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ANTI-CORRUPTION REFORMS IN GEORGIA

BY

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Declaration

I hereby declare that I am the sole author of this Master Thesis and it has not been presented to any other university for examination

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The Master Thesis meets the established requirements

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Abstract

Present thesis aimed at conducting research on definitions, causes and inevitability of the anti-corruption reforms. The theoretical framework is based on a number of different sources and it describes the perspectives with fighting against corruption in the world. The system of the 'good governance' plays its special role against the most "dangerous phenomenon" (Tanzi 1998, 4), which is an important weapon to preserve stability and democracy in the country. The empirical part is based on the case of Georgia, which gives as brighter picture, how anti corruption reforms were developed after the collapse of the Soviet Union and what role had 'Rose Revolution' government during these radical reforms. These radical reforms had numerous negative consequences and exactly with my research paper, I tried to prove these negative consequences, which are reflected in 'Elite Corruption' system during 2003-2013. These research paper and my opinion is based on various sources, The World Bank, Transparency International, different Georgian newspapers and Non Governmental Organizations (NGO) research papers, where are introduced the previous and present government officials considerations and concepts about the influence of the government during the reforms.

Keywords: Corruption Phenomenon, Anti-Corruption Reforms, 'Zero Tolerance', 'Financing Law', 'Business', 'Elite Corruption'

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1. Introduction

Each country in the world aspires to develop itself and each of the government tries to build democratic country, but the processes of the development is not easy, as Lawal (2007) noted development is a “structural transformation of the economy, society, polity and culture of the country (Ibid), he also considered that influence on the country’s development has “political culture, leadership” (Ibid) and the main obstacle to growth is “corruption” (Ibid). The phenomenon of corruption up to now is not learned fully, Tiihonen (2003, 3) admitted it like “structural danger in the world”, which is “considered as an enemy of economic development” (Lawal 2007, 2), which erodes living standards of the citizens (Ibid). In many countries, administrative corruption is a heavy load for citizens and private companies, it takes a lot of time and resources, it causes resentment of public services, undermines the credibility of these institutions and locks the way for business to develop and investment grow. If we check corruption perception index from 2001 to 2012 we can be sure in danger of corruption phenomenon (Tiihonen 2003, 3), the most of the countries in the world are fighting against it during the years, processes in different countries are different, also the amount of resources spent against corruption is different, and the results accordingly are different. It is almost impossible even in such developed countries as Denmark, Finland, New Zealand, Sweden and etc (Corruption Perception Index 2012) to achieve the fullest success.

Klitgaard and colleagues formulated the simple model of corruption (1996, 27):

$$“C \text{ (corruption)} = M \text{ (monopoly)} + D \text{ (discretion)} - A \text{ (accountability)}”$$

The authors worked out the strategy against corruption, “reduce monopoly power, limit and clarify discretion and increase transparency” (Ibid), but they foresee all this does not mean automatically reduction of corruption in the country. Good argument failure of this strategy is developed countries, in the Corruption Perception Index only “100 score means it is perceived as very clear” , so if we check its table in 2012, we can see, that Denmark (90 score), Finland (90 score), New Zealand (90 score), Sweden (89 score), even Singapore (87 score) has had problems connected with corruption system.

Pursuant to ‘monopoly’ is the reason why anti corruption reforms in most cases change its face, high-ranking persons are entitled to make and enforce the laws in the name of the people and use political power, status and wealth for this purpose. The appearance of the ‘Elite Corruption’ in the most countries gave rise to “manipulation of the political institutions” (Amundsen 1999, 3) and rules the law (Ibid), what means that government institutes and political system’s successful reforms are in doubt.

Within the various levels and agencies, corruption can take place between the different government branches: executive, legislative and judicial system. Main is not only carrying out anti corruption reforms, but the most important is controlling the situation after the reforms. If high-ranking persons seized government control reins, in the order they will become greedy people and lose control, what means automatically failures of the anti corruption reforms and the country frequently get into institutional decay.

As Georgia is developing country, it has numerous problems connected with the corrupt system in the government structures. Especially difficult environment in Georgia began after the collapse of the Soviet Union. In 1991-1992 was elected first president Zviad Gamsakhurdia, who was expelled after the Civil War and the so-called ‘Military Council’ was governing the country (Government of Georgia 2010)¹. In 1995 till 2003 Eduard Shevardnadze was elected in president (Ibid), exactly this period was famous for its corruption system like the “pyramid scheme” (The World Bank 2012a, 13). After 2003 Rose Revolution came in the government and began radical reforms against corruption, but existed government became a greedy and monopolistic system, which is confirmed by many protests and demonstrations from 2007 till 2011. In 2012 after instability, chaos and corruption Georgian Dream was elected in Parliament elections (Djakeli 2012, 17-19) and began a new era against the corruption system.

The thesis is divided into three parts. The first part, the theoretical framework is focused on phenomenon of corruption, monopoly and principles of ‘good governance’, which is obligated weapon to solve corruption problems and form ‘democrat country’, also importance ‘rule of law’ (it is the most important principle of ‘good governance’) after anti corruption reforms. As it is

¹Available at https://government.gov.ge/index.php?lang_id=ENG&sec_id=193

known, the most corrupted in the world are the post communist countries; I tried to describe corruption reasons and barriers in these countries, and show best anti corruption campaign. The second, empirical part focuses on Georgian case, situations after collapse of the Soviet Union, a period when the “petty corruption” (Japaridze 2012) flourished in the country and radical anti corruption reforms, with mission was to reduce the level of corruption in Georgia. The third part of the thesis analyzes post anti corruption reform period (period with leadership Mikheil Saakashvili and the famous Rose Revolution), the outcome of the reforms, which formed ‘Elite Corruption’, and destroyed the myth of ‘success country’ therefore. This is the painful discourse of ‘Rose Revolution’ period, which divided Georgian society in different social strata and destroyed equality and justice. In whole it is discourses themes, which are conflicting with each other and which formulates post-‘Rose Revolution’ corruption.

The research question of the thesis is based on the concept of anti corruption reforms in Georgia, obstacles and processes of development, which met during the Rose Revolution government period. The theoretical part shows the role of the international experience, what are the main weapons against corruption and the empirical part shows Rose Revolution government influence on the anti corruption reforms.

2. Corruption Phenomenon

There are different concepts to understand corruption, and as Tiihonen (2003, 3) explained corruption is “structural danger in the world”. The classic explanation of this term is defined as official position abuse for “personal gain” (Porter and Warrender 2009, 79-99). Corruption as an illegal act today has new features and shapes, further to it we can say, that this phenomenon developed in parallel with globalization, became more complex and “multi-faceted” (Amundsen et al 2000, 9). Meskhia (2008) highlight the negative effects of corruption system: inefficient expenditure of state funds and resources, reduction of efficiency of state apparatus, bankruptcy of enterprises, deceleration of economic growth, an increase of organized crime, fall of public morality and etc. The forms of corruption are different, and it depends on who are the “actors, initiators and profiteers” (Amundsen 1999, 1), how it is done, and to what extent it is practiced. Tanzi (1998, 3) divided the causes and factors of corruption actions, and the most important demand, factors are:

- “regulations and authorizations;
- characteristics of the tax systems;
- spending decisions;
- provision of goods and services at below-market prices”.

The most important supply factors, which have affect are (Ibid):

- “Bureaucratic traditions;
- The level of public sector wages;
- The penalty system;
- Institutional controls;
- The transparency of rules, laws, and processes;
- The examples set by the leadership”.

So we must search the causes and consequences of corruption in the history and traditions of the country, in the economic and political systems. Samuel Huntington (1968 cited in Amundsen et al. 2000, 12) noted, that “where political opportunities are scarce, corruption occurs as people

use wealth to buy power, and where economic opportunities are few, corruption occurs when political power is used to pursue wealth”.

