under the aegis of the OSCE (Organization for Security and Cooperation in Europe). In exchange for agreement on the joint taxation scheme, the EU would also provide 2.5 million euros primarily
for road construction. Later, Tskhinvali authorities refused to accept the EU’s proposal. Murad Jioev, the Minister of Foreign Affairs of the self-proclaimed republic, stated that only the government of South Ossetia could control the Transcaucasian route.

In 2003, the South Ossetian government had a serious internal power struggle. The newspaper 24 Saati reported that Eduard Kokoity, the President of the self-proclaimed Republic of South Ossetia, motivated by his ministers’ intention to organize a coup, organized a crackdown on his cabinet. Jemal Gakhokidze, the former Secretary of the National Security Council of Georgia, said that the dismissed people were complicit in crime—they controlled smuggling, arms trade, kidnapping and car trafficking.

Conclusions

The smuggling that occurred through Abkhazia and South Ossetia did not represent a large percentage of the smuggling into and out of Georgia. The most deleterious impact of this smuggling was the nature of the commodities smuggled and the political impact of this smuggling which sustained the political conflict, and provided significant resources to the criminal groups and clans and to the self-interested politicians of the region. An illegal trade, run and managed by networks of criminal gangs, clans, illegal and legal business groups, law enforcement bodies, and the governments of self-proclaimed republics, provided significant profits to all these groups because of their virtual independence from central government oversight. The criminal dimension of “personal gain” is of particular importance because elites used profits to accrue political power. The conflict situation permitted the enrichment of a few at the expense of society. As Paul Collier, former director of the Development Research Group of the World Bank wrote, “Conflicts are far more likely to be caused by economic opportunities than by grievance. If economic agendas are driving conflict, then it is likely that some groups are benefiting from conflict and that these groups therefore have some interest in initiating and sustaining it.” Collier maintains that under weak or destroyed local governance, there is greater opportunity for financial, material, and military accumulation, and more possibility for a protracted conflict. This analysis certainly applies to the situation in both Abkhazia and South Ossetia.

The limits on democratic freedoms, especially at the grassroots level, led to the formation of political clans who privatized public property to themselves and their family members, and kept citizens in extreme poverty. They used militant ideologies and corrupt, coercive and criminal structures to keep citizens terrorized (for example, through a permanent, irrational fear of war), and they implanted feelings of revenge in their citizens’ minds. Ethnic Abkhazians and Georgians were manipulated and victimized by these political clans.

The main causes for smuggling through Abkhazia and South Ossetia were not open borders or secessionist ambitions, they were institutional
weakness, corruption in law enforcement bodies, and the absence of decisive governmental action. Sanctions against Abkhazia have only contributed to the development of smuggling and a shadow economy on its territory. Georgian legislation against smuggling has improved but much more effective enforcement of those laws is necessary to take decisive steps against organized crime and corruption. This is especially true concerning cigarettes and fuel, the most commonly smuggled goods through Abkhazia and South Ossetia.

Although the most visible of the illegal markets, Ergneti, has been eliminated since the Rose Revolution, the problem of illicit trade and movement of funds remains serious. Abkhazia is increasingly a center for international money laundering, particularly linked to Russia. Other more tangible flows of smuggling also continue providing profits to corrupt elites and preventing the resolution of the region’s long-term conflicts.

Any democratic change is a serious threat to the power of corrupt ruling groups. Democratic change could result in conflict resolution that might facilitate the transformation of smuggling activities into legal businesses, but such change should be bilateral. After the Rose Revolution, the closing of the Ergneti market, the dispersion of Georgian guerilla groups, and the elimination of the crime pyramids with the Georgian state chancellery and law enforcement officials, which supported some of the smuggling, resulted in a decrease in smuggling activities in conflict zones. The problem was, however, not completely resolved in 2005 and 2006 due to the absence of similar changes on the Abkhaz and Ossetian sides of the conflicts, and because of the widespread poverty on all sides, which supports smuggling activities.

Notes

1 This research is based on both primary and secondary sources, including: Georgian legislation on smuggling, publications in the press, information available on the internet, TV and radio broadcasting programs, investigation files, documents and statistics from local courts and the Supreme Court of Georgia, the National Security Council of Georgia, the Ministry of Internal Affairs, the Ministry of Security, the Ministry of Finance, the Ministry of Special Affairs, the Department of Intelligence, the Department of Border Guards, the Chamber of Control, the Anticorruption Bureau of the President of Georgia, the Parliamentary Committee on Taxes and Revenues, regional and local government authorities in the cities of Gori and Zugdidi, the US Customs Service (Georgia Border Security and Law Enforcement Assistance Program), the American Chamber of Commerce in Georgia, the United Nations Observer Mission in Georgia (UNOMIG), the UN Office for the Coordination of Humanitarian Affairs (UN OCHA), the United Nations Volunteers (UNV), European Community Technical Assistance for Commonwealth of Independent States (TACIS), and the Organization for Security and Cooperation in Europe (OSCE). The research group met and interviewed representatives from the above-mentioned organizations, independent journalists, business people, as well as those who participate in the smuggling trade—petty traders, Georgian guerillas, and representatives of criminal groups.

3. For the purposes of this chapter, “South Ossetia” will be the name applied to the area officially known as the “Tskhinvali Region.”

4. Interview with representatives from the State Border Guards of Georgia in Tbilisi, August 2003.


12. Comparison is based on the budget expenses of Abkhazia in the data provided by Parliament’s Budgetary Office of Georgia.


39 Interview with Mebrdzol Chkadua, Deputy Prosecutor of Samegrelo-Zemo Svaneti Region, on 4 August 2003.

40 Interview with Murman Malazonia, Chairman of the Coordination Council of Internally Displaced Persons, on 5 August 2003.

41 Interview with E. Gogokhia, a journalist of broadcasting company, Rustavi 2, with the authors on August 3, 2003, Zugdidi, Grogie


44 Ibid.

A “roof” is a personal patron or clan, usually identified with a state organization, which protects criminal activity.


Interviews with local government officials and officers of law enforcement bodies on August 2–6, 2003, Zugdidi.


“Zviadists” are followers of Zviad Gamsakhurdia, ex-president of Georgia, who was dismissed from his post after the coup d’etat on January 6, 1992 and committed suicide on December 31, 1993.

Interview with one of commanders of Georgian guerilla group “White Legion” on August 3, 2003, Zugdidi.

Interview with Micheil Machavariani, former Minister of Tax Revenues, on February 25, 2003, Tbilisi.


Interview with a commander of the Forest Brothers, a Georgian guerilla group on August 5, 2003, Zugdidi.

Interview with the Chairman of a village council in exile on August 4, 2003, Tbilisi.


Parliament Budgetary Office of Georgia. Economic and Social Consequences of Internal Conflicts in Georgia, p. 22.


Interview with representatives of Express Service, Ltd., and Georgian traffic police on June 9, 2003, Erneti Market, Tskhinvali Region, Georgia.


73 Interview with experts from the American Chamber of Commerce in Georgia on 27 April 2003, Tbilisi.


76 In addition, other Russian GSM operators work on the territory from Psou to Pitsunda rivers, such as “Kuban - GSM” and “Severo-Zapadnyi GSM,” from http://www.apsny.ru/turism/turism.php?page=content/call_to.htm [Accessed 6 January 2006].

77 Interview with Mikheil Machavariani, MP and former Minister of Tax Revenues, on February 25, 2003, Tbilisi.


81 Interview with Jemal Gakhokidze in June 2003, Tbilisi.


5 Policing and police reform in Georgia

Alexander Kupatadze, Giorgi Siradze and Giorgi Mitagvaria

The Georgian police force prior to the Rose Revolution was highly criminalized and corrupt. In 2001, two years before the revolution, the citizenry had risen up and demanded the resignation of Kakha Targamadze, the corrupt Minister of Interior. The police, therefore, symbolized the problems of the Shevardnadze government. Reform of policing has, therefore, been a priority of President Saakashvili’s government.

