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Studies**

**The Anti-Corruption Policies of President  
Mikheil Saakashvili in Georgia (2003-2012)**

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# Introduction.

*“Goblins are not villains, they just have a high level of corruption”<sup>1</sup>.  
J.R.R. Tolkien*

I have chosen this quote of J.R.R.Tolkien, because I think that it reflects the whole depth of destruction that corruption may cause. Even though goblins are the beings created by human fantasy, they are perceived as something horrible and evil. If corruption makes people villains, why does it still exist and perceived by some nations as a traditional feature, a cultural inevitable attribute or even worse – an element of social progress? Before analysing corruption, we should answer one important question – does corruption make us as evil as goblins? What is it and can it be controlled by morality or law enforcement? Definitely, there are no answers to these questions in my thesis. In my point of view, it is very broad topic that needs a case to case research. Thereby, I have chosen the one case of anti-corruption strategy that seems to me actual, important, enlightening and interesting – the anti-corruption policy of the government of MiKheil Saakashvili after the Rose Revolution (2003) in Georgia.

The problem of corruption exists almost everywhere, notwithstanding, there are different types of this phenomenon. The former Soviet member-states (besides the Baltic States) have been suffering from a high level of corruption from the moment of collapse of the USSR. There is one particular state worth wide attention in regards of combating corruption. I have chosen Georgia as a country of my case study, because in my opinion, it has made a huge step to significant decrease of the level of corruption. From a totally corrupted state, with extremely low life standards, ruled by criminal organizations, Georgia has become one of the least corrupted countries in Europe. According to Transparency International, the government which came to power in Georgia after the Rose Revolution (2003) has been one of the most effective governments in the World in terms of fighting corruption. Georgia is not alone in this fight with corruption.

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<sup>1</sup> <http://esquire.ru/wil/tolkien>

There are some significant cases of fighting corruption, for instance, Singapore. However, I think Georgia is a good example of the post-Soviet republic which has achieved such an astonishing progress. There are a lot of problems with corruption in other Republics of the former Soviet Union: Ukraine, Russia, Belarus. These countries have been trying to implement anti-corruption reforms, nevertheless, they have failed in their actions. These countries are totally prevailed by corruption - it has become a national disease, destroying democracy and civil society. The biggest problem of corruption is that with time, it starts to be something natural. Citizens perceive bribing as a necessary tool to gain benefits and achieve personal goals. It flows to the level of everyday actions such as a visit to a doctor, passing exam, issuing driven licence, registering business. The danger is hiding in the lack of knowledge and poor understanding among the citizens that such a phenomenon is making their living standards worse off. The perception that things can be done for some additional illicit payments exists in the systems, where corruption prevails in every social level. Thereby, it becomes very hard to make things needed to be done without bribing.

The anti-corruption reforms in Georgia started from the growing dissatisfaction expressed by citizens of Georgia that led to the Rose Revolution. The Rose Revolution passed under the slogans: *"it is impossible to live like this, life should be changed, corruption should not exist<sup>2</sup>"*. The enormous level of corruption in Georgia put the new government in the position to start combating the phenomenon right after the elections. It was right about the time – the new government consisted of the young, enthusiastic specialists, with the strong political will to fight corruption and with no fear to face upcoming changes. It seems that the prescription for fighting corruption is not so complex, however, there are much more peculiarities in the story of the Georgian anti-corruption actions. In order to disclose them, I am trying to answer the main question in my research. My major research questions in this thesis is the following: – *What are the effects of implementation of comprehensive anti-corruption policies in Georgia by the Government of Michael Saakashvili after the Rose Revolution of*

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<sup>2</sup> Elene Kvanchilashvili, *Bendukidze: there is no other way*, <http://bizzone.info/interview/1333160783.php>

2003? What were the reasons for such significant success of these reforms? What can we learn from the Georgian experience of anti-corruption reforms?

In my thesis I argue that the anti-corruption policies of the government of Mikheil Saakashvili, which implementation has started immediately after the Rose Revolution in 2003, have successfully resulted in positive fundamental changes in political, economic and social life in the Georgian state. These reforms have had a comprehensive and coherent character and have resulted in practically complete eradication of low and middle level corruption from everyday life of the Georgian citizens.

The main goal of my research is to describe the improvement of situation in Georgia in terms of the level of corruption and make it clear that the case of Georgia could be a good lesson for other post-Soviet states, where the level of corruption is enormous. Georgia is a good example of the state in Eastern Europe, which turned from extremely corrupted to one of the fastest in regard of reduction of the level of corruption. In my research, I outline the major anti-corruption activities implemented by the government of Mikheil Saakashvili, stressing out the reasons why the Georgian policies have had such a success.

The subject of my research is a very fresh one and it requires deep analysis of statistics besides the analysis of literature and documents. However, one should be careful with the information reflected in official statistics, because statistics does not reflect the cultural differences and other important features creating peculiarities of corruption perception. In case of Georgia, the cultural differences play a key role in terms of corruption cultural perception. It is difficult to compare the corruption perception index in Georgia with the Western European countries.

The major research methods for my thesis are deductive reasoning, analysis of literature and official statistical information of the Georgian government as well as information from international organizations. Also, in order to get better understanding of the topic of my research, I have carried out a number of personal interviews with businessmen, students and researchers from Georgia. Deductive reasoning method has been based on my research questions, which I had draw up before I came to an overall conclusion. Research questions

that have been answered during my analysis led me to the creation of main thesis.

Building my thesis' structure, I have tried to answer the following research questions:

- What was the actual situation in the sphere of corruption in Georgia before the Rose Revolution in 2003?
- What was the historical background of emergence of corruption in Georgia?
- What kinds of factors impact emergence of corruption in the Republic of Georgia?
- Why did the previous Anti-Corruption Strategy applied by Eduard Shevardnadze completely fail?
- What policies have been applied in order to decrease the level of corruption by the government of Mikheil Saakashvili?
- What results have been brought by the new Anti-Corruption Strategy and Action Plan?
- How did the decrease of corruption change life standards in the country?
- What are the particular effects of decreasing corruption on economy of the state?
- What was the difference between the Anti-Corruption Strategies under the rule of Eduard Shevardnadze and Mikheil Saakashvili?
- Why have the anti-corruption policies, applied by the government of Saakashvili, had such significant success?
- What kind of mistakes has president Saakashvili done when he has been applying his new anti-corruption policies in Georgia?
- What are the negative factors which took place during implementation of anti-corruption policies?
- What are the lessons of Georgian fight with corruption for other countries of Eastern Europe and Russia?

My thesis is composed of the three chapters. In the first chapter of my research, I analyse the major perception of corruption, its origin and the major

meaning. This part of my thesis analyses the reasons of corruption emergence in Georgia. There is also a comparison of anti-corruption policies applied by the former Georgian president Eduard Shevardnadze and the new government of Mikheil Saakashvili. The first chapter explains the tiredness of the Georgian citizens to live in a highly corrupted country, where the crime groups sometimes had more rights and power than actual government. Small part of the chapter I have devoted to disperse the myth that corruption in Georgia emerged during the transition period in 1990<sup>th</sup>. In my point of view, it is crucial to understand the actual cause of corruption. Otherwise, the further anti-corruption actions would not lead to anything positive, but shallow effects. In the second chapter of my research there is an analysis of different approaches of fighting with corruption of the new government, which took power after the Rose Revolution. I present a description of the reforms which has been implemented and the results which has been achieved later on. In this chapter, I argue that there are a lot of positive changes brought by the new government. Besides the implementation of other policies that had an impact on decline of corruption level, also the anti-corruption reforms played a significant role in the state transformation. The third chapter is dedicated to negative effects of anti-corruption reforms. Precisely, it outlines the vision about the remaining elite corruption on the top level of the Georgian government. There are individual cases of elite corruption described. The last chapter is also devoted to conclude the Georgian case as a lesson of effective anti-corruption policies for other former-Soviet states as Russia, Ukraine and Belarus.

Since most of the papers on this particular topic are based on personal interviews and opinions of the people responsible of the implemented reforms in Georgia, all the gathered and analyzed materials for this research is very topical and useful. Making research for my work, I have tried to find and use as much different opinions as possible. In order to create a vivid, useful and practical work, I have been using opinions of the young intellectual elite of the Republic of Georgia. In the part devoted to the business environmental change in Georgia, I have used the materials from the interview with foreign businessmen who has been making business in Georgia during the last 15 years. In order to receive the

most trustworthy picture of the current situation, I have been comparing the statistical information with the answers of my Georgian respondents.

Besides the personal interviews, I have used information of the major research centers of corruption such as Eurobarometr. Definitely, in the basis of my research I have put the reports of Transparency International with its Corruption Perception Index. Also, I have studied the legal documents establishing the action plan of fighting with corruption (the Georgian National Anti-corruption Strategy and the Action Plan).

# Chapter I.

## “Roots of Corruption in Georgia”

*“Power corrupts; absolute power corrupts absolutely”*

John Acton.

Before I start describing the emergence of the problem of corruption in Georgia, I would like to outline some extremely important features in the study of this issue. I think that it is essential to understand that corruption as a phenomenon can prevail in any country, despite the form of government and historical period. It is a cross-systemic, cross-cultural and cross-temporal phenomenon. Some of the experts (Fleck and Kuzmics) in the sphere of corruption argue that *“corruption can be found in all societies that have reached a certain level of complexity”*. Corruption as a phenomenon is perceived to be as old as the organized human life, eventually is such old as the government itself (R. Klitgaard)<sup>3</sup>. However, the whole depth of the problem of corruption is in its strong prevalence in the social, economic and political system. There are states where corruption is present on such a minor level that we would not even consider it as a problem. Nevertheless, there is no state which does not have the problem of corruption. The most striking examples in analysis of the phenomenon of corruption are the countries that managed to change themselves from dramatically corrupted systems to the most transparent ones. The brightest example here is Singapore, which is ranked on the very top at Corruption Perception Index, among such countries as Denmark, Finland, New Zealand and Sweden. Singapore represents one of the least corrupted nations in the world<sup>4</sup>. The main tool of combating corruption in this city-state was political will of the government. Elimination of corruption was the foundation of the strategy of political, economic and social development of this country. Later on, all other problems of this state had been fixed by effective governmental system and strict implementation of the rule of law<sup>5</sup>.