World community pays special attention to fight against corruption and appropriate preventive actions. Transparency International conducts research in three areas: ‘Corruption Perceptions Index’², ‘Index of Bribery’³ and ‘World Corruption Barometer’⁴ (Meskhia 2008), which shows the level of corruption in state bodies, the spread of corruption among entrepreneurs, and measuring citizens’ attitudes toward corruption. The United Nations⁵ and other international organizations in recent years adopted a series of documents, but the situation of the World Corruption has not improved (if we compare the Corruption Perception Index during 2010-2013, top 10 of the countries with the lowest perceived level of corruption almost did not change). Despite the fact, that the current stage of the anti corruption strategy and action plan is formed positively, numbers of significant problems remain unsolved. It is impossible to sustain the existing international economic and financial order, and at the same time fight against corruption effectively. As argued by Meskhia (2008) “Global corruption impedes uniform, the world’s legal, political and economic space, formation of social imbalance leads to destabilization of the world’s economic arrangement diffusion”.

Meskhia (2008) delineates between three main types of corruption: ‘domestic corruption’ (which I perceive as ‘bureaucratic corruption’), ‘business corruption’, and ‘elite corruption’.

Previous studies have shown that unlike in the past years currently domestic corruption is most spread, which has arisen from during the medium and high-ranking state officials and ordinary citizen interaction. As Berker (cited in Tanzi 1998, 10) argued, in Canada, Denmark, Finland, the Netherlands and Sweden domestic corruption was spread by two reasons, the largest system of

² See at <http://www.transparency.org/research/cpi/overview>

³ See at <http://www.transparency.org/research/bpi/overview>

⁴ See at <http://www.transparency.org/research/gcb/overview>

⁵ See at <http://www.unodc.org/unodc/en/treaties/CAC/>

public sector and the lowest wages of government officials. In these countries such conditions gave somebody permit, licenses or certificate, in fact was to give government officials power to take bribes. The theme about the “relationship between wage and corruption index” (Tanzi 1998, 16) was discussed by Von Rijckeghem and Weber (1997), they considered if the government started to increase wages, then every official will be afraid to lose their place in the governmental structure and will stop before they will take chances. For example, Singapore is the country, where public officials, ministers or high level persons have very high wages (Tanzi 1998, 17), with these conditions Singapore is at the top of the least corrupt countries (Corruption Perception Index 2012). And also if we glance meaningfully to the post-Soviet Union countries, domestic corruption mostly was spread in Georgia, Russia, Moldavia, Bulgaria and etc (Meskhia 2008).

Business corruption occurs in concealing a high-ranking state officials and business deals sector, as Meskhia (2008) mentioned, it is the new type of corruption, which developed with globalization. Transnational companies, progressively were united with the state, so there were formed ‘political business’ caste. These castes supported the ruling parties in elections, and after elections they were rewarded with government preferences and loyalty. As Tanzi (1998, 25-26) according another investigators mentioned, it is bribes - “seen as investment”, the castes are waiting their “investments with a high rate of return”, which can bring “particularly damaging to society”. It is a particular threat for any country’s economy, their goal is to fulfill or to continue their economic activities in the country, or to take advantage illegally. After the 1997 financial crisis, politics and business interrelation became more spread in East Asia countries, as well was spread corruption system (Gomez 2002, 6). The government of Taiwan and Malaysia had direct or indirect control on business; in Japan, major corporations financed the ruling party; after the authoritarian era in the Philippines business again began to have an influence on the state (Ibid). In Thailand and almost in South Korea businessmen established political parties, and in Indonesia businessmen were in politics (Ibid).

Elite corruption is spread among the highest levels of state government. It has extended networks in “politicians, party leaders, bureaucrats, media owners, military officers and business people” (Spector et al 2006, 29), who has common status quo and who annihilate political and economic competitors. By Spector (2006, 29) words Elite corruption “systems are often marked by ineffective legislatures, extensive state power (legal or otherwise) in the economy, politicization

of development policy and banking, and a process of mutual “colonization” among business, political parties, and the bureaucracy”. Also there is problem (Ibid, 39):

- “Closed, collusive, politicized economy, politics
- fraudulent, indecisive, or uncompetitive elections
- Poor transparency in business, markets
- Moderately weak institutions:
 - public/private boundaries
 - functional boundaries among elites (e.g. state, business, party, bureaucratic, military)
 - colonization of bureaucracy, business by parties, political leaders
- Civil society, press infiltrated from above by political parties, leaders”.

3. 'Good Governance', 'Democracy' and 'Rule of Law'

The term 'Governance' means "the process of decision-making and the process by which decisions are implemented (or not implemented)" (Fernando 2006, 45). Since 'governance' is perceived as 'decision making process', which needs implementation, 'governance' analysis is focused on the 'formal' and 'informal' actors, who are oriented to implement the processes in 'formal' and 'informal' structures (Ibid).

The government and governmental structures is the 'actors in governance' (Ibid), which processes are directed to implement policies, laws, institution, society, etc. in the country, and form accountable, effective, transparent, responsive and equitable mechanism, which respect human rights and their interests. If the government abrogate the norms, traditions and institution by use of its power, then legitimacy, rule of law, efficacy of the institutions, accountability and transparent relationships between citizens and governments ends, and governance of political, economic, cultural and social system can lose its importance. As I mentioned above power is the reason of corruption and if the symptoms of corruption actions appears in the government, that means governance failed against corruption.

In many research papers 'good governance' principles represented as the system, which can solve all corrupt actions, and it has eight major characteristics (Ibid) against it:

1. Participation – "freedom of association and expression on the one hand and an organized civil society on the other hand" (Ibid, 63). To create more open and transparent governing systems, where civil society have right publicly show violations of the corrupt officials and "put their political futures at risk" (United States Institute of Peace 2010, 12).
2. Rule of law - fair, impartial, independent judiciary, incorruptible police force and protection of human rights (Fernando 2006, 59). Almost each country is not protect from corrupt actions, but everyone can agree that in democratic country strong rule of law creates effective ways to control and check corruption level in the country.
3. Transparency - freely available and directly accessible of information (Ibid, 62). Free information accessible is broad concept, it does not mean only open media or NGO, also accessibility of alternations in Constitution, and transparent spending of state budget.

4. Responsiveness - institutions and processes service within a reasonable timeframe (Ibid, 61).
5. Consensus oriented – “to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved” (Ibid, 65)
6. Effectiveness and efficiency results of processes in institutions (Ibid, 61)
7. Equity and inclusiveness - to improve well being of society (Ibid, 64)
8. Accountability - between governmental institutions, private and civil organizations, and stakeholders (Ibid, 61). It is the important mechanism to get the control on politicians and political institutions, which help monitoring and enforcement anti corruption reforms (United States Institute of Peace 2010, 12).

Following ‘good governance’ principles is for ideal ‘democratic country’, and of my assuming in real world these countries almost does not exist. If we check democracy index 2012, we will see that “full democracies” index is low, and other governmental regimes are estimate as “flawed democracies” or “hybrid regimes” (The Economist Intelligence Unit Limited 2013), according this, I can argue, corruption is one of the reasons, which destroys illusions of ‘good governance’. Corruption can be shown in different aspects and levels of governance, it involves bureaucratic structures (police system, public services, education system and etc), and involves high-ranking persons (president, political officials). It is not necessary to have both cases of corruption system, but if we think, this dangerous phenomenon can completely destroy the developing countries myth about ‘democratic society’ and put at the risk of its future development. Minxin Pei said, corruption is more common in the autocracies than in democracies (Minxin Pei 2009 cited in United States Institute of Peace 2010, 9): “corruption is more prevalent in autocracies is no mere coincidence. While democracies derive their legitimacy and popular support through competitive elections and the rule of law, autocracies depend on the support of a small group of political and social elites, the military, the bureaucracy and the secret police”.

The idea of ‘rule of law’ implies, that somewhere exists higher principles, according to we must determine all, including the government and its actions, as Plato argued “law is the master of the government and the government is its slave” (Jandieri 2012). The first figure, who mentioned about the ‘rule of law’ was Aristotle, he said “law should govern” (Ibid).

According the World Justice Project 'rule of law' system has the following principles (Agrast et al. 2012-2013, 3):

- The government, governmental structures, political officials, individuals and private entities are accountable under the law;
- The laws are stable and clear to protect fundamental rights (persons and property);
- The processes issue a law must be accessible, efficient and fair;
- Justice system must be clear from influence; justice officials must be ethical, competent, neutral and independent.
- The former Soviet Communist societies are suffering by corruption up to now (Sakvarelidze et al. 2004) - Corruption is the 'dark myth' of the transitional period, it is explanation of all defeat and disappointment of the post-communist decade, and the rule of law was 'bright myth' of transitional period (ibid). In Eastern Europe countries 'rule of law' became as magic phrase, exactly 'rule of law' and not 'democracy' attracts foreign investors, provides development and human rights (Ibid).