Since the Rose Revolution, major strides have been taken to reform the police and sever its links with the criminal world. To achieve fundamental change, major administrative changes have been implemented in the police and 16,000 police officers have been dismissed. The patrol police, which have direct daily contact with Georgian citizens, have been created and are functioning at a high level. This reform has been one of the most successful reforms of the Rose Revolution. As this chapter indicates, the reform of the police has not been complete. Links with criminals still exist, dismissed police officers are involved in crime and inadequate staffing persists in crucial branches of the police. Despite these weaknesses, accountability has increased and police no longer enjoy the impunity that was the norm of the Shevardnadze era.

Reforming the police has been an enormous challenge because the Saakashvili government inherited a police largely unchanged from the Soviet era. In the Soviet Union, there was authoritarian policing. Police served the Communist state rather than the citizenry; their primary task was to sustain the political system. Crime prevention was secondary to the task of maintaining the security of the state. The Soviet system of policing endured after the collapse of the Soviet Union, undermining the democratic transition. Introducing fundamental changes to the police system in Post-Soviet Georgia has been an enormous challenge as this chapter reveals.

Developments in the Georgian police system following independence

The legacy of Soviet policing in Georgia was strong because Soviet era police continued to serve, and the Ministry of Interior, which oversaw the police, remained unreformed. When the Soviet Union collapsed, Georgia had a population of 5,400,800, with 25,000 employees in the Ministry of Internal
Affairs (MIA) and 900 in the KGB (Committee on State Security), a ratio of one law enforcement official per 208 citizens. Georgia, therefore, remained a heavily policed society. Despite reforms in other parts of government, the Ministry of Interior maintained a dysfunctional structure with 28 departments, two branches in autonomous republics, and nine regional units. Additional unnecessary departments were created before the revolution, and personnel in the ministry more than doubled to 56,000 at a time that the population decreased by nearly one million. At the time of the Rose Revolution, the police-citizen ratio was 1:78.

Historical background

After the first democratic elections of Georgia in October 1990, Dilar Khabuliani, a civilian, was appointed Minister of Internal Affairs. He left the position in January 1992 after the coup d'état against Zviad Gamsakhurdia, the first President of Georgia. After Eduard Shevardnadze returned to power, the Ministers of Interior were chosen primarily from the old police elites. Shevardnadze himself had served as the Minister of Internal Affairs in the Georgian Soviet Socialist Republic, and after he became president the ministry became his main pillar of support. From 1992 to 2003, the Citizens’ Union of Georgia, the ruling party, and its leadership, President Shevardnadze, in particular, had exclusive right to control and receive the support of the police. The police were effectively a “privatized structure” carrying out and protecting the interests of political elites. In this respect the Georgian experience resembled the Polish situation described by Łos and Zybertowicz in Privatizing the Police State. The Georgian police were frequently used by Shevardnadze to pressure the political opposition. The police also supported the government by blackmailing political opponents. They were also compelled by their supervisors to vote for the ruling party.

Ministers of Interior had great political influence during the Shevardnadze regime. The most influential Minister of Internal Affairs was Police Lieutenant-General Kakha Targamadze, who served as Minister from 1995 to 2001. During his tenure, police powers and corruption greatly increased, and Georgian officials even facilitated terrorism. Most importantly, the Pankisi Gorge, located on the border with Russia, became a haven for terrorist training camps, drug trafficking and other illicit activity. There were several refineries in the Pankisi Gorge that processed high-quality heroin for retail sale. Targamadze, together with key officials in the Interior and Security Ministries, allied himself with Chechens and trafficked drugs through the Pankisi Gorge into Georgia and Russia, and on to Europe. Organized criminal groups also transferred significant supplies of arms and munitions through the Pankisi Gorge to Chechen fighters. Targamadze’s police personnel escorted Chechen fighters through the territory of Georgia to Turkey and the Middle East and in the opposite direction.

An attempt by the independent media channel, Rustavi 2, in 2001, to expose the corruption and criminality of Targamadze and other top police
officials resulted in a police reprisal. Shortly after the October 2001 broadcast, Ministry of State Security officials initiated an investigation of the financial activities of the broadcasting company and collected materials to support accusations of tax evasion. Non-governmental organization (NGO) representatives, media professionals, international groups, and the public interpreted this as official pressure on the independent media and rallied against the government. Zurab Zhvania, then speaker of the parliament, resigned and President Shevardnadze fired his entire cabinet including Targamadze.10

Crime and criminality were not only confined to the top, but were also pervasive among the ordinary police prior to the Rose Revolution. Given the low salaries of law enforcement personnel (which averaged $40–50 per month), it was almost impossible to prevent police corruption. Under Shevardnadze, the police cooperated with organized crime to such a degree that it was often difficult to distinguish between the police, paramilitary groups, and the criminals. Police participated in such crimes as smuggling contraband and drugs, racketeering, theft and murder. The forms of collusion varied. Law enforcement officials received a share of the goods that they allowed to be smuggled across cease-fire lines in Abkhazia and South Ossetia. In other cases, the law enforcement personnel were the smugglers themselves. Criminal convictions of police officers, however, were very rare. The police acquired immunity in exchange for safeguarding the Shevardnadze regime.

At the end of the Shevardnadze period, even the tightly controlled police proved disloyal to the president. The police would not quash the popular uprising after the fraudulent parliamentary elections in November 2003. In time, police forces, including some high-ranking officials, actually declared their loyalty to the opposition.

Law enforcement after the Rose Revolution

The Saakashvili government, after it assumed office, declared that its primary strategic priorities would be to: establish effective internal and foreign policies; combat corruption and organized crime; raise living standards and promote economic growth; and improve relations with Europe and the United States. Governmental reform, particularly of the law enforcement system, was central to achieving these goals.

Major changes were quickly implemented. The Ministries of Internal Affairs and State Security were merged into a unified institution, which retained the name of the Ministry of Internal Affairs. The Foreign Intelligence Service, however, became an independent agency subordinated directly to the president. The police and secret police merger resulted in a large number of layoffs. Existing criminal ties between some law enforcers and crime groups were disrupted, allowing law enforcement to better identify and prosecute criminals.

Corruption in the Ministry of Interior was targeted by the General Inspection Office (GIO) of the Ministry. Many successful investigations
were launched. In the first six months of 2005, for example, 312 investigations were conducted. Fifty-three cases were forwarded to the General Prosecutor’s Office, which initiated 24 criminal cases. As a result, 25 police officers were arrested, and 192 received disciplinary action. While these numbers are not overwhelming, they represent a significant step in combating corruption compared to the absence of cases in the pre-Rose Revolution period.

In addition to fighting corruption within the ministry, Georgian law enforcement has become more open to international cooperation. This cooperation has been focused on information sharing with foreign law enforcement agencies, and has contributed to the break up of several significant Georgian organized crime groups in Europe, particularly in Spain and Belgium.

The government has also undertaken steps to create a system of public oversight councils to ensure transparency in the ministry’s procurement process. During the planning stages, Minister Giorgi Baramidze was very cooperative and responded to advice from international experts. Following discussions, Baramidze created the Ministry of Internal Affairs Reform Agency, which consisted of former employees of various government agencies and NGOs. Unfortunately, the Reform Agency’s members consulted only with foreign advisors rather than with Georgian law enforcement. Therefore, it did not galvanize the support necessary to achieve lasting results.

Baramidze, while Minister of Internal Affairs (November 2003–June 2004), set major strategic goals. These included structural reform of the ministry and its personnel system, protection of human rights and acquiring modern arms for Georgian law enforcement personnel.