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<sup>3</sup> M.J.Farrales, *What is Corruption, A history of Corruption Studies and the Great Definitions Debate*, University of California, San Diego, 2005

<sup>4</sup> Corruption Perception Index 2012, [www.transparency.org/cpi2012/results](http://www.transparency.org/cpi2012/results)

<sup>5</sup> K.T.Hin, *National Anti-Corruption Strategy: The Singapore Experience*, [www.unafrei.or.jp/english/pdf/R5\\_No86/No86\\_14VE\\_Hin1/pdf](http://www.unafrei.or.jp/english/pdf/R5_No86/No86_14VE_Hin1/pdf)

I would not argue that the Georgian case of combating corruption can be linked to the case of Singapore. We should not forget that in both of these cases the different methods and tools were used, but also there were certain similar patterns. Despite completely different geographical location, history and culture, there is one completely similar tool that had been used in both of anti-corruption strategies of this two states: this tool is a strong political will of the ruling Government.

I think that in order to understand the phenomenon of corruption better, it is necessary to analyze the main tendencies in corruption studies. Historical root of distinction of corruption comes from the area of law. The first meaning of corruption meant breaking determined norms and professional ethics. In the Roman Law, the word “*corrumpiere*” meant in its broad understanding – breaking, ruining, rotting, falsifying, suborning. The Latin origin of the word – *corruption* (damage) – indicated decomposition of the state apparatus. However, in other European languages, the definition of this word is characterized by broader semantic meaning<sup>6</sup>.

For my research, I have chosen the definition elaborated by Ros Acherman. It seems to be simple, understandable and at the same time very precise:

*“Corruption is the use of public goods or capacity for private benefits.”*

Such an approach unites both political and administrative corruption<sup>7</sup>.

The reason for the emerging corruption in a state is not necessary ineffective functioning of institutions. Even in situation, when such a state possesses well-established institutions and legal system, the possibility of emergence of the high level of corruption may be high. Such possibility also increases if civil servants are selected in a wrong way (Wang An Shin)<sup>8</sup>. In this terms, corruption may be analyzed on individual level, instead of being studied as a structural phenomenon. One may consider corruption as a particularly calculated

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<sup>6</sup> *Corruption resistance*, NIM, Working programme, Moscow, 2011, p.18-19

<sup>7</sup> J.Nye, *Corruption and Political Development: A Cost-Benefit Analysis*, p. 6

<sup>8</sup> M.J.Farrales, *What is Corruption?, A history of Corruption Studies and the Great Definitions Debate*, University of California, San Diego, 2005, p. 5

decision of a citizen. The whole state apparatus is formed by human beings, who have their own private interests. Thus, the emergence of corruption seriously depends on a person who is employed in the public sphere and seeks certain personal benefits from his position<sup>9</sup>.

In the theory of corruption there are two ways of perception of this phenomenon – one is formed by moralists and another one – by revisionists. According to the moralists, corruption is perceived as a disease which prevents the well-being of society. In its turn, the revisionists' point of view describes corruption as an inevitable phenomenon which is a necessary feature of the adjustment process of development of society<sup>10</sup>. In this text, I will not present the opinions about the positive economic and political effects of corruption as well as its positive social functions (some of researchers argue about positive impact of some types of corruption, such as facilitation payment, redistribution of income and quicker decision-making). I would like to focus on traditionally accepted negative impacts of corruption on development of the state. Joseph Nye argues that in case of existence of corrupt political institutions in a country, it will have a significant negative impact on the economy of this state. He proves it with an example of the growing costs of doing business and imbalanced supply of public goods and. Corruption on political level brings inequality of political participation as well as redistribution of social benefits, which results in high social and political costs<sup>11</sup>.

Before I start to describe the reasons of prevalence of corruption in Georgia, it is worth to notice that there were a large number of reasons for such a broad expansion of corruption practices in this country. Also, these reasons have been changing over time. Some authors argue that the instability in the state systems in the countries of the Black Sea region *“is more a rule than an exception that citizens do not trust their governments and state authorities, political actors do not trust their opponents will obey the formal rules of the game in politics and states view their neighbors with heavy dose of suspicion’ and that this prevailing*

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<sup>9</sup> M.J.Farrales, *What is Corruption?, A history of Corruption Studies and the Great Definitions Debate*, University of California, San Diego, 2005, p. 7-10

<sup>10</sup> M.J.Farrales, *What is Corruption?, A history of Corruption Studies and the Great Definitions Debate*, University of California, San Diego, 2005, p. 7

<sup>11</sup> J.Nye, *Corruption and Political Development: A Cost-Benefit Analysis*, p. 9-10.

*distrust partly explains the instability in the region*<sup>12</sup>. This opinion, however, does not help us to understand, whether such poor-functioning state apparatus in the Region has been an always existing feature or an acquired one? According to the Corruption Perception Index, annually published by the Transparency International, in the year of 2003, Georgia was ranked among the most corrupted countries in the world, together with such states as Tajikistan, Myanmar, Haiti, Nigeria and Bangladesh (data from 2003)<sup>13</sup>. In the following chapters, I would like to describe the reasons of such wide-spread corruption in Georgia.

### **1.1.The cause of corruption: Georgia during the Soviet times and the post-Soviet era.**

Since the Soviet times, Georgia has been known as a country of corruption, organized crime, and nepotism. Some authors argue that Georgia was one of the most or even the most corrupted republic of the USSR (Kupadze). There is a misleading opinion that corruption in the post-Soviet countries emerged during the transition period after the collapse of Soviet Union. This point of view is not correct - from the old Soviet times, Georgia was notorious by its corruption and wide-spread bribes. Such system of wide-spread corruption had been a dramatic legacy of the foreign influence of the Russian Empire and later – of the USSR. During the last century, Georgia has become a modern state which united various national and regional minorities. However, the feeling of the strong kinship ties between various national groups and extended families continued to exist. This peculiarity led to emergence of nepotism<sup>14</sup>. Officially, there was no private property in the Soviet Union and that fact fostered the development of corruption. The reason for that was the absence of legitimate law protecting the state property and rather weak control of Moscow over the regional authorities in the Caucasian and Central Asian republics. Eventually, the officials could dispose the state property in their private interest. Public officials in Georgia built extensive apartments for themselves despite the Soviet housing norms and their

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<sup>12</sup> M.Muskhelishvili, *Institutional change and social stability in Georgia*, Southeast European and Black Sea Studies.

<sup>13</sup> Transparency International, surveys and indices 2003, archive

<sup>14</sup> L.Shelley, *Organized Crime and Corruption in Georgia*, p.16

living standards had been incomparable to the rest of the population. Another reason of emergence of corruption in the Soviet Georgia, besides the absence of private property, was the shadow economy. One of the centers of the underground entrepreneurship in the Soviet Union was the capital of Georgia - Tbilisi. Georgia had the biggest shadow economy in the whole USSR (Kim). The shadow economy was based on the frauds with the raw materials, which were supplied to factories, but not registering in the official documents. In this way, the public officials and managers of the state factories could sell the unreported goods at the black market. Another major segment of the black market, besides the selling of unreported goods produced at the state factories, had been illegal fruits and vegetables trade. There was a serious difference in prices for fruits and vegetables within the Soviet Union as well as very deep shortage of such products – Southern fruits were considered to be luxurious goods). In such situation, the Georgian farmers could sell their products at the black market, what resulted in fact that their income was ten times higher than the average salary in the Soviet Union.<sup>15</sup>. This fact is worth mentioning as after the collapse of the USSR, the Georgian farmers found themselves in conditions of complete poverty. However, one should remember that the wealth of Georgian villages during the Soviet time was not created by positive aspects of the Soviet economy.

In order to reject the hypothesis that transition period had caused the emergence of corruption in the former Soviet republics, I would like to present the argument of continuance of the interest in corruption. Eventually, this interest appeared not so long ago, approximately in the end of the 1980<sup>th</sup>. At that time, scholars had started to pay more attention to this phenomenon because they understood that it was very harmful for development of the state. Corruption disrupts democracy, economy as well as civil society. It also increases expenditures for governments and creates a cynical perception of politics in the society (Elliott, Rose Acherman)<sup>16</sup>. Because of ideological reasons there were no studies of corruption during the Soviet time. It was practically impossible to collect data on corruption in the USSR. After the collapse of the Soviet Union, the

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<sup>15</sup> A. Kupaadze, European Security, Explaining Georgia's anti-corruption drive, 2012, p.5

<sup>16</sup> M.J.Farrales, *What is Corruption, A history of Corruption Studies and the Great Definitions Debate*, University of California, San Diego, 2005, p.1

emerged freedom of information opened an opportunity to study this phenomenon. That is why in the very beginning of the 90<sup>th</sup>, we had observed the overlapping of two processes – first, the transition process, and the second – dramatic growth of corruption. Of course, these two processes are interdependent, but it does not mean that transformation had brought corruption to life – it has already existed for a very long period of time, hidden by completely non-transparent Soviet system.

After the collapse of the USSR, as all other members of the Soviet Union, Georgia tried to build the democratic regime in the country. Immediately, democracy started to face a lot of barriers and challenges, first of all, the civil war and violent ethnic conflicts. These military conflicts drove Georgia to complete economic chaos<sup>17</sup>. The situation in Georgia after the collapse of the USSR did not improve the situation with bribery and corruption. Georgia was not a communist state anymore, but the Soviet system stayed alive. All the state apparatus continued to be formed from the same people, who ruled the country in the Soviet times. The new Georgian president, Eduard Shevardnadze, brought back to power the Soviet nomenclature, just after Georgia declared its independence. Until the Rose Revolution of 2003, the communist features of the Soviet system dominated political system of Georgia. It led to decline in level of life of the Georgian citizens as well as deterioration of state's economy<sup>18</sup>. At the same time, Georgia much broader political freedom in comparison with other post-Soviet states. Thereby, the Georgian political regime of the 90<sup>th</sup> could be identified as “transitional hybrid system”. It still shared a lot of features of authoritarian regimes such as concentration of power at the top, lack of rule of law, weak institutions, problems with human rights protection and corruption. Even though the system was not so harsh, the distance between the state and society was perceptible. In that case, the Georgian society at the same time had a high level of civil rights and freedoms, but it did not have significant influence on the executive power. The executive power of the country had complete monopoly over political rule in the country and did not have necessity to implement fundamental reforms

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<sup>17</sup> L.Esadze, “*Georgia’s Rose Revolution: People’s anti-corruption revolution?*”, *Organized Crime and Corruption in Georgia*, p. 111-112

<sup>18</sup> L.Shelley, *Organized Crime and Corruption in Georgia*, p.16

in Georgia in the 90<sup>th</sup>. Since there was complete absence of institutions connecting the society and the government, there was a strong need to create such channels of influence and cooperation. Unfortunately, corruption substituted all other channels of interaction: precisely, corruption spilled in the gap separating the state and the society<sup>19</sup>.