4. Anti Corruption System in the Post Communist Countries

“Anti-corruption reform promoted by governments, donors and civil society alike, has traditionally covered a range of interventions” (OECD 2009, 7). Their target is to develop anti corruption commissions or national anti corruption strategies, which are obligate to create (Norad 2008 cited in OECD 2009, 7):

- “Political and social dimensions: systemic corruption;
- Rule of law: control and prosecution;
- Public administration and systems reform: prevention;
- Extractive industries and service delivery: sector corruption;
- Non-state actors: transparency and accountability;
- Capacity building and organizational development: anti-corruption abilities”.

Global anti corruption agenda was emerged in the mid-1990s by US government, because it was “a commercial and security threat” for the world (Ivanov 2007 cited in Bracking 2007, 28). The World Bank and International Monetary Fund (IMF) began deregulation against bribes among the officials, and in 1993 Transparency International began publications to inform the world about the corruption problem (Ibid). International anti corruption campaigns were focused on the reforms to reduce corruption index in the future, they tried to find ways with fight against it, especially in the post-communist and developing countries (Ibid).

Some of people argues, that “corruption was endemic to the communist system due to its inherent shortages” (Jordan 2002 cited in Pedersen and Johannsen 2005), as “misfortunes of the post-communist economies and politics” (Pedersen and Johannsen 2005). And other people argued, that “corruption in post-communist countries is inbuilt in the hasty and comprehensive change in private-public relations during the creation of market mechanisms and privatization of the state’s economic assets” (World Bank, 2000; Kaminski & Kaminski, 2001 cited in Pedersen and Johannsen 2005).

By the researches of the World Bank, Transparency International and Political Risk Services (PRS), in 2004 less corrupted countries were Central Eastern European countries and the most

corrupt were ex-soviet countries of Central Asia and the Southern Caucasus (Zagainova 2007, 140). Zagainova (Bracking 2007, 139) according the others affirmed, that post-communist countries are considered as the most corrupted countries, because of bureaucratic system and the absence of private property. The soviet system power was in the ministries' administration, which created administration hierarchy, also faithful and loyal clients (Ibid) and after the collapse of the Soviet Union each member country's ministers tried to show their power and plunder the country's property. "When the Soviet Union collapsed, the informal institutions of systemic corruption turned out to be highly resilient in the face of rapid political, economic, and social changes. The corrupt networks provided material security to lower-ranking officials and provided excellent opportunities for high-ranking officials and aspiring oligarchs to assume powerful political and/or economic positions. Systemic corruption has therefore remained a part of the most successor states of the Soviet Union" (Stefes 2007, 7).

"Corruption takes many forms, and all of them distort the workings of the political system" (Karklins 2002, 22), from here author considerate, that corruption system in the post communist countries had 'sub-types' and the most of them are 'institutionalized' (Ibid, 22), and he formulated the "typology of the Post-Communist Corruption (Ibid, 24):

1. Low-level administrative corruption

- Bribery of public officials to bend rules
- Deliberate over-regulation, obfuscation, disorganization
- Using licensing and inspection powers for extortion

2. Self-serving asset stripping by officials

- Diverting public resources for civil servant spoils
- Mismanagement and profiteering from public resources
- Profiteering from privatization
- Malpractice in public procurement
- Nepotism, clientelism and 'selling' of jobs

3. 'State capture' by corrupt networks

- De facto takeover of public institutions for private business or criminal activity
- Forming collusive networks to limit political competition
- Undermining free elections through slush funds, hidden advertising, etc

- Misuse of legislative power
- Corruption of the judicial process
- Misuse of auditing, investigatory, and oversight powers
- Using kompromat for political blackmail and coercion
- Corruption of and in the media”

Holmes (1999, 3) named “both actual (subsequently proven) and alleged (but ultimately unsubstantiated)” corruption system in Central and Eastern Europe after collapse of the Soviet Union. For example the post-communist presidents - Aleksander Kwasniewski (President of Poland); prime ministers – Albania (Fatos Nano in 1991); Poland (Waldemar Pawlak in 1995); Lithuania (Adolfas Šleževičius in early-1996); Estonia Tiit Vahi (in 1997); Latvia (Andris Šķēle in 1997); Czechia (Václav Klaus in 1997); Georgia (Niko Lekishvili in 1998); Lithuania (Gediminas Vagnorius in 1999); senior privatisation officials - Polish privatisation minister (Janusz Lewandowski in 1993); the head of the Czech privatisation (Jaroslav Lizner in 1994); and the entire privatisation board in Hungary (1996); police officers (for instance in Poland in the mid-1990s, Yugoslavia in 1998); military officers (as in Estonia in late 1995, Russia in mid-1996, Bulgaria in 1997, Romania in early 1998, Slovakia in mid-1998, and Latvia in late-1998); and many other state officials (Ibid).

As Grigory Yavlinsky (Stefes 2007, 7) described after collapse of the Soviet Union “Every single important bureaucrat in Russian government or Russian administration is at the same time deeply involved in businesses or represents their interests.” So in 1999, Russian government was obligated to implement anti corruption program to solve the problems connected with administration corruption system (Stefes and Rousso 2003, 33):

- The government improved the fairness and effectiveness of judiciary and court system
- Led the reforms in the political party system
- Led reforms in public management sector (especially tax reforms)
- Led reforms to increase competitiveness of the private sector

In 2000, Russian President also made changes in “the relationship between big business and the state” (Ibid). According Steves and Rousso (2003, 33) Russian government nowadays has the serious problems connected with corruption, but “even in the absence of high profile omnibus

anti corruption programmes, the authorities' multi-pronged efforts to strengthen institutions of governance and improve the business climate have seen corresponding declines in the level of corruption, especially state capture”.

One of the Soviet Union country Albania, which had problems with administration and grand corruption, in 1999, implemented anti corruption program and in 2000, anti corruption plan was adopted to regulate (Steves and Rousso 2003, 33):

- institutional reforms (include civil service reform)
- strengthen legislation system
- consolidation of rule of law
- reforms of public finance management
- promote transparency
- improve business
- and develop public information

Albania's government amended public procurement legislation, the laws on public procurement and passed political party finance law. According Steves and Rousso (2003, 33) “Albania is the only country in which both state capture and administrative corruption have increased in the 1999-2002 period”.

There is the good anti corruption system in Baltic countries, in 1997, Lithuanian government established Special Investigations Service to fight against criminal associations and corrupt public officials (United Nations Development Programme 2001):

- They were guarantors and coordinators of the National Anti-Corruption Programme
- It was is authorized to combat corruption at the highest levels of government
- It created better conditions for training employees in the anti-corruption area

In 1997 Latvia established Corruption Prevention Council and the programme is updating every six months (Open Society Institution 2002, 300-301):

- “Government workshops and nation-wide conferences to formulate an effective Corruption Prevention Programme in 1997–1999

- surveys of households, business and officials conducted in 1998 with assistance from the World Bank
- the Act on Public Access to Information, passed in 1998
- the 2002 Act on Conflict of Interest of Public Officials
- the Act on the Corruption Prevention Bureau, passed in April 2002
- amendments to political party finance regulations, passed in June 2002”

5. The Case of Georgia

5.1 The level of Corruption after the Collapse of the Soviet Union

As much as it concerns to the most corrupted countries, basically, for ‘political leaders’ power and care about the relatives is the motivation to be involved in the corruption actions and for ‘public servants’ motivation is save their lives after destroyed system, insufficient wages and bad incentives.

The widespread misrule and political instability in Georgia was established after the collapse of the Soviet Union. Leaderships of the Communist Party’s tried to somehow help to conserve the Soviet Union, but it failed, because they could not foresee the results of their decisions. In 1991 Georgia became independent, but it was named as “failed state” (Bendukidze 2012 cited Kvanchilashvili 2012), meaning that a country which received independence, but was not able to use it.