The ministry was reduced to 21 departments and seven legal entities, such as the MIA Academy, Health Services, and Mountain Rescue service. Structural reforms consisted of the following. First, military units inside the Interior Ministry were transferred to appropriate units in the Defense Ministry, while policing units from other ministries were transferred to the Interior Ministry. For example, the Interior Ministry acquired even more jurisdiction. In February 2004, it incorporated the State Border Guard and the State Material Reserve Department, which houses military reserve equipment, and in December 2004, it absorbed the Security Service. Other departments were merged with the MIA’s headquarters including the services for Combating Corruption, Drug Addiction and Narcotics, the Information and Public Relations Office, the International Relations Division and the Legal Division. The MIA lost jurisdiction over the Internal Troops (7941 officers, conscripts, and personnel), which were folded into the Ministry of Defense, as well as the National Bureau of Citizens’ Registration (484 personnel) and the Preliminary Detention Isolators, which were transferred to the Ministry of Justice. Planned reforms that have yet to occur include the transfer of the Fire Department (1378 personnel) from the federal-level MIA to local authorities.

International organizations and foreign experts highly recommended that the Georgian government unify the functions of inquiry and investigation
within the MIA. Separate inquiry and investigative structures, a Soviet-era legacy, created duplication and fostered competition among police personnel. In response to these concerns, the Georgian government, when it reduced the number of departments within the MIA, amended the Criminal Procedure Code of Georgia that regulated inquiry and investigative units and removed some of the investigators’ duties. Criminal investigators and their support staff in the Investigative Department of the MIA were transferred to other investigative units in the MIA. For example, investigators of murder and serious crimes were moved to the Criminal Police department, while officers investigating narcotics and organized crime were transferred to the Special Operations Department. Today, the Investigative Department has retained only the function of analyzing and compiling statistics.

In July 2004 several structures were eliminated including the transport police (2907 personnel), the Main Administrative Board of Traffic Police (2738 personnel), the Main Administrative Board for the Protection of Public Order (2266 personnel), and the Main Administrative Board of Ecology Police (462 personnel). Some of these employees went to other police structures (e.g. some traffic policemen were hired by the patrol police), while others remained unemployed or found employment elsewhere. In total 16,022 law enforcement personnel were dismissed. After layoffs and restructuring, the MIA now employs 32,731, or a ratio of one police officer per 133 citizens—still far above that of European standards (which is one police officer per 250–350 citizens).

After Minister Baramidze left to head the Ministry of Defense in June 2004, Irakli Okruashvili became the Interior Minister. Okruashvili relied less on Western advice and pushed for his own reform plans. He quickly abolished the Reform Agency, saying that an anti-corruption foundation had been already established. Despite continued commitment to anti-corruption reform, rapid turnover in leadership and diverging anti-corruption strategies have created problems in sustaining necessary, systemic change.

The Saakashvili government reform targeted the pervasive police corruption, particularly that of the traffic police that affected citizens on a daily basis. Bribery and extortion were not limited simply to traffic violations, but extended into every sphere of the division’s activities. The traffic police, for example, conducted regular technical certification of vehicles (i.e. whether a vehicle posed a danger to the environment or health). This process, however, was extremely corrupt. To address this situation, President Saakashvili issued a decree in 2004 stating there would be no obligatory vehicle safety checks until January 2007.

The Georgian government also chose to change the method of fining drivers. Instead of drivers paying fines directly to officers, which permitted the traffic officers to pocket the payments, fines are now paid directly to the banks. Corruption has not disappeared from the patrol police but it is no longer systemic. As a result, according to various sociological surveys, the patrol police have already earned public trust.
Problems of personnel reform

Before the Rose Revolution, recruitment of personnel in the MIA was based on nepotism. The new leadership of the MIA under the Saakashvili government sought to counter this in its new hires. Yet the Main Administrative Board of Personnel (MABP), has yet to develop a comprehensive system for determining the MIA's staffing needs and training programs for its officers. The decentralization of recruitment and dismissal has created additional problems of quality control and transparency. The head of the Tbilisi police hires personnel for his police force and the regional heads appoint lower level officers, and middle- and high-ranking officers are appointed with the consent of the minister. Following appointment, all candidates must attend police training. New appointees then serve a three-month probationary period before becoming full-fledged officers.

Despite the enormous improvement in the staffing of the patrol police, serious problems remain in staffing other branches of the MIA. Recruitment and training is still often conducted without open competition or publicly established criteria. Political lobbying, nepotism, and cronyism remain the main mechanism for staff selection. Now only 30–40 percent of police officers serving in the MIA have lengthy experience.

David Akhalaia, Director of the Department of Constitutional Security of the MIA, stated that the new personnel policy aims at hiring and promoting younger people. One can indeed find many newly recruited police officers in the department. However, young officers with no law enforcement experience frequently perform poorly, as many interviewees in Tbilisi and in the regions have indicated. Present staffing policy does not allow for retention of experienced law enforcement personnel. Furthermore, the dismissal procedure of new personnel who do not meet expectations is vague and there are no established criteria. Simply put, there is no comprehensive staffing policy in the MIA.

Since 2004, there have been three stages of personnel reduction, each coinciding with a change of ministers. Each minister since the Rose Revolution, Giorgi Baramidze, Irakli Otkrashvili and Vano Merabishvili, instituted human resource changes in the Interior Ministry. Under each minister, staff reductions were implemented on a proportional basis throughout the ministry without a comprehensive assessment of the staffing needs of individual departments. There have been many cases when departments and divisions that should have been eliminated only had their number of staff reduced, while other divisions in need of staff increases (generally investigative units) had their staff levels reduced, and thus experienced acute personnel shortages preventing them from performing successfully. Illustrating the problems of staffing policy are the diverse levels of Georgia's National Central Bureau (NCB) of Interpol and the Criminal Police's division responsible for manhunts. Structural reorganizations did not affect the NCB, although it had 47 employees (by comparison, the NCBs in London
and Budapest each have only seven employees). At the same time, the Criminal Police’s division for finding criminal suspects was cut, even though the number of personnel before the reduction was already too small.

While the reforms have brought many positive results, they were often not entirely thought through before they were implemented. For example, there were no clear criteria for dismissing personnel. Outside of Tbilisi, 83 percent of police officers were dismissed because of the reorganization of the Interior Ministry and its associated staff reductions. Many of those officers, especially those in investigative and operative units, were forced by their supervisors to write statements of resignation, a clear violation of Georgian employment law. As a result many of the dismissed officers became quite angry with the government and held mass protests in the major cities of Tbilisi, Kutaisi, and Gori. Former personnel have also initiated court cases. Two former police officers committed suicide—and many others attempted suicide—after losing their jobs. The government faced serious political pressure from opposition political parties to change the pace and depth of reform.

There are other problems as well. Regional and district police officers report that the lack of qualified investigators hinders crime solving, which is likely to remain a problem until new personnel gain experience. Amendments to the Criminal Procedure Code make investigative units the key police divisions with the largest workload, but police chiefs say that they were not allocated the personnel needed to accommodate the greater demand. As a result, investigators are frequently overworked; some even have more than 100 cases at one time. Police chiefs can transfer officers with legal education from other units to investigative units, but this leads to personnel shortages elsewhere. Police chiefs say that the government should have anticipated shortages resulting from the changes, and should have prevented them by allocating resources to train additional investigators and by increasing the number of support staff available to investigative units. Simply put, the government failed to undertake the strategic planning needed to guarantee appropriate staffing levels in crucial areas of police activity.

After Okruashvili became minister in June 2004, he dismissed many of the high-ranking officials appointed by Baramidze and further reduced staff levels in what became the largest staff reduction after the Rose Revolution. During his term in office, staff appointments began to be made on the basis of political affiliations. It was in this period that former activists with the Knara (“Enough”) movement and Saakashvili’s party gained many posts in the ministry. Merabishvili, who has served as Minister of Internal Affairs since December 2004, has dismissed few of Okruashvili’s appointments while bringing in new officials.