The stagnation in the state apparatus was created by the fact that Eduar Shevardnadze was choosing and hiring people for governmental work not because of a common idea of the state building, but because of common hunger for power and willingness to be part of a mutually corrupted system<sup>20</sup>. Though the 1990<sup>th</sup>, there was a very strong connection between political power, state institutions, police, and the organized crime<sup>21</sup>. Immediately after the collapse of the Soviet Union, there was a process of wide-spread social activity of the citizens, but due to various reasons, such self-organization of Georgian society had completely finished in the beginning of the 90<sup>th</sup>. During all this period, the relations between the state and the society in Georgia had been very weak. The reason for this is the low level of institutional trust, low level of formal memberships, and at the same time, high level of intensive informal relations. Such societies as Georgian are characterized by strong informal networks of trust between relatives and friends. In Georgian tradition, the importance of friendship is salient. The Georgian traditions of friendship, strong family ties and developed regional identity create a powerful network of informal relations in the country. Informal loyalty and trust among families and friends have created foundation for the emergence and development of such negative factors as nepotism and clientalism in political and economic areas<sup>22</sup>.

Interesting link between political success of both Shevardnadze and Saakashvilli lies in the sphere of fight against corruption. For example in the newspaper “*The times*” in 1985, there was an article saying that the promotion of Shevardnadze to the highest positions in the Soviet Union gave to Mikhail

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<sup>19</sup> M.Muskhelishvili, *Institutional change and social stability in Georgia*, Southeast European and Black Sea Studies. P.322-323

<sup>20</sup> Burakova L., «*Why Georgia has succeeded*», «Uniter Press», 2011

<sup>21</sup> N. Shahnazarian, *Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh*, PONARS Eurasia Policy Memo No. 232, 2012, p.2

<sup>22</sup> M.Muskhelishvili, *Institutional change and social stability in Georgia*, Southeast European and Black Sea Studies. P. 320

Gorbachev a strong ally in Politburo in his fight against corruption<sup>23</sup>. Even though the Saakashvili's anti-corruption reforms get to be similar with the early steps of Eduard Shevardnadze, the main principles of rule of these two Georgian presidents turned in the different directions. Eduard Shevardnadze, being the Minister of the Interior in the Social Socialist Republic of Georgia, showed up the corruption pyramids created by the first secretary of the Communist party of Georgia - Mzhavanadze. Shevardnadze used the anti-corruption policies for his campaign against the old party apparatus in the face of Mzhavanadze and his family. Although, Eduard Shevardnadze declared the intention to implement anti-corruption policies in Georgia in the 90<sup>th</sup>, he failed to realize this desire in practice<sup>24</sup>. During Shevardnadze's times, there was a complete tolerance of corruption. The amount of bribes paid to officials in 2001, was calculated between 75 and 105 millions USD. The system was doomed to be highly corrupted because all the state officials had extremely low salaries. Very often, the salaries had not being paid during months. That was the perfect basis for the bribes<sup>25</sup>. The same situation happened to the retired people who had being receiving their pensions with a big delay of even half year: *"...my grandmother was waiting for her pension for months. The government did not give her it until she did not appoint a responsible person to get it through. That person took 20% of her pension. It was awful..."*<sup>26</sup> The situation looks more dramatic when one knows that the pensions were approximately 20-30 lari (10-13 USD)<sup>27</sup>.

In the 1990<sup>th</sup>, there were no anti-corruption reforms implemented in Georgia – the government did not have a unified strategy in that issue. In majority of cases, individual ministers dealt with corruption in isolation, implementing their own policies on the institutional level. The absence of analyses about the actual roots of wide-spread corruption made these policies unproductive. The governmental officials could study and analyse the Georgian corruption for months and years, while it had been destroying the whole system from inside. During the whole rule of president Shevardnadze, there was no attempt to

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<sup>23</sup> A. Kupatadze, European Security, Explaining Georgia's anti-corruption drive, 2012, p.7

<sup>24</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>25</sup> A. Kupatadze, European Security, Explaining Georgia's anti-corruption drive, 2012, p.8

<sup>26</sup> Personal interview 1.

<sup>27</sup> Personal interview 2.

implement efficient anti-corruption policies. That is why all the government of Shevardnadze did not have any success in its fight against corruption – they have never declared such a fight, being the primary beneficiary of the corruption in Georgia<sup>28</sup>. There were several planned anti-corruption initiatives, first of all aimed at the black market in the 1990<sup>th</sup>. However, these initiatives had never been executed. The reason for that were the completely corrupted bureaucrats, businessmen and politicians. Between the years of 1997 and 2000, president Shevardnadze called “the years of crusade against corruption”. Despite such load slogans, till the very end of the rule of his rule nothing had being changed<sup>29</sup>.

During the 1990<sup>th</sup>, Georgia had a chance for improvement of its system because of foreign aid aimed at fight of corruption. This assistance had been offered by such international organizations as IMF, World Bank, the European Bank of Reconstruction and the OSCE. The Western donors invested rather high amounts of financial resources in order to help Georgia to solve its corruption problem. However, the citizens of Georgia did not see any results of that aid. In the 1990<sup>th</sup>, Georgia had been the most corrupted state among the former Soviet republics<sup>30</sup>. In addition, foreign financial aid became the source of illegal income for Georgian officials<sup>31</sup>.

If we compare the government of Eduard Shevardnadze with the government, which came to power after the Revolution of Roses, one can notice that the biggest difference between them is the fact that Mikheil Saakashvili came to power with total support of the society. He did not have any obligations towards powerful groups of influence in the country as well as he was not influenced by corrupted representatives of the Georgian state apparatus. At the very beginning of his rule, Mikheil Saakashvili did not stop and turned back as did Eduard Shevardnadze in the very beginning of the 90<sup>th</sup>.

The old Georgian state system of the 90<sup>th</sup> was characterized by the weak or rather non-existent institutions. So it has complicated the implementation of new

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<sup>28</sup> Tamuna Karosanidze, “*National anti-corruption strategy and action plan: elaboration and implementation*”, TI-Georgia, Anti-Corruption Resource Centre, www.U4.no

<sup>29</sup> A. Kupatadze, European Security, Explaining Georgia’s anti-corruption drive, 2012, p.8

<sup>30</sup> L. Esadze, “*Georgia’s Rose Revolution: People’s anti-corruption revolution?*”, Organized Crime and Corruption in Georgia, p. 112

<sup>31</sup> A. Kupatadze, European Security, Explaining Georgia’s anti-corruption drive, 2012, p.8

projects planned by the new government as well as multiplied problems in almost every sector of the state system<sup>32</sup>. Being the Minister of Justice, Mikheil Saakashvili was perceived to be the only progressive civil servant. On one of the meetings with the president Eduard Shevardnadze, he showed the photographs of mansions of some of the corrupt state officials with the inquiry of their dismissal. Saakashvili stated: *“it is impossible to remain in this government and witness how the leadership is sinking in the morass of corruption and how the state apparatus is merging with international criminal bodies and how the country is turning into criminal enclave”*<sup>33</sup>.

## **1.2. Regional conflicts in Georgia, Criminal groups, Thieves in Law**

After the collapse of the USSR in the early 1990<sup>th</sup>, large-scale separatist movements emerged in Georgia what led to the civil war in this country. The reason for such dramatic development of situation was the lack of quick and substantial reforms at the very beginning of Georgian independence. There were attempts from the Western countries to help to implement the rule of law and the justice system in Georgia, but they were not supported by the ruling elite and the people working in the state apparatus. The post-Soviet leaders of Georgia did not want to listen to the Western experts who were advising them about state building as well as promotion of market reforms and privatization<sup>34</sup>.

Lack of any strong control of the top-leadership of the country over the state apparatus created appropriate conditions for the growth of informal clans that had existed throughout the whole Georgian history. Organized crime in Georgia had always had family and clan features. One of the major reasons for such phenomenon was the lack of self-governance in the country as there had been a lot of foreign invasions to Georgia for many centuries. In the Middle Ages, the Georgian kings did not have much influence over his vassals because of difficult access to many territories of his country (all the Georgian state is very mountainous). That is why the Georgian people had been living for a very long

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<sup>32</sup> Tamuna Karosanidze, *“National anti-corruption strategy and action plan: elaboration and implementation”*, TI-Georgia, Anti-Corruption Resource Centre, www.U4.no

<sup>33</sup> A. Kupatadze, *European Security, Explaining Georgia’s anti-corruption drive*, 2012, p.6

<sup>34</sup> L.Shelley, *Organized Crime and Corruption in Georgia*, p.18

time without higher authority over them. In addition, there was no well-developed civil society there, but traditional communities. All these factors led to protests against the central authority in the beginning of the XIX, when the country started its centralization. The loyalty of citizens belonged rather to extended families than to any state authority. Such family and clan importance in Georgia has survived till the present day. All this factors explain the tendency of Georgian people to unite in informal groups, based on family and regional ties. If one compares the criminal organizations in Russia and Georgia he would see that in Russia there are no kinship ties among the members of these organizations. It distinguishes the organized crime in Georgia and Sicily on the one hand, and Russia on the other. The tradition of organized crime in Georgia has its roots going even before the Bolshevik revolution in 1917. At that time, Georgia was a trading and transport centre of the Caucasus. The Bolshevik revolutionaries also used the underworld crime in their activities. Stalin was using the help of regional criminal groups of Georgia in the beginning of his revolutionary career. Afterwards, when he was accepted to the Bolshevik party, the Georgian criminal groups continued to communicate with Stalin, what created a relationship between the organized crime and new Communist state<sup>35</sup>.

The emergence of modern criminal clans in Georgia took place in 1970<sup>th</sup>. They were composed of professional criminals, high level corrupt public officials and the underground entrepreneurs, who were functioning in the shadow economy. All these three types of actors had been contributing to development of the underground economy of Georgia. Those criminal clans had been focusing on exploitation of state resources and misuse of public office in their private interest. The Georgian organized crime spilled over to other territories of the USSR, receiving profits from the shadow economy in that places<sup>36</sup>. Again, one can see that the roots of the Georgian corruption are much deeper than the transition times of the 1990<sup>th</sup>.

The Georgian underground criminal groups gave birth to such phenomenon as the Thieves in law – the so called mafia leaders, who lived their criminal life according to a certain well-developed Code of Thieves. The

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<sup>35</sup> L.Shelley, *Organized Crime and Corruption in Georgia*, p.69

<sup>36</sup> *Ibidium*.

existence of thieves in law had its own meaning for the corrupted system of Georgia. In many cases, the shadow power of the thieves in law had been replacing the governmental power in Georgia. For example, all the conflicts in business in Georgia before the Rose Revolution had been solved using that power of the thieves in law<sup>37</sup>. During the 1990<sup>th</sup>, there was time when it very difficult to distinguish police officers and civil servant from regular criminals. At the very beginning of the 90<sup>th</sup>, a part of the criminal world had joined the police. Simultaneously, the police officers made a fusion with criminal groups and corrupted public officials and politics. Thereby, the gap between the police and regular citizens had grown even more. Obviously, there was no option to complain to corrupted officials about the bad-functioning state. That was the main reason why citizens preferred to use the “help” of the thieves in law than the assistance of corrupted police<sup>38</sup>. The thieves in law made efforts to be perceived as legal businessmen in Georgia. However behind their “business” stood overall corruption and imposed power on the markets. The crime groups were helping financially and with their human resources to political campaigns of practically all Georgian politicians of the 90<sup>th</sup><sup>39</sup>.