During the period Eduard Shevardnadze⁶, for the political leaders and their surrounded persons national treasury was used as a pocket money, they appropriated all existing enterprises and land, which previously owned the Soviet Union (The World Bank 2012a, 16). ‘Thieves-in-law’ was another problem for the country, they were criminals involved in drug dealing, racketeering and kidnapping (Ibid, 19). ‘Thieves-in-law’ were the unit mass of people, who had their own rules, but at the same time they respect state ‘rule of law’. They are well aware in Constitution, people with good education level, who could have committed the crime without any kind of evidence. They had special kind of monopoly on the government, exactly why the Soviet authorities tried respect them. But after collapse of the Soviet Union ‘Thieves-in-law’ lost its old meaning and turned into more dangerous areas.

When new movement ‘Rose Revolution’⁷ with the leadership Mikheil Saakashvili came, began the actions against corruption. ‘United National Movement’⁸ main motto was “Georgia without

⁶ Second President of Georgia (1995-2003)

⁷ The series of peaceful public demonstrations in November 2003

corruption”⁹, Saakashvili promised citizens to eradicate the corruption index, raise the country’s economy, reduce crime level, return stolen budget money and punish the guilty officials, reduce unemployment index and improve salaries (Ternali 2010). He promised to build democratic country according the principles of ‘good governance’ with participation of citizens, to make transparent current processes, and be responsive to his people (Ibid).

The first reason of corruption growth was ‘communist legacy’ (Sakvarelidze et al 2004) the post-communist state regime’s “employees legal get licensed, authorized, unlimited power” (Ibid). The second reason was crisis ‘rule of law’ and reduction of public institutions confidence. And the third reason was media, it is obsessed with the issue of corruption and accuses the post-communist politics in corrupt actions.

After the ‘Rose Revolution’, when new government carried out an anti corruption reforms and get international recognition as ‘young reformers’ (The World Bank 2012a, 5), ‘political leaders’ aspired to take more and being in luxury terms. Greedy nature of them and aspiration for luxury life had the devastating results for the country, violations of ‘rule of law’ help country again sank in the deep ‘corruptions slash’ (Ternali 2010).

5.2 The Role of Government in Anti Corruption Reforms

As it is known corruption system is ‘dangerous phenomenon’ (Tanzi 1998, 4), which has no single cause, and fight against it must be carried out in different fronts. According all the standards of ‘good governance’ for Georgia key element to reduce corruption is build strong institutes, make independent judiciary system, control legislature system, reinforce execution system, well organize public management and protect civil society.

During 2004-2007 in Georgia were carried out at least 70 reforms (Bendukidze 2012 cited Kvanchilashvili 2012). It was the wave of mass radical reforms, in fact, reforms means to make

⁸ Political party in Georgia since 2001

⁹ It was previous election slogan of ‘United National Movement’ in 2003

something good or bad for the country, which bring economic growth and sustainable development or fully destroy it.

Japaridze (2012) in his article clearly declaimed reality and perspectives of corruption phenomenon in Georgia after collapse of the Soviet Union. He correctly identified Georgian reality as a post Soviet country, which tried to get rid of the ‘quotes’ (Japaridze 2012) from the Soviet Union system. The first perspective was to abolish old traditions and “restrict of state functions” (Ibid). The Soviet socialist system rejected private property and individual initiatives; they thought that state should solve any problem by itself; in result, a person was dependent on the mercy of the government in the process of resolving an issue, for residential accommodation or bought the food in safety market (Ibid). The formula was simple, if a citizen has free choice and responsibility for their own actions, they do not need maintenance every step of the government, there were no longer need for various delicacies in the different government structures (Ibid), Rose Revolution government carries out radical reforms to reduce the number of contacts between citizens and the state bureaucracy, which automatically led to reduce corrupted actions in the number of the possible structures.

The second and the most important factor was political will, motivation and desire (Ibid). Moreover, will of the higher leadership and officials are not enough, important factors are strategic and tactical level of management, mobilization of required all regional, municipal or district institutions, and public positive attitude and support (Tony Kwok Man-wai 2012, 117). “The real slogan of the ‘Rose Revolution’ was that we could no longer live like that; things must change, corruption must be eradicated” (Bendukidze interview cited Kvanchilashvili 2012).

After these two factors Georgian government publicly announced anti-corruption reforms as ‘successful reforms’, but the most of the reforms in the world were recognized as ‘failed reforms’ (Kakhishvili 2012 cited Pirtakhia 2013) and in my opinion, it is absurd to evaluate every changes positively, but government formed ‘successful reforms’ simple formula (Chitaia, 2010):

Reforms are ‘painful process’, which had ‘perfect results’

According to the most 'Rose Revolution' reforms, the word 'reform' means something 'good' approximately with 'perfect', the 'reform processes' are corresponding to 'painful processes' and if more people broader society or from social interest groups are unhappy with this or that reform, then government should consider these reforms as 'successful reforms'(Ibid). This governmental logical decision is absolutely absurd, it raises a lot of questions, beside this 'free life and choice' and 'political will' government formed the country controlled by 'United National Movement', which controlled budget funding, business, media, NGO and etc. From my observation, by this way ruling party tried to justify all deplorable facts provoked after anti corruption reforms, so we should think about the carried out reforms and its results, did they make Georgia as 'democratic country' and changed old habits or destroyed its future development?

6. Action Plan and Strategy Against Corruption

As it is typical in any normal country, in the anti-corruption campaign with other government agencies should participate civil society, educational institutions, moral authority traditional centers and the business sector. Against corruption system is necessary to form strategic, tactical and operational levels of management. Each will be responsible for planning, implementation oversight, reporting and evaluation of anti-corruption campaign. For the success of the anti corruption strategy crucial importance is to ensure their workers skills recruiting, training and technical ensure. By Georgian Constitutional model President defines government policy, while the executive branch of the government is in the power of Prime Minister. So National Security Council must limited strategic guidance, and Cabinet Office has also set up an anti-corruption department, which conducts tactical leadership.

The agencies by the help of the government must settle the corrupt actions:

- Government must accept responsibility to fight against corruption
- Change ineffective and outdated anti-corruption action plan and strategy
- Change outdated regulations, which hampers transparency and accountability

Georgian ‘Anti-Corruption Council’ was created by the subordinate Ministry of the Justice (Anti corruption Council chair is the Minister of Justice of Georgia and other represented are from governmental and non-governmental agencies) on the basis of ‘Law of Georgia on Conflict of Interests and Corruption in Public Service’ (Anti-Corruption Council, 2011). Basically, council coordinates, monitors, updates the action plan and strategy against corruption, it delivers recommendations about the problems. The Council’s duty is (Government of Georgia 2010, 2):

- “Modernization of public service;
- Development of administrative service;
- Procurement;
- Reform of public finance system;
- Development of tax and customs systems;
- Competitive and corruption-free private sector;

- Enhancing justice administration;
- Increased interagency coordination for prevention of corruption;
- Improved system of political party financing;
- Prevention of political corruption”.

To accomplish the goal, strategy and action plan of the ‘Anti-Corruption Council’ must be to identify the corruption level or actions and lead safety operations (Marghania 2011). The National Anti-corruption Strategy was adopted by Presidential Decree #550 of 25 June 2005 (GRECO 2006, 12). In as much for improving anti-corruption legislation, prime minister of Georgia signed ‘Georgia’s National Anti-Corruption Strategy Implementation Action Plan’, outlined four main anti-corruption action plan¹⁰, which identifies corruption level, makes analysis on it and establishes methodologies, fundamentally, all the standards must be based on international investigation and experience (Government Ordinance #377, 2005¹¹):

- “Identify concrete corruption practices; perform critical analysis; develop corresponding legislation;
- Institutionalize legislative analysis and normative bases that are important to reducing corruption;
- Criminalize acts that are considered crimes of corruption by international standards;
- Establish a standard methodology for measuring corruption”.

Emerge from the strategy’s aim was to reduce bureaucratic barriers to the business, establish rule of law, government accountability, public participation, transparency and development of the good governance, which ultimately should become the basis revolution new values and consciousness. The strategy clearly expresses the government’s vision on causes of corruption in

¹⁰ Georgian Government Ordinance #377, 2005

¹¹ Government Ordinance #377, see at:

http://transparency.ge/sites/default/files/post_attachments/Ordinance%20377%20-%20National%20Anti-Corruption%20Strategy%20Implementation%20Action%20Plan-September-E.pdf

the public service and possible ways to improve the financial management system. What are the short and long term priorities of the government's anti-corruption system and to strengthen anti-corruption awareness, determine the architecture of the anti-corruption initiatives and institutions.