The following sections discuss two of the most successful reforms—the successful reform of the police academy and the recruitment and deployment of a new patrol police. These examples show that it is possible to introduce structural changes successfully in a formerly highly corrupt ministry.
Reform of police education

The police academy has also been a focal point of reform. Before the Rose Revolution, the academy was one of the most corrupt structures in the MIA. The admissions and exam process were completely devoid of any integrity. Prospective students had to pay between $4000 and $6000 to be admitted to the academy, much of the money flowing to the top administrators and the entrance examiners. Students also had to pay significant bribes to pass their examinations. The illicit sums paid to the members of the police academy were estimated to be approximately half a million dollars annually.29

In 2004 and 2005, the police academy’s new leadership introduced a number of reforms. Enhanced transparency and the introduction of a demanding examination upon completion of their studies meant that only 78 of 307 cadets passed the 2005 state exit exam. By comparison, before the changes almost 98 percent of cadets had graduated from the academy after finishing their studies. The reforms also resulted in major personnel changes within the academy: A new staff of well-qualified, experienced and honest personnel was hired and staff reductions reduced the number of personnel from 650 to 150. These reductions permitted remaining personnel to receive a quadruple salary raise, thereby reducing the need to take bribes to gain a living wage.

The mission of the police academy also changed from being an institute of higher education that trains lawyers and law enforcement personnel to a specialized center that trains only police officers. In the future, the new management of the academy plans to introduce an 18-month basic police-training program similar to the French model, which all officers, regardless of unit or department, must take and pass. In the case of successful completion, the police officers may enroll in a specialized, six-month training program to prepare them to work in the criminal, patrol or border police, depending on their work preference.

The police academy actively participated in the selection of new members for the patrol police. In January 2005, the commission approved 840 out of 6000 candidates, after they had completed an interview process and physical test, to attend special patrol police training courses. In the beginning of 2005, the length of the basic training course for the patrol police was extended from two to six weeks, and another increase to 12 weeks is planned. Foreign models were used to develop training materials for this extended training course, including the manuals used to train the Kosovo police. Both the Organization of Security and Cooperation in Europe and the Constitutional and Legal Policy Institute of the Open Society and Justice Initiative assisted the academy with course development. Intensive training for patrol police officers on police and human rights was organized in cooperation with local NGOs. The academy also received assistance from the US Embassy in Georgia, the European Union Rule of Law program,
the British Council and other international organizations as well as the Georgian Young Lawyers’ Association.

**Patrol police reform**

In order to eradicate the corruption in the traffic police, the government abolished this police branch in July 2004 and introduced the patrol police on August 15, 2004. In fact, for one month Georgia did not have any uniformed police officers on streets and highways to maintain traffic order. Initially, the patrol police began operations with 2467 officers, but by the fall of 2005, the patrol police had expanded to 3755 officers. Large financial resources were devoted to the patrol police, including the purchase of high-quality western equipment worth $4.7 million. This money not only gave the patrol police the means to effectively monitor Georgia’s traffic, but also helped the patrol police create a positive and professional public image. Moreover, the average wage for patrol police employees was established as 350 GEL ($190–$280), more than the prevailing average salary of 140–160 GEL ($75–$85). In Tbilisi, the Subway Patrol Police unit has functioned since October 2004, and 400 pedestrian patrol police have operated in Tbilisi since December of that year.

The formation of the patrol police is considered one of the most successful reforms to date. The research team’s initial assumption was that the patrol police project has been successful due to appropriate personnel policies, a transparent recruitment system with comprehensive criteria for hiring staff and the involvement of experienced individuals from the police academy, patrol police headquarters and the Minister of Internal Affairs in the development process. Despite this cooperation and the good publicity it generated, in reality the personnel management system in the patrol police is quite disorganized. The research group has concluded that patrol police personnel are frequently undereducated; moreover, having had only two weeks of training, new recruits lack basic competence in police investigative methods.

Every region reports that the patrol police are trusted by the public. NGO and media representatives in several major cities have mentioned, however, that the “Patrol Police are toothless” and that “they cannot detect major crimes.” Criminal Investigation Service officers in several regions have reported that the “Patrol Police are their burden.” The research group was also told that there were unfair appointments in the patrol police. A former police officer in Adjara mentioned that a bribe was necessary to be recruited into the patrol police. Another example of personnel policy problems in the patrol police is that one person was recruited into the patrol police who had been a cattle thief, although his appointment was subsequently annulled. In another case a citizen passed all examinations to get into the patrol police, but afterward he could not find his name on the list of qualified people. This person then used personal connections...
to be appointed to the patrol police, and is now a foot patrol policeman.\textsuperscript{37} There are also cases where patrol police officers dismissed for bribery have been reappointed.\textsuperscript{38} Another major drawback in personnel policy is illustrated by the fact that a group of former traffic police who were hired by the patrol police were later arrested for smuggling.\textsuperscript{39}

Ordinary people like the patrol police believe that the project has been successful. Georgian citizens, however, do not consider the patrol police to be an ordinary police force, but instead perceive that the patrol police are completely different from the other police forces.\textsuperscript{40} The success of this project reflects a dramatic change from the previous totally corrupt police, and the new police force appears to demonstrate a greater respect for the citizenry. Without a transparent personnel management system, corruption could easily spread throughout the patrol police in the future.

\textbf{Activities of former policemen after dismissal}

The fate of the 16,000 dismissed law enforcement personnel has raised many questions. There is little operative information on former police officers' activities.\textsuperscript{41} Therefore, it is hard to address the following questions: where have the former police officers gone and what are they doing? With their anger at the new government and their decline in status and income, is it possible for the former police officers to become a destructive force? Having cooperated in the past with organized criminal groups, are former police officers involved in any kind of criminal activity?

Davit Akhalaia confirms that former police officers do represent a danger to contemporary Georgia. Police were involved in organized crime activity in the Shevardnadze era and can now use their knowledge of police work to the benefit of criminals.\textsuperscript{42}

Before the Rose Revolution, crime groups had the closest links with police officers in the Criminal Investigation Service. Ironically, the reform of the police fell most heavily on the administrative units of the police. Therefore, corrupt investigative officers who had ties with organized crime may still work in the police. The corruption based on need appears to have diminished, as increased salaries, better working conditions, and better logistical support (provision of fuel and communication costs to police) have reduced the incentives for receiving payments from criminals. Some police officials say they prefer to work with only new recruits, as corrupt police officers usually persist in their established patterns. Therefore, the following data on dismissed police officers only give a partial view of the problems of criminalization of former and present police.

In order to address crime among the police, the MIA has taken several steps. For example, a 24-hour hotline to the General Inspector's Office (GIO) was opened. People can now report police officers' offences anonymously. In addition, a civil monitoring board at the Ombudsman's Office was created to oversee preliminary detention jails to prevent and detect torture and
other violations. The Constitutional Security Department is actively combating bribery, extortion, and similar crimes in the ministry. Despite this, the problems of criminalization and corruption among police officers persist because criminals seek ties to those currently working police officers who can protect their activities.

The MIA’s GIO investigates crimes committed by police officers. The emphasis in the post-Rose Revolution period has been on investigating corruption-related crimes rather than other forms of police abuse. Initial investigations of police abuse are conducted by the GIO; the collected evidence is then given to the General Prosecutor’s Office for further investigation. Figures 5.1 and 5.2 break down the GIO’s investigations and the results of those investigations.43

As a result of these investigations, 25 police officers have been arrested and 192 police officers have received administrative punishments. The majority of the criminal cases brought against current police officers are for bribery and drug-related crimes.44 Data from the MIA General Inspection show that police officers, in particular the patrol police, are accepting small bribes, often as little as 10 GEL ($4.50).45 The continued problem of petty corruption shows that problems persist even with the recruitment of new personnel and the more rigorous selection criteria. However, the level of impunity of law enforcement, even for petty bribery, that existed prior to the Rose Revolution has been eliminated.