The dominance of criminal clans and the complete lack of authority recognition led to regional separatism in Georgia. For instance, in the Autonomous Republic Adjara there had been a complete absence of the rule of law. In Adjara, the power was dominated by the Abashidze family clan. Before the revolution of 2003, this clan had literary feudal power in the region. It seemed that it had nothing to do with the central government of Georgia<sup>40</sup>. It had its own boarders, armed forces, economy, and the “government”. There was very serious misuse of power by the permanent head of the Republic, Aslan Abashidze: in the centre of Batumi, his house had been constantly protected by the snipers on the rooftop. This building and surrounding territory was the only permanent lit place in whole city. There were cases when the central streets of the city were completely blocked, because a son of Abashidze was racing in his sport car<sup>41</sup>.

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<sup>37</sup> Personal interview, 1.

<sup>38</sup> L. Burakova, «*Why Georgia has succeeded*», United Press, (in Russian), 2011

<sup>39</sup> L.Shelley, *Organized Crime and Corruption in Georgia*, p.73

<sup>40</sup> Personal interview.

<sup>41</sup> Burakova L., «*Why Georgia has succeeded*», United Press, (in Russian), 2011

The regional conflicts and civil war had a big impact on law-enforcing power as well. The law-enforcement structures had always been the most corrupted institution in Georgia. During the civil war and regional conflicts in the early 1990<sup>th</sup>, these structures had been completely demoralized. The anarchy of the 199<sup>th</sup> resulted in wide-spread corruption, crime and abrupt decrease in discipline among the officers<sup>42</sup>.

### **1.3. Corruption in police, administration and education**

Bribery in Georgia had been perceived as a natural matter since the Soviet times. Corruption had been appearing in every moment of communication between a citizen and the state - as a matter of fact, it impregnated all layers of power<sup>43</sup>. For example, before the Rose Revolution, it had been widely known that the police academy of Georgia was the nest of the corruption within the institution of police. Admissions and studies in the academy had been completely non-transparent. The illegal flows of money from the students had been received by the top of academic administration. For example, in order to be accepted to the academy, a potential student had to pay between \$4,000-6,000, so in the end, the amounts of bribes received by the heads of the police academy of Georgia reached about \$500,000 a year<sup>44</sup>.

Another example of prevailing corruption is education. For instance, at the University in Gori, the students had to pay a bribe for admission, passing exams and defense of thesis. If a student was able to pay rather big amount of money, he could even not be present at any exam. There was no chance to pass an exam without a bribe to the professor. It did not depend on the level of knowledge of a student, but only on a bribe. The rich students, who were able to pay the bribes, were situated in much better conditions that students coming from ordinary families<sup>45</sup>.

From the point of view of the Georgian citizens, corruption emerged from several reasons. They believe that very low salaries in public sector, for example,

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<sup>42</sup> Burakova L., «*Why Georgia has succeeded*», United Press, (in Russian), 2011

<sup>43</sup> *Ibidium*.

<sup>44</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.2

<sup>45</sup> Personal interview 1.

among policemen, as well as rather low level of civil education led to emergence of tradition of bribes. People got used to the idea that it was possible to get a driving license without passing the exam<sup>46</sup>. The situation with trafficking police was dramatic. There were special quotas of bribe for particular law abuses – from a small traffic violation to serious crime<sup>47</sup>. Everything had its own informal price. Every process of issuing information, documents, conclusions and tests could not start without a bribe. It also concerned the custom's declarations on goods. If someone was ready to pay money, he could register the goods in illegal way, bringing through the border any type of goods without customs clearing<sup>48</sup>. In order to receive such legal papers as passport, visa or ID, one had to pay a certain amount of money. The process was artificially complicated by civil servants – so that it was impossible to solve even a simple situation in one place: one had to go through many institutions in order to receive a necessary document. There were no competent assistants who would know all the rules. So for a Georgian citizen, it was easier to find a relative or a friend working in that particular institution, bribe them and have things done<sup>49</sup>.

Kakha Bendukidze, a Russian businessman and a Georgian politician, who would be the major engine for the future reforms in the country, does not have bright memories about his motherland back to the past. He says that he did not visit home because there was no electricity in the country and water supply was frequently interrupted. Georgian citizens had to cope with the lasting disconnects of electricity. Refugees, who lived in Georgia, could use so much electricity as they wanted<sup>50</sup>.

Richer people could afford private small diesel generators to use it as a source of electricity. “*Some of my Georgian partners’ manufacturing facilities worked on private diesel generators,*”- sharing the story businessmen working in Georgia<sup>51</sup>. That is why he was thinking twice before coming to Georgia and

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<sup>46</sup> Personal interview 3.

<sup>47</sup> Personal interview 1.

<sup>48</sup> *Ibidium*.

<sup>49</sup> Personal interview 2.

<sup>50</sup> Burakova L., «*Why Georgia has succeeded*», United Press, (in Russian), 2011

<sup>51</sup> Personal interview 1.

occupying the post of the Minister of Economy and later, the Minister for Reform Coordination<sup>52</sup>.

Ending a first part of my research, I would like to make the following conclusion of the situation with corruption in Georgia before the Revolution of Rose in 2003. After the collapse of the USSR, the Georgian state faced a number of enormous challenges, such as open military conflicts with its separatist regions of Abkhazia and South Ossetia, an intensive civil war, complete destruction of state institutions and deepest economic and social crisis. All these factors have intensified the problem of overall corruption, which have been deterioration economic and political development of Georgia during the 90<sup>th</sup>. The Georgian citizens had been really dissatisfied with the complete absence of the rule of law, overall power of organized crime, corrupt police, administration, weak performance of institutions, corruption on daily basis. Because of corruption, there was no permanent access to electricity and water supplies in the country. All those tension led the mass protests in 2003 (The Rose Revolution) and to dismissal of the president Eduard Shevardnadze.

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<sup>52</sup> Burakova L., «*Why Georgia has succeeded*», United Press, (in Russian),

## Chapter II.

### “The Reasons for Success of Georgian Anti-Corruption Polices”

*“It is possible to sell everything but conscience”*

Kakha Bendukidze.

Corruption has been the major obstacle for the new government which came to power after the Rose Revolution of 2003 and it seriously challenged the implementation of fundamental reforms in this country. The political system, which existed before the Rose Revolution, was completely non-transparent and it was generating the floating of illegal earnings to the people who used that system<sup>53</sup>. The Rose Revolution took place in November 2003 because of large-scale discontent by the old, corrupted and undemocratic post-Soviet political system<sup>54</sup>. Before this Revolution, there was an overall stereotype that the people of South Caucasus had a tendency to “*automatically oppose law, whatever form it takes*” (G. Glonti). The new Georgian government disproved this tendency, showing that negative parts of national identity and political culture can be changed. It is the biggest success of Mikheil Saakashvili – he has proved that corruption is not a natural phenomenon in political and societal culture<sup>55</sup>.

The main answer to the question why have anti-corruption reforms had very good effects in Georgia and resulted in dramatic decline in the level of corruption is a strong political will of the new government, which came to power after the Rose Revolution. Many countries of the post-Soviet area have been trying to fight corruption, but they have not had any success in this area. Only in case of Georgia, which has been the most corrupted post-Soviet country, the situation with corruption has improved dramatically after 2003. Here, I would like to make a small comparison of strategy of the former president Eduard Shevardnadze and the new president Michael Saakashvili. Eduard Shevardnadze

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<sup>53</sup> Burakova, «*Why Georgia has succeeded?*», «United Press», 2011

<sup>54</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.2

<sup>55</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.2

did not have any precise idea about state-building after the collapse of the Soviet Union. That was the reason why the results of his reforms and policies were not visible at all. There was no particular line of changes. In contrast president Micheil Saakashvili composed his government of young and well-educated Georgians specialist living all over the world in order to implement his concrete plan of reforms. They were the people of idea, having a lot of enthusiasm about the state-building of their motherland, but not willing to misuse the power. Some of them never wanted to occupy the position in the government. The fundament for the reforms in Georgia after 2003 was the idea of the freedom and then all the other ideas just overlap with this main one. The new government had clearly realized that it would not be possible to create a completely new effective system of governance combining some new elements with old ones. The inherited post-Soviet political system was an old and sick structure that did not function at all. The government of Saakashvili decided to nip the whole post-soviet corrupted system and constructing a completely new state mechanism. That was one of the main steps that helped to initiate the fight with corruption. Specifically, the new government rejected the idea advised by the EU specialists to implement the reforms in a slow way. Such advice meant very long process of reform implementation what dramatically declined the efficiency of such reforms. For such a corrupted system as Georgian slow reforms did not make any sense. The new government decided to implement the reforms in a painful, but quick way: the society would not be immediately happy with the reforms, so it made sense to implement them quickly. Another very important reason for success of anti-corruption policies in Georgia was the fact that the new government did not care about its popularity among the Georgian people. The government cared not about additional electoral support, but rather about long-tern construction of the new administrative system that will finally bring prosperity to the people of Georgia. This new system was designed to be based on the idea of freedom, transparency and trust<sup>56</sup>.

In the beginning of 2004, the UNDP Human Development Report on Georgia stated that *“it is almost impossible to exaggerate the scale of the*

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<sup>56</sup> Burakova L, «Why Georgia has succeeded», «United Press», 2011

*corruption problem faced by new Georgian government*". The government of Georgia addressed this challenge by implementation of the most effective and fundamental anti-corruption policies among all other countries of the former USSR – this fact has proven the strongest political will of Saakashvili government to eliminate corruption in Georgia.<sup>57</sup> At present moment, among the Georgian citizens 4 % see corruption as an urgent challenge, 2% of them experienced bribery, 77% of citizens are satisfied by the performance of the government in this area. The new government has managed to create the system of openness, citizen involvement, transparency and cooperation with civil society. During the implementation of reforms the new government of Georgia has been using the most advanced management techniques and innovative tools, which have resulted in complete replacement of the outdated Soviet-era state apparatus<sup>58</sup>.