To accomplish the goal Georgian anti-corruption system was developed in the different directions, but I want to highlight the most importance cases, those which for the opinion of the most Georgian Dream public officials had violations: law enforcement system, public funds management, business field and public service reforms.

6.1 'Financing Law' and Unreasonable Costs from State Budget

One of the important issues to develop state budget is to implement policy program of 'political finance law', which determines the exact spend of money from state budget, also determines equal funding of political parties. Party funding issue is especially important because it is often linked to political corruption. Different interest groups made donations to the specific party can have provoked this group use of political power and damage to the public interest, so government must lead policies to solve these problems, divided into two groups: establish the size of the donation restrictions and income/spending fund transparency (Japaridze 2010).

In Georgia, everybody has right make political party (certainly according the Georgian Constitution¹²), and since 1991 till today there are registered more than 190 political parties, but about ten of them are active (Ministry of Justice of Georgia 2011, 138). As it should not seem in a strange way, in Georgia political parties are overly dependent on the personality of their leaders and in the most cases were connected with corruption system (Nodia and Skoltbahi 2006), after leaving of the leader and without financing they disappear from political scene (Ibid), that is why political system in Georgia till today "is consider as unstable and poorly developed sphere" (Ibid).

In 1997 the Georgian parliament passed law about the finance of political parties, which defines the rules for financing political parties from the state budget and also from the private funds. The

¹² The Constitution of Georgia, adopted on 31 October 1997

law of ‘state funding’¹³ got in the force in December 2008, emerge from, it aim was to make financial support and create a competitive political system. Political party financing was divided in two ways (Japaridze, 2010):

- A large portion of the money will transfer from the budget if political parties cross the 4% threshold during the last parliamentary elections or cross the 3% threshold in the last local elections.
- Part of the money will be transferred to the Electoral Systems Development, Reforms and Training Center, which was subsequently distributed to political parties ‘research, teaching, conferences, business trips and regional projects’.

After elections 2012, in as many Georgian political parties were in ‘great attendance’ and Transparency International Georgia started monitoring party financing, according organization report many parties have indicated large sums in declarations and the most of income money was of an unknown origin (Tugushi 2012). In 2011 the ‘United National Movement’ (this political party was the majority party, before the peaceful change in October 01, 2012) received 1,757,240 GEL from the state budget, Christian-Democratic Movement received 573,651 GEL and Labor Party 391,338 GEL (Natroshvili 2012). Also in another report was introduced unknown financing by ‘United National Movement’ - 38% money approximately 2 278 442 GEL and 6% of Christian-Democratic Movement - 53 289 GEL (Urushadze and Natroshvili 2012).

If we based on reliable sources, current legislation encourages the parties to conceal the sources of funding. The most of the parties acknowledge that they are using both legal and illegal sources funding (Nodia and Skoltbahi 2006). It can be said, that none of the party’s finances is not transparent for today. Opposition politicians often announced that entrepreneurs are afraid to make financial assistance to them, because they do not want to have strained relations with the government (Ibid). ‘United National Movement’, as well as the opposition parties did not deny the need of state funding, at the same time, the ruling party draw in the fact, it is important to independently engage money for parties by itself (Ibid).

¹³ Organic Law of Georgia on Political Union of Citizens, Published in Herald of the Parliament of Georgia, 1997, #45

After elections in 2012, for all costs new government began investigation where were spent money from state budget, and pursuant to, it was known that the previous government since 2004 used services of foreign lobbying¹⁴ firms. In total from 2004-2011 ‘United National Movement’ spent more than 5 million dollars on lobbyists and in 2012, before the elections, Saakashvili’s government spent much more than previous years together, exactly 16 million dollars (Ushikishvili 2012). “These costs are classified as ‘confidential’, so I could not publish it, but in this year ‘United National Movement’ spent 16 million on the procurement of consultancy services. You probably realize that we are talking about” (Khaduri¹⁵ cited in Ushikishvili 2012). In general, information about spending funds on lobbyists is not public, though some information for society is still accessible. For example, according to International Transparency Georgia’s reports, in 2010 government transfer 600, 000 U.S. dollars to “Podesta Group” and ‘United National Movement’ from its own fund for the service of “Gephardt Group Government Affairs” paid 436 thousand U.S. dollars (Ushikishvili 2012).

By my observation, despite the existing laws it is actually impossible to control equal distribution of resources on political parties, there is no effective competition and transparency environment. When the government does not require a detailed report of the party, it is impossible to control their accounts, which gives rise a risk of corruption. My view also was shared by former ministry and in the interview he announced, that “Political parties divided their costs in the 4-5 groups, some of them had more detailed understanding form, but some of them described expenses in ‘other graph’ (to hide not special purpose expenses). This rate often is more than 70% of the total costs - in some cases it exceeds million. To analyze expenses is considerably complicated. Often it is complicated and almost impossible to identify funding sources of political parties” (Khatiskaci¹⁶ cited in Glonti 2011).

But I want to stress that there was no violation of ‘rule of law’, consequently it had a reason, the ruler political party cared for its future, used its power and created ‘vague’ ‘political finance

¹⁴ “Orion Strategy” company.

¹⁵ Nodar Khaduri – Ministry of Finance after elections in 2012

¹⁶ Nina Khatiskaci – program director in Transparency International Georgia 2007-2011

law’, which defended for its future interests. Those ‘vague’ laws gave rise to monopoly system in Georgia. The United Nations Movement was one and the main political party, which is fully charged the state budget.

The second characteristic of the ruling political party monopoly, the state budget spending and elite corruption is unsuitable spending funds on new cars, aircraft, and the enormous costs in the state apparatus (for traveling allowances), even new residence and new glass buildings or bridges, other incredible bonuses in the governmental structures (Kvitashvili 2013).

6.2 ‘Zero Tolerance’ and Masses of Arrests

The first reform was in police system, Ministry of Internal Affairs was the most corrupted system after collapse of the Soviet Union. Reformers created the Policy Academy, where police workers had special studies, how to establish diplomatic relations with citizens, and consequently, government created new, professional, service-oriented patrol police force and citizens believed in the honesty of the police workers (Devlin 2009, 1-3). The duty of a police officer is obliged to protect the legal rights of the citizen, limit their right according the law. The police officers are obliged to execute will of the court, prosecutor and investigator. Georgian and other democratic countries law enforcement system is similar, but the functions between law enforcement system and structural units in Georgia are different, because implementation of the law and public safety has not yet been fully achieved. Despite numerous legislative amendments police officers excessive used their force, there are many instances where officers were breaking the law and became infringers.

Georgian Government put in order, developed and submitted a legislative package, which provided the court, prosecution and judicial system reform, which by the recommendations of international organizations, international agreements and conventions will criminalize corrupt practices. The government adopted Organic Law on Common Courts and Supreme Court, New system for appointment of judges¹⁷ (High School of Justice of Georgia):

1. Institutional changes, reforms in

¹⁷ See at <http://hcoj.gov.ge/en/reforms/judicial-reform>

- District (city) court, and magistrate judge
 - Court of appeal
 - Court of cassation
2. Establish the High Council of Justice of Georgia
 3. Keeping order at the court completely in Georgia
 4. Accomplished development of the court manager institute
 5. Restore confidence between court and public
 6. Establish the system of jury trial

After ‘zero tolerance’ policy many of ministers, officials, businessmen and oligarchs were arrested, and began the new wave of intolerable arrests. I want to highlight the most high-profile cases, in order to formulate my opinion on existed situation.

Davit Mirstkulava, Minister of Energy was arrested in 2004. As Georgian media announced, he was accused of hiding official documents and embezzling state funds. As it was known the former minister entered the police quarters absolutely safe and after the interrogation with the strong heart attack and stroke, he was transformed by the ambulance to the hospital (Verdzuli 2012). He was conformed 10 years of imprisonment, government tried to get ransom, but Mirskhulava did not recognize his fault. After hard days in the prison, despite of his crime, in 2006 he was forgiven (Transparency International Georgia 2010).