![Chart 5.1 Activities of General Inspection of MIA (January 1–May 25, 2005).]
Police are still involved in drug-related crime (see Figure 5.3). Drug testing resulted in the dismissal of police personnel with drug abuse problems, although drug abuse has risen a little as the result of an absence of an ongoing drug-testing program. Since the reforms took effect, three current police officers and one former police officer have been arrested for the most serious category of drug trafficking; the substances trafficked included Subotex (methadone-like product) and heroin. The quantities identified in these cases were generally small.

Other forms of criminal activity committed by former police officers include identity fraud and racketeering. A representative of the police’s General Inspection said that about 60 percent of 16,000 dismissed people did not return their police identification cards (IDs) to the MIA after termination of their employment. In some cases, former officers have used their IDs to pretend to be officers. In other cases, they have used these identity cards to facilitate cross-border smuggling. An illustration of the problem is the arrest of a former officer of the Kakheti regional police on one of the central avenues of Tbilisi. After being stopped by the patrol
police, the former officer threatened the officers and told them that he was a policeman. After his arrest, the officers discovered a 9 mm Stechkin (the standard-issue police handgun) in his possession. There have been three other reported cases in Tbilisi when former police officers used their old police IDs to avoid paying fines and penalties for their misconduct. This has been most common in the area of traffic violations. The retention of these police IDs, moreover, represents a larger security threat because with them former police personnel can enter some limited access government buildings and avoid the system of special checks. Several former police officers who kept their IDs and firearms demanded protection money from small-business owners, threatening them with problems from criminals and corrupt officials if they did not make payments.\(^50\)

Akhalaia believes that 90 percent of former police officers have illegal arms. Our extensive research, however, found only two criminal cases resulting from former police officers illegally retaining their arms. In data from the Supreme Court, one former police officer was arrested for illegal possession of a weapon in 2004.\(^51\) The other case was reported in the Borjomi district, where a former policemen had a non-registered weapon. The head of the district police called the former officer and persuaded him to turn over his firearm to the police.\(^52\)

The most serious criminal threat posed by former police personnel is in the area of organized criminal activity. The Department of Constitutional Security is investigating a group of 20–25 individuals, most of whom are former police officers, that it alleges has committed or is planning to commit serious crimes.\(^53\) The head of the Criminal Police reports another case where in the autumn of 2004 an organized criminal group comprised of two former and one employed police officer attacked a post office and stole funds to be distributed to pensioners.\(^54\)

In June 2005, three Georgian wrestlers with ties to organized crime were arrested for extortion. Police claim that the three athletes were arrested while attempting to extort $8000 from a Greek businessman in Tbilisi.\(^55\) The arrested wrestlers are allegedly part of an organized crime group headed by several influential thieves-in-law including Tariel Oniani, one of the most powerful Georgian thieves-in-law and head of the Kutaisi group, who until recently resided and operated in Spain.\(^56\) Former police officers are also found in the group allegedly including Davit Kachkachishvili, who is the former head of the MIA's Anti-Corruption Unit and the group's krysha (protector in the state apparatus) until the Rose Revolution.\(^57\)

The following two cases further illustrate the problem of former police officers’ involvement in illicit activities. The first case, from Kakheti, a region in the eastern part of Georgia, is an interesting example of former police cooperating with leaders of the criminal world. The second case is from the region of Shida Kartli, which adjoins South Ossetia, a major smuggling route from North to the South Caucasus, and it illustrates the participation of fired police officers in contraband activities after their dismissal.
The former deputy head of the Kakheti regional police and his driver, known as Salamura, had long-time links to criminal groups and thieves-in-law in Georgia and abroad long before their dismissal from the police force. These two individuals were allied with a Georgian criminal group of 30 people residing in Moscow who committed diverse crimes. One of their most notorious acts was an assault on an armed guard escorting a member of their crime group to a prison in Ekaterinburg. This group also organized an assault on an armored car delivering money to a post office.

According to Rustavi 2, the group robbed a large amount of money from the Tbilisi Post in the Avlabari district of Tbilisi shortly after the Rose Revolution in December 2004. According to law enforcement representatives, the driver of the armored car died at the scene of the crime and two people were wounded in the armed robbery. Reportedly, the robbers stole more than 200,000 GEL ($110,000).

One of the members of this crime group, a thief-in-law nicknamed “Bombora,” returned from Russia to Georgia in 2004 and was arrested shortly thereafter. After eight months of imprisonment, he was released. The deputy head of the regional police and his driver were fired from the police force in the same period. These two former police officers and Bombora then created a crime group, whose main activity was trafficking in stolen cars. Cars were stolen in the Kakheti region, transported and hidden in Tbilisi. A courier from either Azerbaijan or Armenia would then transport them out of the country.

In early 2005, Kakheti police received a tip that Bombora and the former police driver had hijacked a taxi and forced the driver to take them in the direction of Tbilisi. The police shut down roads leading into Tbilisi, and after a chase, Bombora and his accomplice were stopped at a checkpoint. Bombora was killed during the struggle and the former officer was arrested as a result of the operation. Law enforcement found a dead body in the hijacked car that belonged to the taxi driver. They also discovered a gun, which had been used to shoot two citizens of the Gurjaani district of the Kakheti region in 2004. Salamura was imprisoned, and later after a manhunt, the former deputy head of Kakheti regional police was arrested.

Temur Anjafaridze, head of the Kakheti regional police, considers this case of criminals and a former police officer acting together as rare and exceptional. This conclusion is not supported by other research findings presented in this book on smuggling in the separatist regions, which reveals that police officers before and after the Rose Revolution are frequently complicit in contraband operations, either themselves smuggling goods or escorting convoys of illicit products to assure their safe delivery.

The links between former police officers and organized criminals in Shida Kartli are particularly acute for several reasons. Staff cuts were greater in this region than in other regions of the country. As a result of dismissals more than 300 officers were let go and replaced by new hires. No employment alternatives were offered to the ex-police officers, many of whom had connections to the
criminal world and knowledge of contraband operations. Field research in the region found that fired police officers continue to be involved in contraband operations. In the past, they did it as police officers, now as ordinary citizens. In one criminal case involving former police, the former officers were arrested while they were transferring illegal cigarettes through the conflict zone. They had police IDs with them and claimed that they were members of the Khashuri (a district in Shida Kartli region) police force. In fact they had been dismissed some eight months before the incident. There have been at least 12 other cases in the region when former police officers were arrested carrying their former police IDs with them. Most of these 12 cases involved former police officers working with criminals and professional smugglers to move contraband.

Former Georgian police officers also work with transnational Georgian organized criminal groups in Belgium and Germany involved in the trafficking of stolen cars and drugs. A well-organized criminal network made up primarily of Georgians and Lithuanians operates in Belgium. According to Belgian police representatives, the network has matured to become a serious problem for the country’s law enforcement. Georgian organized crime groups in Belgium are allied with similar groups in France and Germany whose main activity is also stolen car trafficking. Former policemen are mainly recruited to transport the stolen cars from Europe to Georgia. For this service, they receive €200. In a letter dated July 7, 2005, Belgian police officers stated that two police officers were arrested together in Germany on April 3, 2004, each driving a stolen car heading to Austria before reaching its Georgian destination. According to another letter from the Antwerp Police Department, a former Georgian police officer was involved in an organized criminal group specializing in trafficking stolen cars from Antwerp. This information was confirmed by a source from the MIA who reported that the seven arrested Georgians stole 240 Mercedes in Antwerp alone. The operative divisions of the Ministry of Interior located 171 of these cars in Georgia; the rest were probably shipped through Georgia to Azerbaijan or Armenia.