One of the key tools for the success of reforms of the Saakashvili government was the idealism of the top-leadership of the country. The new government, which came to power after the revolution of 2003, has a clear purpose to create a modern state in Georgia and also they had a well-developed strategy to achieve this purpose<sup>59</sup>. Before 2003, it seemed impossible to fight such a high level of the corruption in the country. Nevertheless, the new government managed to achieve this goal. The main difference between Georgian anti-corruption policies and the policies of the other countries of the former USSR is that new Georgian government has made a clear separation between economic and political power. It became possible to fight the corruption because the government has not been depending on corruption itself, in contrary to the old system of Shevardnadze<sup>60</sup>.

After the Revolution of 2003, the one of the key ideas of the new government has been the promotion of economic growth in the country and attraction of foreign investments to Georgia. Before the Revolution, the enormously high level of corruption was the main obstacle for economic growth

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<sup>57</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>58</sup> Georgia, Action Plan 2012-2013, [www.justice.gov.ge/files/Departments/Analytival/OGP\\_AP\\_Final?eng/pdf](http://www.justice.gov.ge/files/Departments/Analytival/OGP_AP_Final?eng/pdf), (07.06.2013)

<sup>59</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>60</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.1

and investments<sup>61</sup>. The Revolution of 2003 was some kind of “anti-corruption movement” and also “anti-crime revolution” - the revolution against traditional clan structure, rampant corruption and organized crime that was spread over and actually ruled the whole state. Some authors argue that such wide-spread intention to fight the corruption was the main reason of success of the Saakashvili’s anti-corruption policies: citizens were expecting and promoting radical changes in this area. They were tired of the old system, so they went for revolution, which had its morality in fighting with the corruption<sup>62</sup>.

The government of Micheil Saakashvili from the very beginning of its rule made it clear that anti-corruption policies would be its major task. These anti-corruption reforms and policies had been targeting the following sectors: prosecution and sanctions against the people involved in corruption (including high rank officials), reduction of enormous bureaucratic system (as it was the main area of corruption), increase in salaries for the public officials, civil servants and police in order to prevent the need of taking bribes<sup>63</sup>. The new government signed a partnership agreement with the G8, promising that Georgia would fight corruption and promote transparency in this state. Various international organizations, such as Council of Europe and the OSCE, had provided Georgia with a number of recommendations on development of national anti-corruption strategy.<sup>64</sup>

## **2.1. National Anti-Corruption Strategy and the Action Plan of Reforms**

In January 2005, Mikheil Saakashvili created a Working Group that included representative of his government and three NGO representatives from Transparency International Georgia, Young Lawyers’ Association and Young Economists of Georgia. This working group was created in purpose of

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<sup>61</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>62</sup> A. Kupatadze, European Security, Explaining Georgia’s anti-corruption drive, 2012, p.14

<sup>63</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>64</sup> Tamuna Karosanidze, “National anti-corruption strategy and action plan: elaboration and implementation”, TI-Georgia, Anti-Corruption Resource Centre, www.U4.no

development of the National Anti-Corruption Strategy and Action Plan that would be the core for fighting corruption<sup>65</sup>.

In September 2005, the National Anti-Corruption Strategy Action Plan was presented in official papers. This document stressed out the necessity to issue monthly progress reports from all the Georgian ministers. The Strategy identified concrete corruption practices in the country as well as established a standard methodology for measuring corruption<sup>66</sup>. The National Anti-corruption Strategy and the Action Plan of 2005 presumed ratification of such international conventions as the UN Convention Against Corruption, the Council of Europe Criminal Law Convention on Corruption (signed in 1999 and the Addendum to the Convention in 2003)<sup>67</sup>. Thus, in 2008, Georgia has become a party of the UN Convention against corruption<sup>68</sup>.

After drafting strategically important documents, Mikheil Saakashvili and his government realized that it is not enough to fight corruption on the grass-root level, imposing the laws and punishing those who do not obey these laws. Grass-root corruption can be perceived as “branches” of the corruption tree – they are just a manifestation of a real problem, which are the roots for corruption. The main goal here should be to fight the root of that tree. That is why the Georgian government decided to start the “cleaning” of governmental structures from the corrupted people<sup>69</sup>. It became a salient detail of the beginning of rule of Saakashvili – all the suspected of corruption public officials were arrested<sup>70</sup>. A new state policy of “intolerance towards bribery” started to be implemented. Some of corrupted officials belong to the former Shevardnadze elite. At the very beginning of Saakashvili’s rule, about 80 corrupted officials and businessmen were arrested. Older financial manipulations of the corrupt Shevardnadze

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<sup>65</sup> Tamuna Karosanidze, “National anti-corruption strategy and action plan: elaboration and implementation”, TI-Georgia, Anti-Corruption Resource Centre, www.U4.no

<sup>66</sup> Anti-Corruption Strategy Action Plan (2005-2006), [http://transparency.ge/sites/default/files/post\\_attachments/Ordinance%20377%20-%20National%20Anti-Corruption%20Strategy%20Implementation%20Action%20Plan-September-E.pdf](http://transparency.ge/sites/default/files/post_attachments/Ordinance%20377%20-%20National%20Anti-Corruption%20Strategy%20Implementation%20Action%20Plan-September-E.pdf)

<sup>67</sup> Anti-Corruption Strategy Action Plan (2005-2006).

<sup>68</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>69</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>70</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

representatives were uncovered – only in one of the deals, the officials had stolen the sum of 50 million US dollars and the new government managed to restore 40 million USD<sup>71</sup>. Despite the fact that some of these corrupted officials were personal friends of the ministers of the government of Mikhail Saakashvili, all these corrupted officials had been punished and imprisoned<sup>72</sup>. For that purpose, in the National Anti-Corruption Strategy Action Plan (2005-2006), in the section 2, there was a task of “developing a Special Anti-Corruption Oversight System for Monitoring High Officials”. In order to achieve this purpose, the Government established a special unit of Georgia’s General Prosecutor’s Office as well as developed the mechanism for monitoring of corruption among the civil servants<sup>73</sup>. From the words of Mikheil Saakashvili, he could not do anything for his friends, who have been imprisoned for corruption crimes. That is the system they have been purposefully creating, so that no one in Georgia, even the family of the president, could not misuse their public office<sup>74</sup>.

The anti-corruption policies have been created not only for the purpose of reduction of the level of corruption in the country. The new government acknowledged that a country like Georgia, which does not have serious natural resources or profitable industries, will be able to develop its economy only on foreign direct investments. The only way to become attractive for such investors is to create a transparent political and economic system with minimum economical regulations and low taxes<sup>75</sup>. This is the reasons why there was a need to reform all the system in order to fight the corruption and made the state trustworthy for either its citizens or investors.

There were several sectors of economy which required to be reformed immediately: the law-enforcement agencies, tax and customs services, government property agencies – all the spheres, where corruption occurred very frequently. According to Kakha Bendukidze: “*Where government contacts money*

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<sup>71</sup> A. Kupatadze, European Security, Explaining Georgia’s anti-corruption drive, 2012, p.5

<sup>72</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>73</sup> Anti-Corruption Strategy Action Plan (2005-2006).

<sup>74</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>75</sup> A. Kupatadze, European Security, Explaining Georgia’s anti-corruption drive, 2012, p.14

- *appearance of corruption is inevitable*<sup>76</sup>. In the following chapters, I would like to describe what have been achieved and changed.

## **2.2. “Police, not “menty” (cops)”.**

In the post-Soviet area, the policeman is often called “ment” (a cop) – this word has rather negative meaning. Why did the profession of policeman call up negative emotions among the citizens? The answer to this question was mentioned in the first chapter of my research – the prevailed corruption in police made people perceive the people who were supposed to guard the order in society as dishonest and most corrupted people.

Till the year of 2004, there was a perception that the most corrupted institution in the state was the old traffic police<sup>78</sup>. In my opinion, it is the most corrupted institution not only in Georgia, but also in other post-soviet countries like Ukraine, Belarus, and Russia. I would not call this phenomenon a “tradition” of the post-Soviet traffic police because as we will see further, the Georgian government managed to eradicate that “disease” from their system. Here I would like to highlight the major methods of the Georgian anti-corruption policies – fighting against the corruption in state institutions, particularly within such power structures as courts and law-enforcement agencies<sup>79</sup>. Reduction of corruption in the traffic police became the first reform target and its results were visible right away. After the collapse of the Soviet Union, Georgia appeared to have 25,000 employees at the Ministry of Internal Affairs (MVD) and about 1, 000 people in KGB. All of them served for the population of approximately 5,5 million people. Such a high numbers characterized Georgia as a heavily policed society. In the year of 2002, despite the reduction of the Georgian population by nearly 1 million people, there was established an additional security department of Georgian MVD, which from that moment employed 56,000 persons. Such an increase of quantity of policemen got worse off the police-citizen ration: one police officer

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<sup>76</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>77</sup> Georgia – Saakashvili’s reforms, [www.besttoday](http://www.besttoday.com), (06.06.2013).

<sup>78</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>79</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.1

for 80 citizens. The salaries of law enforcement personnel were low - approximately \$40-50 a month. Those circumstances created the situation when it was difficult to prevent corruption in the police<sup>80</sup>.

The new government of Georgia took a decision of mass dismissals in the sphere of law-enforcement. During one day, the whole staff of the traffic police of Georgia - 14 thousands of traffic policemen had been fired. By the end of implementation of the reform of law-enforcement agencies, over 75 thousand employees had been dismissed<sup>81</sup>. The KGB-style Ministry of Internal Affairs was abolished in the end of 2006<sup>82</sup>. The old police had been replaced by a modern police agency: in majority of cases, policemen have a higher education, and are getting in charge after couple-of-month trainings. Also, the Georgian policemen received rather high salaries (in comparison to average salary in the country). Every attempt of corruption within the police and other law-enforcement agencies has been severely punished<sup>83</sup>. At the very beginning of this reform, the government employed special people which were hired to provoke the new traffic policeman to receive a bribe. Those policemen, who took such a bribe, were sentenced to seven years of imprisonment. Such drastic measures were very instructive lessons for the others<sup>84</sup>. All kinds of whistleblowing of one policeman on another were welcomed. It should be stressed out that such steps had extremely strong effect on decrease of corruption among the policemen in Georgia<sup>85</sup>.

One may say that such radical reforms that end up in mass dismissals and even complete dissolution of particular administrative unities will make the state apparatus less efficient. Nevertheless, the case of Georgia has shown that the majority of reduced administrative unities, such as fire inspection, motor licensing and car inspection, had been useless. At present moment, the situation in these spheres is much better than it used to be. For instance, the mortality caused by fire had declined from 2003 to 2010, even though the fire inspection was closed by the

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<sup>80</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.1

<sup>81</sup> Documentary movie, "Theory of improbability", <http://www.youtube.com/watch?v=lzWNhP2QV44>

<sup>82</sup> N. Shahnazarian, Police Reform and Corruption in Georgia, Armenia and Nagorno-Karabakh, PONARS Euroasia Policy Memo No. 232, 2012, p.1

<sup>83</sup> Personal interview.