Sulkhan Molashvili, chief of the Georgian National Integrity System, after overthrowing the government went to the enforcement agency on his own. I reckon that, he wanted to be pardoned for his prior testimony, moreover, he was charged in embezzling 3 million GEL and paid 265 thousand U.S. dollars, and he found himself in prison instead of being free, the core reason of his imprisonment was not to pay mortgage (Civil Georgia 2014). After few month, his lawyers and human rights groups proclaimed, that he was a ‘political prisoner’, because experts from Alternative Medical Commission confirmed that he was beaten and tortured in jail (Ibid).

Bondo Shalikiani, businessman arrested midnight at his home (it was new form of arrests, police had plenary power to invade in private sector and arrest people in the midnight), after two day in jail he officially registered his own 48 property (Sanatorium - “Sairme”, stocks of automobile factory - “Kutaisi”, champagne factory - “Terjola”, 22 petrol stations, 2 factories of oil-refining,

total 100 million GEL property) to the Ministry of Economy of Georgia, also paid guarantee money in sum 20 thousand GEL and was withdraw from the country (Verdzuli 2012).

“We want zero-tolerance. And it works. It is a fact that it works” (Saakashvili cited in Slade 2012), declared president in parliament in 2006, “our mission was cleaning our streets of this rubbish” (Ibid).

The government began to deliver the appropriated money from officials and robbing businessmen owe to the law, they arrested, extorted money from already corrupted people and embezzlement their own property. I believe state criminals must be punished correspondingly without torture and extortion, but existed government has a law of ‘zero tolerance’ and having argument - ‘empty budget’. “The government extracted significant resources from those arrested to begin replenishing the empty treasury account. One plea bargain with a prominent businessman resulted in a \$14 million payment to the treasury” (The World Bank 2012a, 28), what does not justify their behaviors.

After ‘zero tolerance’ policy from 2003 to 2010 prison population soared by 300% (Saakashvili cited in Slade 2012), Georgia is in the 4th place among 216 countries, with 539 prisoners per 100 000 inhabitants (Web Portal on Human Right in Georgia 2012). However, a large number of prisoners do not indicate democratic country, though in my opinion low level of crime is feature of democratic regimes.

6.3 ‘Financial Policy’ and Racketeering of Business

It is the fact, that in any developing country business is a ‘guaranty’ of economy and in order to improve the country’s economy, government began care of business environment in Georgia. The government mission was simplifying the business procedures to attract more investors.

“Corruption in business is as old as business itself” (Pitt and Abratt 1986, 39), and consequently its normal development can bring efficient market economy. According USAID paper small business has three fundamental challenges (Satarov et al.):

1. “The socio-political challenge of creating a middle class, which stabilizes a democratic political system;

2. Creating the primary source of employment;
3. Small business is a crucible of innovation, in which the industry of the future is born and without which real breakthroughs are impossible”.

In 2001 Department of Statistic of Georgia investigated obstacles connected with development of entrepreneurship (Gogiashvili 2013, 105-106):

1. Disorganized tax system (not existence of international accounting system and tax cutter) and corruption level in state structures;
2. Government in observance to protect interests of local entrepreneurs and high level unemployment;
3. Energy crisis, control of interference in business and instability of banking system;
4. State racket, promoting the import of foreign goods and smuggling;
5. Low level of management, underdevelopment of infrastructure.

The first attempt to regulate this sector was taken in 1997, new ‘Georgian tax code’¹⁸, which defines the scope of law, taxes and rates, as well payment of fees and filing deadlines, settles dispute procedures, representative of state agencies and taxpayer rights and responsibilities. However, in the tax code was not written taxpayers control and secure mechanisms, necessity to improve it government adopted of the new tax code. In 2005, the minister of the economy started reform, the government reduced tax rates from 21 to 6 (Ibid, 157), they cut licenses and permits (in the beginning it was 909, after it reduced to 137), simplified tax system (established an electronic system for minimizing interaction between taxpayers and tax officers) and procedures to make Georgia more attractive for local and foreign investors (The World Bank 2012a, 54).

Georgian President for attracting foreign and local businessmen became the ‘face of business’, he often exposed corrupted ministers and bureaucratic official, opened new small and medium factories, personally answered the questions about the level of employment, workers conditions and salaries. He tried to create an enabling environment for investors, and due to in March 2010, Donald Trump was invited in Georgia. He signed an agreement with the ‘Silk Road Group’ to build new luxurious buildings (Gamisonia 2012). Trump began his speech to the numerous

¹⁸ Georgian tax code, see at: <http://www.refworld.org/docid/3ae6b5708.html>

advantages of listing reforms for business and joked, that “America would be so lucky to rank as high as Georgia in the fight to ease obstacle system of business” (Caucasus Analytical Digest 2011, 12). Agreement with Trump must accomplish the goal and must have had an influence on the country’s image, the country where doing business is easy, but such business person participation arose questions (new luxurious building’s build is not started yet).

After 2003, in Georgia was easy to start up business projects, but developed it and had profits became more complicated. The core was when ‘Financial Police’ was formed in 2005, good business environment was destroyed. According to the bill organization was authorized to use physical force and firearms, to schedule the examination, access to the apartment or other facility for the detention of a suspect, conduct an inspection of populated areas, highways and territorial waters (Georgian Law Financial Police¹⁹). According new law tax office has right to check companies turnover, if the company’s income was not equal among previous and present year, it can be penalty as a company which concealed incomes (Bidstadze 2010).

I can argue, that new law in all respects is criminal and not absurd, as many officials imagine. First, abrogate presumption of innocence – without any investigation or evidence tax inspector has right accuse entrepreneur without court verdict and charge the company by himself (Ibid). Second, the law does not stipulate market economy, even in the period of the Soviet Union if the factory manager did not have more income than the previous year, he was relieved from his post (Ibid). By this law companies in Georgia were obligated to earn equal incomes in every year, or entrepreneur can be notified as a swindler and obligated with huge amount of fine. Emerge from this Georgian entrepreneurs had no right to rise their incomes and no matter how remarkable it sounds, businesses must to ‘freeze in one place’.

The financial police noisy operation was fast food restaurants “Nikala”, the object was served customers, when armed and masked detached force rushed to the place, which gave rise to panic

¹⁹ Georgian Law Financial Police, see at:

https://matsne.gov.ge/index.php?option=com_ldmssearch&view=docView&id=13438&Itemid=0&lang=ge

(Natroshvili 2009). In the result of this operation the budget has been filled with 2 million GEL (Ibid).

Whereas, we must separate note about ‘protection of property rights’, problems began few months later after ‘Rose Revolution’. One of the most successful businessman Badri Patarkatsishvili protested all the achievement of the government, he thought there was a lot of permanent changes to the tax code, which prevent the business development in the country. He was worrying about his ‘property rights’, Patarkatsishvili stated that language of business in Georgia “means a state racketeering” (Matsaberidze 2006). As much as it concerns to businessman, good example was his television ‘Imedi’, after his death all business projects were dismembered, television was monopolized by the government and used as ‘United National Movement’ propaganda, but after changing government in 2012, company returned to its owner (to the wife of the businessman).

To accomplish the goal, government began the second confiscation waves in 2006-2007, ‘protection of property rights’ were finally shacked, when the government began confiscation and destruction of private property (Bidstadze 2010). Government public blamed former officials in corruption and they were ‘reminded’, that their business licenses and permits were received through corrupt deals in Shevardnadze period and to correct their ‘mistakes’ businessmen ‘voluntary’ gave their property to the government (Ibid).

From 2004 to 2012 there were 9860 cases, when businesspersons gave their own property to the Ministry of Economy and Sustainable Development of Georgia like a ‘gift’, we are talking about several hectares of land, businesses, factories, motor vehicles, private companies and stakes of the enterprises (Lepsveridze 2013). These ‘gifts’ total value was investigated, Transparency International Georgia made research, in 2004-2008 it was approximately 137 873 077 GEL, 6 003 080 USD and 10 100 EUR, in sum 138 million GEL (Transparency International Georgia 2013 cited Tarknishvili 2013).