Conclusions

Despite reforms undertaken to reorganize the MIA, many structural problems still exist. The merger of the MIA and the Ministry of State Security was extremely important, although full unification has not been implemented on the regional level. Coordination problems have resulted in many units losing greatly needed manpower. Most disturbing, there is still no MIA-wide personnel policy, which would regulate hiring, firing, and training at the local, regional and federal levels. Therefore, corruption and nepotism remain prominent in hiring and firing decisions. Correspondingly, the training that new officers have received has often been inadequate, leaving the current Georgian police without sufficiently trained personnel to perform its functions.
Reform of the patrol police and the police academy have been important first steps in reforming the police but much more needs to be done if there is to be overall improvement in police performance. The failure to create a rational policy for providing adequate staffing levels for different departments has left some departments with too many personnel and others with serious shortfalls. Insufficient staffing of such important units as the criminal investigative unit is a serious threat to Georgian society that has faced a growth in crime in recent years.

Many police officers laid off during large-scale personnel changes have turned to the criminal world to earn income. Unfortunately, these officers possess a great deal of experience and know ways to hide from the police. The depth of this criminalization cannot be underestimated; it ranges from simple drug abuse to wide-ranging networks of criminals active throughout Europe and the former Soviet Union. The lack of experience, manpower and coordination among new police hires only serves to make the ultimate fight against Georgian organized crime more difficult. In the meantime, Georgian organized criminals are gathering strength and could become a potential political enemy to the democratically elected Georgian government.

For these reasons, the Georgian government must continue to reform law enforcement. The international community, for its part, must press the Georgian government to establish a clear and long-term reform strategy while working with Georgian law enforcement to combat Georgian organized criminals. Without this, the democratic foundation that Georgia has built following the Rose Revolution could be endangered.

Notes

3 The numbers are not exact and are derived from unofficial sources. Main Board of Personnel of MIA did not convey the requested information due to unknown reasons.
7 Interview with officers of the security service, May, 2005, Tbilisi, Georgia.
8 Interview with officers of the security service, May, 2005, Tbilisi, Georgia.
9 Interview with officers of the security service, May, 2005, Tbilisi, Georgia.


12 Interview with Zoran Krunic, international expert and advisor on the reform of the Ministry of Internal Affairs of Georgia, January 22, 2005, Tbilisi, Georgia.

13 Interview with Zoran Krunic.

14 Based on the MIA regulation adopted by the Presidential Decree, No. 614, December 27, 2004, Tbilisi, Georgia. While these departments have been well integrated on the federal level in Tbilisi, different administrative boards for Georgia’s autonomous republics and regions still exist, which has created duplication issues in the regions.


20 Interview with Zurab Mikadze, Head of Human Resources Department, MIA, May 27, 2005, Tbilisi, Georgia.

21 Interview with former police officer, former officer of the Ministry of Internal Affairs, February, 2004, Tbilisi, Georgia.

22 Interview with Davit Akhalaia, Director of the Department of Constitutional Security of the MIA, June 3, 2005, Tbilisi, Georgia.

23 Interviews with police officials in Tbilisi and the regions, May–August 2005.

24 Interview with Zviad Tsagareshvili, Head of Human Resources Department and Malkhaz Jigoshvili, Deputy Head of the same department, Ministry of Internal Affairs, April 6, 2005.

25 Interview with former police officer, former officer of the Ministry of Internal Affairs, February, 2004, Tbilisi, Georgia.

26 Interview with an international expert, January 2005, Tbilisi, Georgia.

27 For instance an interview with Vano Tsiklauri, deputy head of the regional police of Samtskhe-Javakheti, July 20, 2005, Akhaltsikhe, Georgia.

28 Interview with former police officer, former officer of the Ministry of Internal Affairs, February, 2004, Tbilisi, Georgia.


32 Interview with Zurab Mikadze.

33 For instance, interview with the representative of GYLA (Georgian Young Lawyers Association) in Shida Kartli region, July 15, 2005, Gori, Georgia.

34 For instance, interview with the police officer in Samtskhe-Javakheti region, July, 2005.

35 Interview with police officers in Kvemo Kartli, June 2005, Georgia.
36 Interview with Temur Anjafaridze, Head of Kakheti regional police, June 16, 2005, Telavi, Georgia.
37 Interview with the representative of Georgian Young Lawyers Association, June 17, 2005, Telavi, Georgia.
38 Interview with Gela Gigineishvili, Head of Guria Regional Police, August 7, 2005, Ozurgeti, Georgia.
39 Interview with Gia Andguladze, representative of Liberty Institute in Samtskhe-Javakheti region, July 21, 2005, Akhaltsikhe, Georgia.
40 Interviews with the citizens in the streets, May–August, 2005.
41 Interview with Davit Akhalaia, Director of the Department of Constitutional Security of the MIA, June 3, 2005, Tbilisi, Georgia.
42 Interview with Davit Akhalaia, Director of the Department of Constitutional Security of the MIA, June 3, 2005, Tbilisi, Georgia.
43 Based on the data provided by General Inspection of MIA, May, 2005, Tbilisi, Georgia.
44 Data provided by General Inspection of MIA, May, 2005, Tbilisi, Georgia.
45 ibid.
46 ibid.
47 Data provided by General Inspection of MIA, May, 2005, Tbilisi, Georgia.
48 The data provided by the Special Operative department of MIA, June 2, 2005, Tbilisi, Georgia and the Supreme Court of Georgia as annexes to the Letter N v-1067-05, July 26, 2005.
49 It is also very easy to make fake MIA IDs.
50 Interview with former officer of the Ministry of Internal Affairs, February, 2004, Tbilisi, Georgia.
51 Data provided by Supreme Court of Georgia as annexes to the Letter N v-1067-05, July 26, 2005.
52 Interview with former head of Borjomi district police, August, 2005, Kutaisi, Georgia.
53 Interview with Davit Akhalaia, Director of the Department of Constitutional Security of the MIA, June 3, 2005, Tbilisi, Georgia.
54 Interview with Irakli Qadagidze, Head of Criminal Police of MIA, September 13, 2005, Tbilisi, Georgia.
56 Based on the data of Special-Operative Department of the Ministry of Internal Affairs, July 2, 2005.
57 ibid.
58 Interview with Irakli Qadagidze, Head of Criminal Police of MIA, September 13, 2005, Tbilisi, Georgia.
60 Interview with Temur Anjafaridze, the Head of Kakheti Regional Police Department, June 16, Telavi, Georgia.
61 Interview with Ketevan Bebiashvili, Chairperson of Georgian Young Lawyers Association, Gori Regional Office, July 15, 2005, Gori, Georgia.
62 Interview with Vladimer Jugeli, head of regional police, July 14, 2005, Gori, Georgia.
63 Interview with Kashuri police chief, July 14, 2005, Khashuri, Georgia.
64 Interview with Vladimer Jugeli, July 14, 2005, Gori, Georgia.
65 Interview with deputy head of regional police, July 14, 2005, Gori, Georgia.
67 Ibid.
Georgia’s Rose Revolution: People’s anti-corruption revolution?

Londa Esadze

The popular uprising in Georgia that led to President Eduard Shevardnadze’s resignation on November 23, 2003 has been termed a “Velvet Revolution” or the “Rose Revolution.” Many experts called the Georgian events the former Soviet Union’s first anti-corruption revolution. Generally speaking, however, “revolution” is not the correct term for what happened in 2003; in reality the Rose Revolution, from a legal point of view, was a coup d’état. But as it was carried out peacefully and without bloodshed, it created an important precedent and has inspired other frustrated opposition activists in other countries who closely followed events in Georgia. The Rose Revolution and the peaceful ouster of Shevardnadze have had a major impact on the other countries of the former Soviet Union and throughout Eurasia; in fact, after November 2003 it became clear that the next revolution would be in Ukraine.