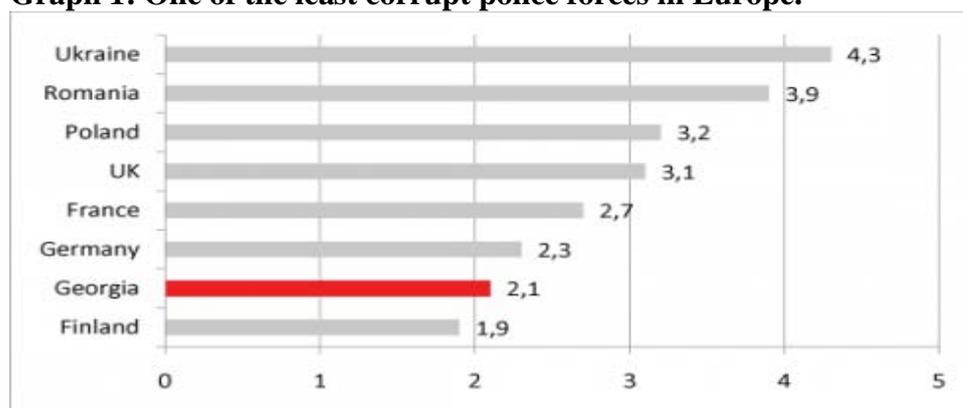
<sup>84</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>85</sup> Personal interview.

government. The same happened also in terms of car accident mortality. The conclusions of this reform is the following: liquidation of ineffective mechanism of monitoring closed the huge source of corruption – all these state controlling institutions existed only with corruption purposes and did not contribute to the public health and security<sup>86</sup>.

Coming further with the results of the police reform, it should be mentioned that according to a number of international surveys, nowadays, the Georgian police is free of corruption. The behavior and image of the Georgian police has completely changed: they are polite and do not take bribes. That information comes from every Georgian citizen – from a taxi driver to a businessman and a public official<sup>87</sup>. Today, the law-enforcement agencies in Georgia are completely transparent. It does not only mean that it is free of bribes, but literally, the walls of police offices are made of glass. Every passerby is able to see through the glass what policemen are doing on their working places. In the past, the traffic policemen had been hiding themselves along the roads, looking for a passing cars to take a bribe. Nowadays, the government has set up electronic devices, which measure speed of cars and in case it breaks the speed limit, a driver receives quite a high fee. At present moment, the Georgian police officers patrol the territory in order to check the drivers on alcoholic intoxication. The fee for drunk drivers are very high and if a driver is caught drunk more then two times – he would be sentenced for imprisonment<sup>88</sup>.

**Graph 1: One of the least corrupt police forces in Europe.**



Source: Transparency International Global Corruption Barometer 2010. - See more at: <http://www.greengeorgia.ge/?q=node/54#sthash.LB8ovDXU.dpuf>

<sup>86</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>87</sup> Personal interview.

<sup>88</sup> Georgia – Saakashvili's reforms, [www.besttoday.com](http://www.besttoday.com), (06.06.2013).

### 2.3. Thieves in law

A very important place in Georgian system of corruption is occupied by the thieves in law. This abnormality has spilled far away from the borders of Georgia. Even though it is always difficult to fight criminal organizations within state and despite the loyalty to thieves in law from a part of Georgian citizens, the new government made a decision to remove such phenomenon from the state system. According to one of the ministers, they did not want to share the power with the thieves in law. I would like to mention once again that the thieves in law used to have large power in the Georgian state system. The new government created an anti-mafia legislation on the basis of US and Italian experiences. The main distinction of a criminal and a thief in law is that the last one does not necessary commit a crime. He is the head of criminal group, where he has an authority and gives orders. Therefore, it is impossible to catch him on the crime scene. The Georgian government developed a special law that allowed arresting thieves in law just because they call themselves with this title. According to the criminal “morality” and code of conduct, the thieves in law could not refuse their criminal status when they are asked about it. Most of the thieves in law fled to Russia or Europe after some cases of murdering thieves in law during the police capturing (it was an order that in case of resistance at arrest, a thief in law could be captured even dead). The rest of them, around dozen, are still inside the Georgian prisons. All these actions against the organized crime fundamentally decreased the level of crime in Georgia<sup>89</sup>.

In case of the Autonomous Republic of Adjara, which officially has been ruled by mafia leaders, president Saakashvili brought completely new rules towards this region. He has introduced a temporary direct rule of the Georgian government, however, the Supreme Council of Ajara stayed in power. In May of 2004, the Supreme Council agreed to dismiss the head of republic Aslan Abashidze, a person closely connected to Georgian organized crime. Thusm Adjara became a peaceful Georgian region<sup>90</sup>. Privatization initiated by a new government took place in Adjara at the fist place. There was only couple of cases

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<sup>89</sup> Kovarskij N., Georgian Order, [www.forbes.ru/ekonomika-column/vlast/52395-poryadok-po-gruzinki](http://www.forbes.ru/ekonomika-column/vlast/52395-poryadok-po-gruzinki), (06.06.2013)

<sup>90</sup> Cvetkova M, *Russian basis would follow Abashidze*, [www.gazeta.ru/2004/05/07/oa\\_120123/shtml](http://www.gazeta.ru/2004/05/07/oa_120123/shtml)

of privatization in this region since the Soviet times. The new Georgian government has moved the Constitutional Court from Tbilisi to the former residence of Abashidze. At present moment, the Autonomous Republic Adjara is a well-integrated part of Georgia<sup>91</sup>.

In order to make reforms work politicians should work on them very precisely and regularly. A good politician will change his popularity to the success of implemented reforms<sup>92</sup>. Kakha Bendukidze played one of the major role in reforming of the Georgian state. When he had to come back to Georgia from Russia, he understood that something had changed in the country. Very soon, the Minister of Interior Affairs told him that they were going to fight the organized crime – these criminals would not be untouchable anymore. Such effective steps of the Georgian government were unbelievable for the Georgian reality at that time<sup>93</sup>.

#### **2.4. “Ease of Doing Business”**

Another important purpose of the reforms implemented by Mikheil Saakashvili was liquidation of large number of limitations and regulations for private businesses as well as queuing for registration of business, receiving new passport and other documents. In the previous system all these procedures were time consuming and in addition, they were creating more bureaucracy and everyday corruption. There was a decision to create a special registration system through Internet. As well, there was no need to sign up documents several times in order to register them if a person made it once. That system removed the lines to the registry making it easier to start a business as well as to reduce bureaucracy. It became easier not only to start a business, but also to make a passport. There was no requirement of bringing all personal documents since everything was already in the database of the electronic administration system. Such approach of new Georgian government stressed out that the state does not see a potential villain in its citizen anymore. This is one of the main reasons, why the new policies have

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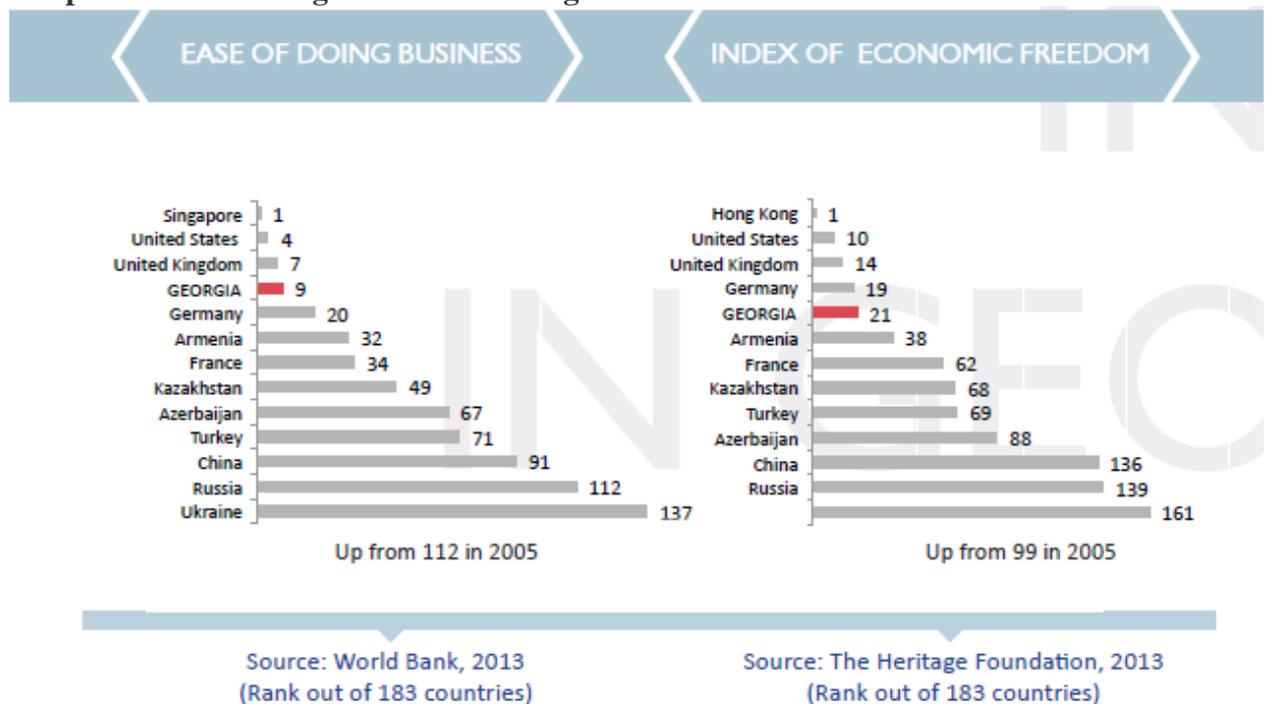
<sup>91</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>92</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>93</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

been realized much more efficiently than previously<sup>94</sup>. The World Bank’s project “Doing Business” rates Georgia as a unique country. In its opinion, no other country within the last fifty years has implemented such deep and fast reforms in different areas<sup>95</sup>. Georgia occupies the 7<sup>th</sup> place in the starting business rank. Today, in order to start a business, one needs only two days (in comparison to other countries of Eastern Europe and Central Asia, this process takes 14 days, and in the counties of OECD – 12). There are only two procedures required to register a business in Georgia (in the Eastern Europe and Central Asia – 6, counties of OECD – 5)<sup>96</sup>.