Besarion Gabunia established association “Return” (Ibid) which combines more than 300 businessmen. The movement’s goal is to return the lost properties to their owners. From October 2012 through January 2013 in the Prosecutor’s Office of Georgia were more than 17 thousand complaints, about the illegal seizure of the private property or forced presents issues

(Tarknishvili 2013). As Gabunia enounced in interview “Seized property sale by the rules of law and on bona fide buyers, it became very difficult to prove their illegal bereave in the courts, ultimately we will have the situation that all violations can be held liable as compensation in the state. The government and state budget will not have the opportunity to satisfy the requirements of business representatives and the process will be deadlocked” (Ibid). It is true if the government does not start investigations of previous government crime as soon as it is possible, we will turn out to be a very difficult situation.

For every citizen and also for me violation in business field is quite noticeable, for my observation today’s business environment is almost a ‘standstill’, Georgian investors avoid competition with ‘governmental monopoly system’ (even the former Prime Minister²⁰ refrained to invest in Georgia, he was only involved in philanthropy, helping the government to implement the reforms (as newspapers describes, he had contributed greatly to finance police and armed forces), reconstruct old churches and etc.), because it was almost impossible to fight with ‘monopoly groups’ (above you saw seized property and racketeering cases of the businessmen who gave the ‘gift’ to the government). The foreign investors also were reluctant to invest in Georgia, attractive business environment did not change their minds and it is also directly related with ‘governmental monopoly system’ and also with unstable democratic system (Grzelishvili 2013).

Despite everything, government has managed to improve the business environment, in the Doing Business (The World Bank 2012b) rankings in 2011, Georgia rose to 16th place—in the same group as many advanced countries in the Organization for Economic Co-operation and Development (OECD) (ibid).

²⁰ Bidzina Ivanishvili is a Georgian businessman, who was Prime Minister of Georgia from 25 October 2012 to 20 November 2013. Article about Ivanishvili’s philanthropy <http://www.ambebi.ge/sazogadoeba/43340-2005-2010-tslebshi-bidzina-ivanishvilma-qvelmoqmedebaze-1-156-081-151-lari-dakharja.html>

6.4 Reconstructed Public and Civil Registries

As I mentioned above, I wanted to highlight Georgian government achieves, their mission was to reduce ‘bureaucratic corruption’ (‘domestic corruption’) and make service orient system, which attract international attention.

Changing the public sector is one of the most difficult processes, to make effective changes and make easier reform process government must follow some conditions, understand the needs of the citizens, business sector and civil society, then ensure the quality of the service provided (balance between the actual needs and quality), then make consensus on the direction of modernization (Ongaro 2009).

To change corruption system in the public services, government must consider finding weakness in this system. If we based on Weber (1947 cited in Tanzi 1998, 31) words, the most important channel to connect state and citizens is public officials, and these public officials play huge role in corruption system. As I mentioned above, for most countries salary wages in the governmental system play an important role. Nigeria, Pakistan, Chine, Venezuela and other highest corrupted countries has low wage and salary earners, and Sweden, Singapore and Denmark reduced corruption with help of the highest salaries (Ibid).

Too many of my thinking, there are different cases of the public innovation system, but according the Australian National Audit office (2009, 3), they indicated two directions: first it depends on the aspects of the public service, for example on the “business process improvement and many aspects of information and communication technologies”, the second depends on policy innovation, government must have responsibilities correctly lead the reforms.

After the ‘Rose Revolution’, government changed the inefficient Public Registry system, with the help of ‘information-technology system’, severe ‘monitoring system’ and aspires to the ‘transparency’²¹ (Schalkwyk 2010, 1). The government came up with the idea to create ‘Public Service Hall’, which must be available for 24 hours a day and 7 days a week, government merged

²¹ Andrew Schalkwyk drafted this policy note on the basis of interviews conducted in Tbilisi, the Republic of Georgia in May 2009

all ‘windows’ (all the public services) in one space and make it at home for every citizen (The World Bank 2012a, 70).

The team with the leadership David Egiashvili, during the 10 months formed the new legislation, Law on State Registry was approved by the Parliament in June 2004 (Ibid 2012a, 65). The law about the National Agency of Public Registry (NAPR) was created under the Ministry of Justice, which goal was access of business and property registration; to simplify registration procedures, secure ownership rights and customer friendly service (USAID 2009). Public and Civil agencies were linked to each other and with different governmental agencies, such as Ministry of Finance, Ministry of Justice, Ministry of Foreign Affairs etc.

In many literatures, ‘one-stop-shops’ are often mentioned as a successful project. From my observation, difference between ‘Public Service Hall’ and many other projects of ‘one-stop-shops’ are that they focus on the front office. The system’s aim was to improve service delivery by ‘joining-up services’; it often is connected to internet users on the web or around distinct client groups (Dunleavy 2010). That is why the ‘one-stop-shops’ became so popular with the technological development of the ICT. Ten years ago interactive communication to connect the public administration, citizens, enterprises and make the bridge between them was not possible, but now this project has moved from the physical world to the internet (Pröhl and Heichlinger 2009, 29). E-technologies became popular over the past few years, now they play significant role (Asgarkhani 2005, 157) and are widely used in local government, ‘One-stop-shops’ is a way of bringing the service to its user, the basic idea behind it is to organize services according to people’s needs, what is the most convenient for the service provider.

The results of Georgia’s public and civil reforms had good outcomes, the services became more transparent, all of them had fixed fees, the agencies had financial autonomy, and workers had higher salaries (The World Bank 2012a, 74), so “bribes are neither demanded nor accepted” (Ibid, 71).

Georgian government believes that the principle of the ‘Public Service Hall’ connects as Georgian citizens as foreigner users and it should represent fast, easy and high quality service (Open Government Partnerships 2012-2013). Overall speed and quality of the services depend on the online services. Anyone can submit an electronic application, pay a service fee, monitor

separate stages of considering the applications, search for registration applications, decisions or extracts from the public registry according to the various criteria without leaving home or office.

As Foreign Policy (Foreign Policy 2013) announced in 2012, that ‘elite corruption’ existence in Ukraine, bloody demonstrations in Kirghizia, and Georgian monopoly system destroyed myth about the success of ‘colored revolutions’, on the one hand I was ready to recognize this fact, but fully I cannot agree with this issue, despite the fact, that Georgian government does not respect ‘rule of law’, I want to mention about successful reforms of public services and regularly patrol service.

Too many of my thinking this is the most successful reform, the structure brings together various government agencies and there are all kinds of registrations and payments. Georgia is the member of Open Government Partnership²² (OGP). OGP organization makes the governmental action more openness and transparency for citizens. It is the organization, which member countries share the information about the made policies. And in OGP report, Georgia is shifted as successful country fight against corruption in public services, in many “aspects of Georgia’s experience could be adapted and applied in countries facing comparable challenges in tackling pervasive corruption in public services” (The World Bank 2013).

²² See at <http://www.opengovpartnership.org/>

7. Anti Corruption Reforms Results

In logical, it will seem absurd, if I claim that the anti-corruption reforms formed ‘democratic country’ or established ‘good governance’ in Georgia. My research question was based on anti corruption reforms, I wanted to show you what outcomes we had after radical reforms and what brought disregard of ‘rule of law’. As you see above examples, all the violations caused more dangerous corruption system, even it was before. Appearance of ‘elite corruption’ in Georgia once again points to the failure of the anti-corruption reforms. Georgians have good saying, I believe your vow, but I am amazed of consequence.

Georgian government disfigured ‘good governance’ principles:

1. Rule of law did not create an effective and independent judiciary, ‘zero tolerance’ policy became more intolerance against the state criminals, business persons and usual citizens
2. Accountability between governmental institutions, private and civil organizations, and stakeholders to help monitor and enforcement anti corruption reforms was only oral
3. Transparency was trivial, even political parties financing processes were confidential
4. Participation to create more open and transparent government systems was neglect

The last government boasts that to fight against corruption had success, even last president in every interview announced, he is the number one reformer against corruption who had success. Unfortunately, every day elements of corruption action in high-ranking officials’ turns out that corruption is still rife in the country.