How much impact has the Rose Revolution had on Georgia? Have the hopes of the revolution been realized? While it is too early to make an ultimate evaluation, the results thus far are mixed. While the post-revolutionary period has brought some positive changes, it has also reduced freedom of the press and the judiciary. Ironically, it was the relative freedom of the Shevardnadze era that provided the pre-conditions for revolution. These conditions, which did not exist elsewhere in the former Soviet Union, are now being undermined in Georgia.

Why Georgia?

After gaining independence in 1990 and following the collapse of the USSR, Georgia started building a democratic society sooner than many of the other successor states. Unfortunately, like other post-Soviet countries, it faced many obstacles, primarily civil war and ethnic conflicts, which were followed by economic collapse. Furthermore, Georgia’s strategic location made it a focus of intrigue and conflict between the United States and Russia. The geopolitical position of Georgia, which included prospects for a Euro-Asian energy corridor and possible agreements on oil and gas pipelines, provided particularly conducive conditions for the pervasive corruption that undermined Georgia’s economic and political development.
There existed, in Georgia, the objective conditions for an anti-corruption revolution. Before the Rose Revolution, a study by the World Bank determined that kickbacks to public officials in Georgia exceeded 8 percent of revenue, placing Georgia among the most corrupt states in the post-communist world. Moreover, Georgians had high expectations for change because of the significant level of foreign assistance received by the Shevardnadze government. Georgia received aid from various international organizations, including the International Monetary Fund, the World Bank, the United Nations, the European Bank for Reconstruction and Development, the Organization for Security and Cooperation in Europe, the Black Sea Trade and Development Bank, and others. Georgia also received bilateral aid from the United States, Germany, the Netherlands, the United Kingdom, Japan, Switzerland, Sweden, China, Greece, Canada, Turkey, Kuwait, and others. The United States, the largest donor, alone provided Georgia nearly $1.4 billion in assistance from 1991 to 2005. Georgia’s abuse of financial aid and development assistance was among the worst in the former Soviet Union. Citizens, learning of so much incoming foreign aid but seeing few results, became angry.

Anger at the corruption alone was not sufficient to cause a revolution. Certain circumstances of Shevardnadze’s rule provided Georgian citizens with the possibility to act.

First, during Eduard Shevardnadze’s tenure, opposition leaders, parties and society had leeway for action that did not exist elsewhere in the Caucasus or in Central Asia. Since the late 1980s, Georgia had a free media. The media’s freedom of maneuver and action translated into effective political influence and reflected Shevardnadze’s own relatively liberal attitudes. Freedom of the press also reflected the weakness of the Georgian state and its inability to control and co-opt competing centers of power and authority. Moreover, international NGOs were deeply involved in Georgian events. Much press and analytical attention has been focused on the Open Society Institute of the Soros Foundation for funding the revolution. Thousands of other lesser known non-governmental organizations (NGOs), however, operated freely in Georgia and involved large groups of citizens.

Second, the Georgian state, crippled by corruption, was extremely weak. The worst consequence of this weakness was that criminals and crooked officials did not worry about the penalties for breaking the law. But this weakness ultimately made the Rose Revolution possible by dissipating the state’s ability to resist the better organized opposition groups. By November 2003, Shevardnadze could no longer command the state’s coercive apparatus. In the end, no one was willing to act against crowds peacefully calling first for new, fair elections and then for Shevardnadze’s resignation.

Third, just one month before the revolution, the United States government along with the World Bank and the International Monetary Fund decided to reduce and in many cases cease their financial assistance to Georgia because the pace of reforms had slowed. Georgian GDP per capita
at the time of the revolution was $823. As its citizens were highly dependent on this foreign assistance for their survival, this withdrawal of financial assistance prompted many Georgians to abandon any faith they had had in their government, effectively depriving the government of its last supporters.

**Not all rosy after the revolution: The failure to reform**

Revolutions, starting with France in 1789 and continuing past the Russian Revolution in 1917, invariably reach a stage where those seeking to establish a new order must face the question: do the ends justify the means? Georgia seems to have reached this point. Were the Georgian events really an anti-corruption revolution or just a replacement of one corrupt government with another? What are the thorns in the anti-corruption roses? Most significantly, why did nearly 40 percent of the population in 2005, twice that of the year before, think that Georgia was heading in the wrong direction?

While perceptions of corruption by the public have improved, Georgia remains one of the most corrupt countries in the world. In the 2005 Corruption Perceptions Index, which ranks 159 states, Georgia is in the 130th position, placing it on the same level as Kyrgyzstan, Venezuela, and Cambodia, and nearly unchanged from its ranking at the 139th position in 2004.

The anti-corruption reforms that have been advocated by Transparency International (TI) and the Organisation for Economic Co-operation and Development (OECD) as necessary for change have not been implemented. In a congratulatory letter to President-elect Saakashvili, Peter Eigen, chairman of TI, suggested several priorities for the first 200 days of the new presidency. TI called for a restructured anti-corruption commission, with powers of investigation, which would report to parliament. TI also urged the new administration to implement the National Anti-Corruption Program. In addition, the OECD, in its special recommendations for Georgia, called on the government to strengthen the existing Anti-Corruption Coordination Council and to establish a Specialized Anti-Corruption Agency with a mandate to detect, investigate, and prosecute corruption offences, including those committed by high-level officials. Instead, in 2004 the newly elected government eliminated the existing Anti-Corruption Coordination Council and shelved the anti-corruption program, even though two million dollars in donor money had already been spent to prepare the program and to establish the Anti-Corruption Coordinating Council. The specialized Anti-Corruption Agency has still not been established, and currently there is no institution to coordinate and monitor the anti-corruption strategy of the country.

Since his January 2004 victory, President Mikheil Saakashvili has taken controversial steps to broaden the power of his office. Among the first of these was the passage of a constitutional amendment allowing the president to dissolve parliament. Another amendment empowered the president to appoint and dismiss judges, thereby increasing the executive branch’s influence over a judiciary that already suffered from a lack of independence.
These amendments drew criticism from Georgian opposition leaders and international NGOs. The Council of Europe and the European Parliament also echoed these concerns. The procedures for adopting these changes were highly suspect. The government rushed through these constitutional changes without publishing the draft amendments for public discussion as is required by the Georgian Constitution. Numerous international human right groups as well as the Council of Europe have expressed their concern.9

President Saakashvili struck decisively at corruption in his first months in office, but his aim seemed more politically motivated then reform minded. Although the arrests were of high-ranking and high-profile individuals and it is widely believed that these individuals were corrupt, all those arrested were the current president’s political opponents, particularly those closest to former President Shevardnadze. Corrupt officials who supported Saakashvili from either the old or new government are still in their positions and many of them continue to conduct their corrupt businesses. Many Georgians think that the new government applies the law selectively in its anti-corruption drive, arresting and punishing political enemies while leaving supporters untouched.

Arrests of former officials in Georgia were routinely staged like scenes from Hollywood gangster movies. Viewers of Georgian television news were treated to a regular fare of masked security officers pouncing on suspects accused of corruption or tax evasion. Because of this, people became more aware of the faces of corruption. But these targeted arrests need to be accompanied by structural changes to prevent the recurrence of the committed crimes. So far, prevention has been based on fear rather than on government-wide changes in the attitudes and performance of elected and civil service personnel.