**Graph 3: Ease of doing business in Georgia.**



Source: <http://investingeorgia.org/index.php?m=234>

There might appear a question why the old Georgian government could not apply similar policies as Saakashvili’s government. The simple answer to this would be that there was a special political will in the executive power after 2004 as well as clear and purposeful activities of the new president’s cabinet and the

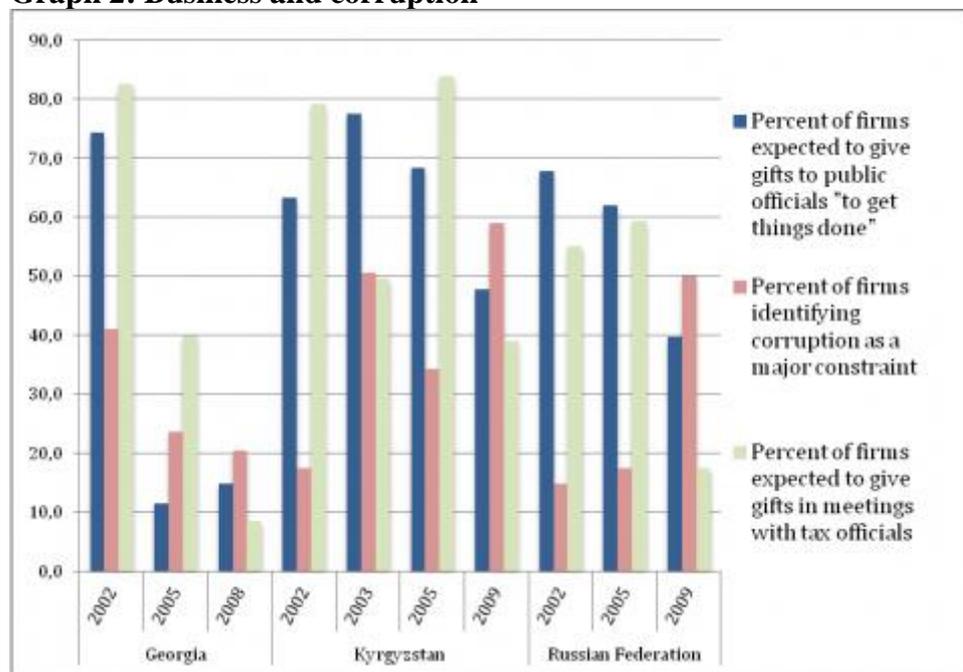
<sup>94</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>95</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>96</sup> Measuring business regulations “Doing Business”, [www.doingbusiness.org/data/exploreeconomies/Georgia/#starting-a-business](http://www.doingbusiness.org/data/exploreeconomies/Georgia/#starting-a-business), (06.06.2013).

Parliament<sup>97</sup>. The decision that played the biggest role for the success of Georgian reforms and at the same time, for the fight with corruption, was the following. In order to build the basis for the future reforms, the political and economic system of a state should be maximum liberal and should be based on the principles of freedom of the new economical formation<sup>98</sup>. Definitely, it seems that the Georgian government has made some kind of miracle, reforming a post-soviet corrupted system to a completely new and efficient modern system. The truth is the success lied not only in implementation of the new policies, but also in avoidance of many mistakes. All this success has happened because of the focused political will of government on its goal of fundamental transformation of Georgia<sup>99</sup>.

**Graph 2: Business and corruption**



Source: World Bank, Enterprise Surveys - What Businesses Experience, 2012, <http://www.enterprisesurveys.org>.

## 2.5. Privatization.

One important step towards reduction of corruption in Georgia was made by privatization. During the rule of the previous government of Eduard Shevardnadze privatization took place, however it was very slow. The revenues from privatization constituted a small part in the state budget. The government of

<sup>97</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>98</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>99</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

Saakashvili outlined a broad privatization plan of national property<sup>100</sup>. Some economists compare liberalization of Georgian market made by Saakashvili with the scale of changes brought by Margaret Thatcher in United Kingdom and Hernando de Soto in Peru<sup>101</sup>. During privatization of agricultural lands, the government had to deal with the people who occupied the state owned lands illegally<sup>102</sup>. The major document of governmental reforms - the National Anti-Corruption Strategy and Action Plan contained the proposition to speed up privatization of state property and state enterprises. It had to be done in the most transparent way as possible. The state ownership was supposed to be left only over the property which has been characterized as necessary to carry out the functions of the state. Under this reform, majority of state owned land, enterprises and energy facilities were supposed to be privatized<sup>103</sup>.

## 2.6. Taxes.

One of another extremely important parts of the National Anti-corruption Strategy and the Action Plan of the Georgian government was the improvement of tax administration, customs system and treasury service reporting<sup>104</sup>. These were high risk of corruption in these areas. High attention was drawn to such a problem as bribing for tax avoidance (administrative corruption). In order to avoid administrative corruption it was decided to make the system of taxation, customs and employment to these spheres transparent as much as possible. The selection of officials to employment in the high risk areas of corruption had to be improved. Using the digital technologies which were decreasing the number of live interactions between citizens and officials together with opportunities for further education for officials, the new Georgian government managed to reduce significantly the level of corruption in tax and custom system<sup>105</sup>.

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<sup>100</sup> Bunich, *Georgia: Nationalization and privatization*, [www.bunich.ru/encyclopedia/content.php?id\\_118&gid=70](http://www.bunich.ru/encyclopedia/content.php?id_118&gid=70), (06.06.2013).

<sup>101</sup> Nazarov W., Georgian liberal lessons, [www.m.forbes.ru/article/php?id=67978](http://www.m.forbes.ru/article/php?id=67978), (06.06.2013).

<sup>102</sup> Burakova, «Why Georgia has succeeded», «United Press», 2011

<sup>103</sup> Anti-Corruption Strategy Action Plan (2005-2006), [http://transparency.ge/sites/default/files/post\\_attachments/Ordinance%20377%20-%20National%20Anti-Corruption%20Strategy%20Implementation%20Action%20Plan-September-E.pdf](http://transparency.ge/sites/default/files/post_attachments/Ordinance%20377%20-%20National%20Anti-Corruption%20Strategy%20Implementation%20Action%20Plan-September-E.pdf)

<sup>104</sup> Anti-Corruption Strategy Action Plan (2005-2006).

<sup>105</sup> Anti-Corruption Strategy Action Plan (2010).

In the pre-revolution Georgia there was practically no system of tax payment. People of business and regular citizens were obliged to pay to various informal organizations which had been facilitating their business activities, for example, to the thieves in law. One of Georgian businessmen was asked by his Georgian business partner if he pays taxes, he answered: “Which taxes? I pay to the police, KGB, to the tax administration...What other taxes should I pay?”<sup>106</sup>

The taxation in the old Georgian system before 2003 was so much complicated and inefficient that there was a decision to reduce the number of taxes and the tax rates<sup>107</sup>. Since 2004, a completely new Tax Code has been introduced, which reduced the number of taxes from 21 to 7. A new position of tax ombudsman has been established by the introduced Tax Code. Value Added Tax was decreased from 20% to 18%. The flat rate of tax (12%) replaced progressive tax (from 0% till 20%)<sup>108</sup>. By these actions the Georgian government established clear and easy tax system that is understandable for the Georgian citizens. Positive results of fight with thieves in law that will be described further in this chapter also had a positive impact on paying taxes. Businessmen should not search help at criminal organizations. Nowadays, the Georgian government is a protector of business, not informal criminal groups.

In “Doing business” rank, Georgia occupies 33rd place in terms of easiness of paying taxes. Today, this indicator shows serious improvement in this sector – change in rank to 12 positions up<sup>109</sup>. The European Bank for Reconstruction and Development proves that Georgia created a fair tax system<sup>110</sup>.

## **2.7. Reformed education.**

The old Soviet examination system was replaced by a new one when the National Examination Centre of Georgia was created in 2005. This system allows choosing the best students for further university studies according to their skills. It

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<sup>106</sup> Personal interview.

<sup>107</sup> Anti-corruption Activities by TI, <http://transparency.ge/nis/2011/introduction/anti-corruption-activities>.

<sup>108</sup> <sup>108</sup> Bunich, *Georgia: Nationalization and privatization*, [www.bunich.ru/encyclopedia/content.php?id\\_118&gid=70](http://www.bunich.ru/encyclopedia/content.php?id_118&gid=70), (06.06.2013).

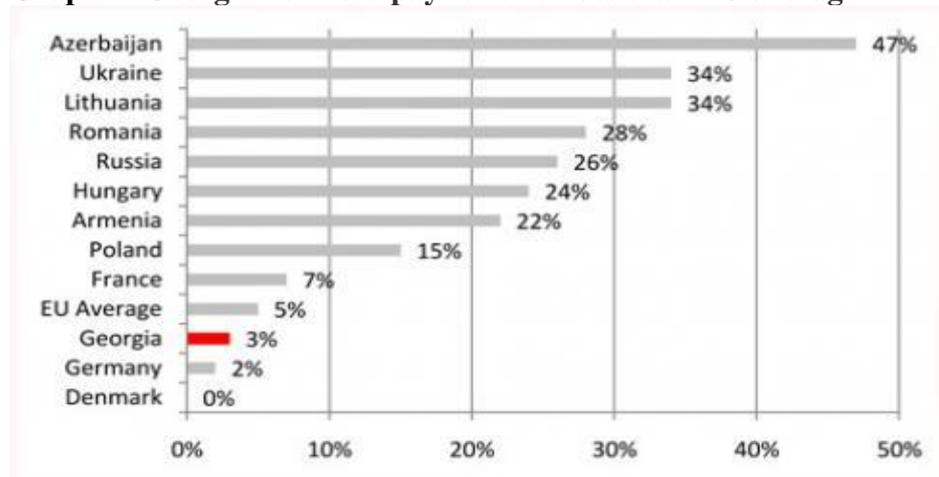
<sup>109</sup> Measuring business regulations “Doing Business”, [www.doingbusiness.org/data/exploreeconomies/Georgia/#paying-taxes](http://www.doingbusiness.org/data/exploreeconomies/Georgia/#paying-taxes), (06.06.2013).

<sup>110</sup> European Bank for Reconstruction and Development, [www.Ebrd.com](http://www.Ebrd.com)

is clear, transparent and based on the meritocracy principles<sup>111</sup>. Now young generation cannot imagine that it is possible to enrol to a university by bribing the person in charge of entering exams<sup>112</sup>.

For Saakashvili, the main compound for his successful reforms is a fundamental change in mentality. According to him, it is not so easy to make the people change their habits of social behaviour immediately. In the past, it was an opinion that in order to get well-educated specialists it was enough to send the students abroad, particularly to the Western universities. However, this scheme did not work because those specialists had been coming back to Georgia and were becoming a part of the old and corrupted system. The major change here was in the fact that now they could speak foreign languages. Saakashvili's reform of education is an integral part of all the comprehensive reforms as it helps to change mentality of a person. If one wants to change the social behaviour of people, all the reforms should move in one direction<sup>113</sup>.