If we based on fact, existence of elite corruption in Georgia will not trivial. Every law and all the changes made in Constitution is important, these changes make long-term state structure for the country. But from 2003, during 8 years, Georgian Constitution was changed 25 times (Gabekhadze 2013), as it happens in normal countries, changes always bring success, but all the violations in Georgia destroyed the balance of the government, as you can see Parliament and the Judiciary system shifted in the second place, like the formal institutions and President fitted role of the constitutional dictator, which is the most clearly introduced in the regulations, he individually and indefinitely could appoint the government without the approval of the

Parliament (Ibid). Respectively President brought authoritarianism and absolute monopoly power in the parliament and judiciary.

Almost in every country, governmental agencies are staffed by party affiliation, but the head of the structures is picked out only professionalism, competence, honesty and experience criteria (Meskhia 2008). Less developed countries, including Georgia, where political parties are not academically mature, head of the structures is picked out by friendly, neighborly, family and other household criteria, whose main purpose is to obtain political in terms of personal privilege (Ibid), from here it is clear that political parties in the government has a very poor human resources. Government with strong political culture must allow the high-class professionals, but Georgian government will not allow them, if they are not loyal towards the ruling political powers. Under such circumstances, the state management in higher position is picked out with low-skilled, inexperienced, but the leaders of the faithful ‘political figures’ (Ibid). By Meskhia’s (2008) opinion this kind of situation creates fertile ground, forms and development of ‘elite corruption’, the scheme is very simple and easily attainable. Such part of this team becomes irritating and unacceptable to the public, and begins at position displacement, so-called ‘roundabout’ (Meskhia 2008), so that no one is left unsatisfied among team members. If we evaluate this situation in terms of a corrupt ideology, we can say that it obviously contains its elite forms:

1. Corruption is appointed for a person who does not have the qualifications, experience, and competence and, therefore, his decision is not efficient, what impedes the country’s social and economic development (Ibid).
2. Unskilled, inexperienced and incompetent high ranking government official tries to gather around him not more educated, but much more low-skilled workers. Reason is simple - he does not want to lose his “leader mantle” (Ibid).

Meskhia (2008) this consideration proves with faulty labor legislation in Georgia, which gives priority to the employer, not the employee.

Georgia had a copy of populist Peruvian President Alberto Fujimori²³, who more than ten years blackmail and rob his own people (Osidze 2012). If Peruvian President's foothold was Vladimiro Montesinos²⁴, who recording cassettes and punish all who have different political ideas (Ibid), Georgia President had so-called 'government spine', former Minister of Interior Ivane Merabishvili²⁵, at the moment already doomed and locked person in prison. So what did we get? - Nothing different, stolen 'state model' from Peru. Whereas previously obstinacy 'criminal world' ('thieves-in-law'), his fight against being selective only to punish those who did not support them before elections, and in this war they were expelled from the country or were arrested and tortured in prisons. Another good example of elite corruption was former Minister of Defence of Georgia, Irakli Okruashvili, in 2007 he was arrested on charged of extortion and abuse of official position. He was arrested after he left government and challenged the ruling party. One of the charges was confiscated business of the parliamentarian, it is hard given up 10 million business project to official person. No one knows what happened if he stay in existed government, will we know about this accident or not? Okruashvili was arrested, internally was deported from Georgia and lives in France, where he received political asylum (Ibid).

In addition to the legislative, judicial and executive branch officials unprecedented puffed up and 'elite corruption', it was the 'clan grouping' with power to have ability influence court's decision. Many of trial sentences were lifted, if high-ranking officials intervene in the case to the judges (there are simple statistics how many of the victims appealed to the European Court of Human Rights in the last ten years, and hundreds of thousands of people are waiting just a sentence from the Prosecutor's Office and the Supreme Court of Georgia, and not unreasonably (Report of the Public Defender 2013, 6)).

Over and over again I can bring such factors, but I assume, based on the fact and Osidze (2012) opinion, we have 'mixed model' of the country, combination of destroyed Western democracy

²³ President of Peru in 1990-2000

²⁴ Servicio de Inteligencia Nacional (SIN) during the President Alberto Fujimori

²⁵ Minister of Internal Affairs in 2004-2012, Prime Minister of Georgia from 4 July to 25 October 2012. On May 21, 2013, Merabishvili was arrested misspending of public funds.

and despot Eastern model. For my opinion research of Democracy Index 2012 was right, when it granted Georgian government as 'hybrid regime'. Research again proves, that Georgia had no progress even one step, and if it is true, then we with modified forms are moving back to the Soviet period, because the similarities are too much and all we had done before, myth about 'successful country' loses its meaning.

8. Conclusion

For many countries corruption phenomena brought painful results, ascend the throne of the ‘monopoly power’, disregard ‘rule of law’ and ignore of ‘transparency’ does not build the democratic country. This kind of the government is not able to satisfy the demands of the citizens, to form the ‘good governance’ and led effective anti corruption reforms is the response way to satisfy the citizens need. Accordingly, the thesis aim was to determine such kind of anti corruption reforms, which overcome this dangerous phenomenon and could rebuild country’s “economy, society, polity and culture” (Lawal 2007).

From the research was found out, that the principle of ‘good governance’ where government is an actor (Fernando 2006, 45), which implements policies, law, institutions, society and at the same time forms accountable, effective, transparent, responsive and equitable mechanism, respects human rights and citizens’ interests was ignored. All these components are the signs of the democratic country, which contributes the development country easily integrate in the world society. Fundamentally, new government’s anti-corruption policy must comply of the public demands and should contain not only long-term systemic changes, also short-term visible and easily demonstrated achievements. The results of the fight against corruption should become apparent at the same time for the businesses and ordinary citizens, which will help citizens to become free from nihilism and restore confidence of law.

Case study showed that Georgia is the corrupt country, society during the years hidden in the poverty and unemployment named corruption as the reason of misfortune. Truth to be told, this is a topic, which partial shows the period of Shevardnadze and Saakashvili, but mainly it is topic of anti corruption reforms and its results after ‘Rose Revolution’, which brought deplorable facts.

Basically, the case study showed the main barriers of the anti corruption reforms in Georgia, Saakashvili’s ‘United National Movement’ utter defeat in parliamentary elections, and scandal of

arrested his reformists²⁶ showed how incomplete was the ‘United National Movement’ commitment to the ‘rule of law’. They made the most trusted institution of the public services, at the same time majority reforms starting with the old and corrupt former officials, ending with ‘thieves-in-law’ arrest was not sufficient and often was constitutionally questionable. Also it showed the possibilities of development of the anti corruption reforms, from my observation I could not see that reforms had different results, but the public mood has changed and the current policy will bring corruption to find itself end of such a mood changed.

Compared too many other developed countries (Norway, Switzerland, Denmark and etc) Georgia on their background is a little ‘puppy’, despite the scandal of prison and obvious ‘elite corruption’, Georgia still has an excellent chance to become consolidated democracy. New government at this stage is open and it is ready to take recommendations from the international society and international organizations. As prime minister claimed in the letter sent to EPP, “government will cooperate with Venice Commission and will get recommendations from non-governmental sector, which help despite the public pressure to carry out right and radical judiciary reforms” (Metskhvarishvili 2013). All the reforms and processes will be transparency for society and prime minister promised, that any citizen can express criticism and recommendations (ibid).

If new government tries to fulfill their promise and plus make principles of ‘good governance’ priority, follow the ‘rule of law’, it will be perfect, and maybe, one day we will live in the ‘democratic country’, with ‘democratic society’ and ‘democratic government’.

More important, these changes will leave boardroom in different positions. We are slow to understand the new policy and this political obstruction will bring the government and its policy to something important and instrumental. Of course being tragically famous offshore we try our best to be changed to the best. However I claim our judicial system to be refined more

²⁶ Ivane Merabishvili - former Prime Minister and Minister of Internal Affairs of Georgia, Bachana Akhalaia - former Minister of Internal Affairs of Georgia, and Giorgi Ugulava - former Mayor of Tbilisi.

transparent and more successful, but on the pattern of Italy, Bulgaria, Romania or Greece, I am not sure my supposition will come true soon.

I would like to emphasize that I believe in successful and transparent future of Georgia. I hope new government will bring economical development, which will bring benefits to the population of our less economically development country, with shoddy, vulnerable and perpetrator Georgia.

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