Undermining the legality of the anti-corruption drive is the government’s propensity for revolutionary justice. In many cases, it has used the courts to put pressure on suspects by ignoring due process and neglecting the law. These actions have all been justified in the name of fighting corruption, but the government by its actions risks creating new grounds for this corruption. There are also significant gaps in the Saakashvili administration’s statements on human rights and its actual practices. Human Rights Watch has noted an increasing number of cases of torture, and inhumane and humiliating treatment, and reports that arbitrary detentions remain a matter of deep concern.10

Perhaps the biggest institutional failure of the new authorities lies in the de facto restrictions on the judiciary’s independence. Observers note that judges exercise self-censorship in sensitive cases and lean towards decisions that they think the authorities endorse. In addition to the president’s ability to appoint and dismiss judges, Saakashvili has repeatedly made statements that could have been seen as prejudicing the court. As a result, in all of the high-profile corruption cases, courts ordered pre-trial detention of the accused, a measure that should only, according to a strict interpretation of the Criminal Procedure Code, be applied in a very limited number of cases.
The new leadership also faces daunting problems with respect to the lack of educated and professional personnel in all levels and branches of government. The government has taken some drastic steps to shake up some of the most stagnant and corrupt institutions, such as the Ministry of Defense and the traffic police. Nonetheless, critics point out that most appointments at the middle-management level are still based on personal and partisan loyalty. Reform of the civil service is lagging, while merit-based competitions for public positions are rare.

Since the Rose Revolution, relations between the Georgian government and local media have increasingly caused concern. The government has attempted to tame the press by administrative measures under the pretext of establishing the rule of law. Consequently, some Georgian television stations and newspapers that had gained a following with their relatively unrestricted reporting have significantly toned down their criticism of the government, especially within the context of reports on the separatist regions of Abkhazia and South Ossetia. Others have simply closed. As a result, the Paris-based press freedom watchdog Reporters Sans Frontières ranked Georgia 99th among 167 countries for its press freedom record, down from 73rd in 2003 and 94th in 2004.11

The attempts by the new leadership of Georgia to establish a uniform public opinion risk leading the country to authoritarian rule and stagnation, rather than to the rapid reforms sought by the revolution. It has become clear over the last 15 years that developing democracy in post-Soviet republics will be a long, drawn-out process, with no guarantee of success. Authoritarian traditions remain strong even among the best-educated, most Western-oriented leaders, with little or no personal involvement in the Communist Party apparatus or stake in that tradition of governance. The Georgian experience proves that not all of the Western-trained leaders are immune to such temptations of power.

**Not all roses have thorns: Signs of progress**

The above list of remaining problems in Georgia does not mean that the government has not reduced corruption in many important spheres. As is discussed in Chapter 5 of this book, one of the most dramatic reforms the Saakashvili government has instituted is a complete overhaul of the GAI (State Automobile Inspection), or traffic police. The GAI was one of the most widely disliked government institutions in Georgia; ostensibly on the roads to promote safety, in reality officers used their positions to gain small bribes from drivers throughout the day. GAI officers were paid only 50–60 dollars per month.12 These officers could be bribed to allow the transportation of hazardous or illicit goods. The situation was simply unsustainable. In July 2004, President Saakashvili dismissed the entire highway patrol service and laid plans for a new patrol service. Of the former 13,000 GAI officers, only 1600 were hired for this new patrol service. The new force has
higher salaries, Israeli handguns, and Volkswagen-produced patrol cars. The reform was deemed so successful that in July 2005 Viktor Yushchenko implemented a similar reform in Ukraine.

Structural reforms have not been limited to the police. The Chamber of Control, Georgia’s highest accounting body, is faced with the daunting task of checking government finances at every level. Before the Rose Revolution, Chamber employees were among the most corrupt in the country. The Chamber’s bloated staff was underpaid, which allowed corruption and bribery to flourish at the lowest levels, while the Chamber’s management developed corrupt relationships with the government agencies and companies, which it was supposed to oversee. In 2004, the Georgian Parliament and government elected a new chairman of the Chamber of Control, Dr Zurab Soselia. Dr Soselia dismissed all but one of the deputy chairmen, installed a new management and organizational structure, and instituted a new anti-corruption policy. Staff size was reduced by two-thirds to 300 people through a series of public examinations and interviews. The remaining staff received higher salaries that placed them in the middle class. Trainings from international organizations, including the International Organization of Supreme Audit Institutions, the European Organization of Supreme Audit Institutions, and the U.S. Government Accountability Office increased the quality of the Chamber’s operations. Millions of dollars were recovered for the Georgian government as a result of their investigations.13

Another of the most important reforms, discussed by Shalva Machavariani in Chapter 2, instituted by the Saakashvili government was the introduction of standardized university entrance exams, which first took place in the summer of 2005. Before this reform, students were faced with corruption not only during the exam process, but also in preparation for exams. Parents most often tried to hire department heads, who were directly responsible for admissions, to tutor their children, although other high-ranking professors were also sought. Even after having paid for “preparation,” families were expected to pay bribes to a university’s top administrators. Altogether, it could cost from $5000 to $10,000 to be admitted to a highly sought-after program.14 In addition to instituting a standardized exam, the government granted 4000 scholarships to pupils with the highest test scores. The reduced number of scholarships awarded to students resulted in an increase in the value of the awards and provided an impetus for universities to compete for the best students.

These reforms, while important, are only the beginning of what must be done in Georgia. Anti-corruption should not become merely a populist message for legitimizing the new leadership. Anti-corruption is an old tune which wearies with repetition even in a society as corrupt as Georgia. After all, the Shevardnadze regime, while no Stalinist dictatorship, was just a corrupt mixture of clan and mafia mismanagement that declared every year to be the “final year” for combating corruption in the country. Precisely for this reason, it is imperative that Georgian society, as well as international
donor institutions, continue to track the situation closely and, when needed, to offer constructive criticism.

**Conclusion**

Georgia’s recent history since independence has seen war, severe economic and political stagnation, and now a new period of reform and change. After the Rose Revolution a sense of euphoria filled Georgia. Many people sincerely believed that corruption in all its manifestations would soon become a thing of the past and Georgia’s economic problems would be solved. While there have been many meaningful successes, many Georgians feel that they have replaced a corrupt government with a government that cannot fulfill its campaign promises.

The Saakashvili government seeks to transform governance. There are reasons to be optimistic. Important reforms have been instituted and the international community again has provided support for Georgia to institutionalize reform. The World Bank has resumed loans. In May 2004, Georgia was selected as one of 16 Millennium Challenge Account15 (MCA) countries and in 2005 signed an agreement to receive a five-year $295 million assistance package. But, as in the past, Georgia is better at securing assistance than in developing the monitoring mechanisms to ensure the proper use of these resources.

Saakashvili’s government has supported structural reforms in two of the most important state bodies, the police and the Chamber of Control. These two organizations affect everyday life within Georgia, and it would be a mistake to underestimate the importance of their reform. At the same time, the Saakashvili administration has yet to muster the political will necessary to make fundamental changes in the way the entire state operates. Georgians unfortunately see the results of this everyday. This has created a situation where corruption has disappeared from the surface, but is still deeply rooted within the government.

While international support and goodwill are essential to rebuilding Georgia’s infrastructure, the positive changes that Georgia has seen since 2003 can be expected to disappear if the government does not maintain the reform process. Moreover, Georgian citizens have already proven that they are willing to go to the streets to protest against their government. Saakashvili faces pressure from every side, and, at this point, the future is unclear.

**Notes**


8 In fact, the Georgian parliament does approve changes to the Supreme Court, but the president may appoint and dismiss judges in regional and federal courts without legislative oversight.
15 The Millennium Challenge Corporation was founded in 2004 by the US Congress, and is funded by US taxpayers. Millennium Challenge Account countries
will receive both financial and expert assistance to develop sustainable economic growth through education, infrastructure, and private sector development. MCA recipients are chosen through objective governance measures, and further assistance is dependent on fiscal accountability. For more information, see http://www.mca.gov
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