**Graph 4: Georgian citizens pay fewer bribes than EU average.**



Source: Transparency International – 2010 Global Corruption Barometer – See more at: <http://www.greengeorgia.ge/?q=node/56#sthash.Jc9aaMmu.dpuf>

## **2.8. Reformed judiciary system.**

The reformers acknowledged the importance of jurisdiction in the future transparent system. The existence of good judicial system and stable rule of law

<sup>111</sup> Ministry of Justice, [www.justice.gov.ge](http://www.justice.gov.ge)

<sup>112</sup> Personal interview 3.

<sup>113</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

would make things much better than they were during the 90<sup>th</sup><sup>114</sup>. In order to clean judicial system from corruption it was decided to raise salaries for judges and prosecutors. However, this raise was not symbolic. It has been really tangible<sup>115</sup>. According to the Directorate General on Human Rights and Rule of Law Georgia made significant work on that matter, increasing the salaries for judges up to 64% and for prosecutors – up to 32%. Nowadays, at the beginning of their career, judges receive gross annual payment equivalent to 11 642 euro and the public prosecutors – 8 976 euro. At the end of their careers, they receive the following salaries: judges – 22 270 euro, prosecutors – 15 480 euro. The highest salary is granted to the judges of the Supreme Court and of the Highest Appellate Courts<sup>116</sup>.

In order to secure and keep the anti-corruption position of judges, the Government has introduced a life-time appointment for judges. Also, the government has improved the working conditions of judges as well as possibilities for their professional development. The Criminal Case Management System (ICCMS) was established in order to make trials free of excessive amount of paper documents. Nowadays, all the pieces of evidence, documents, investigation and prosecution processes have been collected into the electronic system. Citizens are also taking part in the administration of justice (in form of a jury). In spite of the fact that the jury system had not been used before 2012, at present moment, the hearings in Georgian courts are accompanied by the jury. This is a limited practice though and it takes place only in Tbilisi City Court and Kutaisi City Court. The use of jury is compulsory, however, if the both parties agree not to use help of the jury, the court will proceed with hearings without jury. The new Georgian reform decreased the number of judges<sup>117</sup>. Notwithstanding, the quality of Georgian courts only increased. The report of the Directorate General on Human Rights and the Rule of Law is stressing out that Georgia has shown a very good performance of court cases. The report links this result with success of recent reforms after which the citizens started to bring more civil cases to the

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<sup>114</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>115</sup> Ministry of Justice, [www. Justice.gov.ge](http://www.Justice.gov.ge)

<sup>116</sup> Eastern Partnership, *Enhancing Judicial Reform in the Eastern Partnership Countries*, Strasbourg, March 2013.

<sup>117</sup> Ministry of Justice, [www. Justice.gov.ge](http://www. Justice.gov.ge)

courts. The reason for that is a growing trust of citizens towards the judicial system. On the contrary, a number of criminal cases has decreased<sup>118</sup>. It has been the impacted of such factors as improvement of performances of the police which nowadays is free of corruption.

It is worth to mention that the clearance rate in Georgia has improved from 18% in 2006 to 144% right now. Overall description of a good performance done by Georgia in the reform of judiciary during the period of 2006-2010 valued as a very rewarding<sup>119</sup>.

In order to create an institution of social protection from governmental actions (something that did not exist at all), the new government decided to set up a specialized Ombudsman's Institute and strengthen its authority<sup>120</sup>. In the competences of the Ombudsman's office there are such services as advocacy, information and assistance, consultation to facilities, community outreach and education<sup>121</sup>.

This description of reformed and well performed judiciary in Georgia I would like to end with the words of Huguette Labelle, the Chair of Transparency International, who said on the Economic Forum this year:

*"People have more trust for governments that have transparency, integrity and respect for human rights."*

In case of Georgia, one can notice that the changes in this country, which has chosen the path of social integrity and free of corruption institutions, has successfully reached one of its major tasks - increase of trust towards government and its institutions within the Georgian society.

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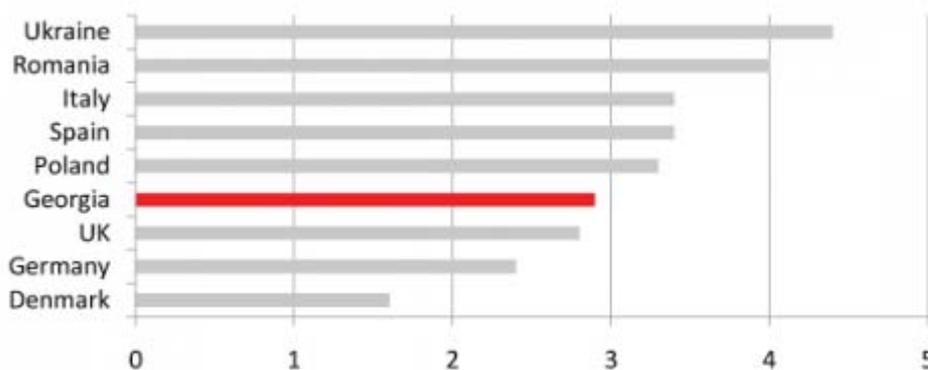
<sup>118</sup> Eastern Partnership, *Enhancing Judicial Reform in the Eastern Partnership Countries*, Strasbourg, March 2013.

<sup>119</sup> Eastern Partnership, *Enhancing Judicial Reform in the Eastern Partnership Countries*, Strasbourg, March 2013.

<sup>120</sup> Anti-Corruption Strategy Action Plan (2005-2006).

<sup>121</sup> The webpage of Ombudsman, [www.georgiaombudsman.org](http://www.georgiaombudsman.org)

**Graph 5: One of the least corrupt justice system in Europe.**



Source: Transparency International Global Corruption Barometer – See more at: <http://www.greengeorgia.ge/?q=node/55#sthash.3rzqt8K5.dpuf>

## **2.9. Bureaucracy.**

According Kakha Bendukidze, the state has to leave to other actors all those functions that actually could be done not by the state. There are a lot of functions that the state is doing not so effectively. Another idea that has changed the perception of a new government of Georgia was the necessity to put a human to the centre of the changing world. It is important not to interfere into the process of human activities directed at changing the world around and making own decisions<sup>122</sup>. In this terms, there are no major differences between the Georgian state reforms and all other countries of the post-Soviet area such as Russia and Ukraine. In the countries, where a state and government is responsible for all the decisions in the rule of the system, large number of mistakes and low level of social responsibility is inevitable.

According to the surveys of the European Bank for Reconstruction and Development, in the previous Georgian system, chaos and corruption prevailed in public administration. All the procedures, starting from birth registration to registration of private property was very time consuming<sup>123</sup>. The results brought by Saakashvili's reforms on the institutional level were very significant. The problems with issuing of state documents have been completely solved. Nowadays, a foreign citizen is able to receive a visa right before he crosses the border. What is more important, there is no visa obligation for the citizens of sixty

<sup>122</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>123</sup> European Bank for Reconstruction and Development, [www.ebrd.com](http://www.ebrd.com)

states. The procedure of issuing passport, ID, car purchase, documents on property or to registration as entrepreneur takes only one day<sup>124</sup>. Recently, the Ministry of Justice of Georgia created a new concept of the Public Service Hall – an office, where the citizens can receive all necessary information and documents “in one place”. This approach will make it easier and more comfortable to render assistance and governmental services for the Georgian citizens. Despite of a good performance of agencies established by the new reforms, there was still several agencies working in different locations. The new system allows to do everything in one space. Such services include every kind of personal documents such as ID, birth certificate, passport, notary services, property registration and enforcement of court judgement<sup>125</sup>. There is no necessity to stay in queues anymore. The service is fast and qualitative. It is enough to go to the Ministry and type in your ID number. The Georgian government has upgraded these types of institutions with advanced electronic systems that make its work faster, more convenient and less bureaucratic. Nowadays, there are biometrical IDs and passports in Georgia. It is possible to make a biometric picture in every Ministry of Justice for 2 lari (1 euro). In opinion of the Georgian people, it has become easier and cheaper to issue legal documents. There is no need to pay extra money to get the things done<sup>126</sup>. A person willing to register private property needs only two days. In comparison to Russia, the same action there requires in average one month. The service of the Georgian cadastre institution is ranked on the second place in the world for its qualitative working results<sup>127</sup>. Georgia takes the first place in “registering property” rank. There is only one procedure and 2 days required for the process. The average cost is 0,1% from a property value. In comparison to these indexes in the countries of Eastern Europe and Central Asia this process takes 30 days, 6 procedures and the cost is 2,7%, while in the counties of the OECD in average – 26 days, 5 procedures and the cost is 4,5%<sup>128</sup>.

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<sup>124</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>125</sup> Ministry of Justice, [www.justice.gov.ge](http://www.justice.gov.ge)

<sup>126</sup> Personal interview,

<sup>127</sup> Georgia – Saakashvili’s reforms, [www.besttoday](http://www.besttoday), (06.06.2013).

<sup>128</sup> Measuring business regulations “Doing Business”, [www.doingbusiness.org/data/exploreeconomies/Georgia/#starting-a-business](http://www.doingbusiness.org/data/exploreeconomies/Georgia/#starting-a-business), (06.06.2013).

## 2.10. Salaries.

If corruption in a state was caused by low salaries of civil servants, the only remedy to prevent this phenomenon is to increase the salaries. The perception that there is no way for stopping a civil servant from taking bribes, while he earns 20 USD per months prevailed within the new Government of Georgia. From 2005, the government started the implementation of the reform of salaries for employees of the public sector. There was a possibility to increase salaries of civil servants 15 times. Reduction of number of employees in the state apparatus, abolishment of unnecessary functions of state bodies and increase in salaries of civil servants have created the basis for a dramatic decrease of corruption in the Georgian bureaucracy<sup>129</sup>.

Since 2004, the Georgian government has been trying to improve the situation of the retired people. The dramatic situation with low pensions forced the new government to review the work of the state pension fund. Sometimes, the amount of pension allowed a person to buy only three eggs. Approximately 94% retired people received a pension around 7 USD. Simultaneously, there was a privileged group of former governmental workers and Soviet nomenclature (50 000 of them) and the retired law-enforcement officers, whose pension was 6,7 or even 220 times higher than average<sup>130</sup>. After 2003, the Georgian government implemented progressive reforms in that sector. Besides increase of the amount of pensions, they started to be paid without delays and the government started to provide real social security for retired people. One of the major problems here is a traditional dependence of the retired people on the government of Georgia – the pensions are still very low. In fact, any significant improvement in this sphere cannot be reached overnight and such negative events as the world financial crisis and the War with Russia in 2008 played a role of significant obstacle for the new government to improve the welfare of its citizens<sup>131</sup>.

With the increasing salaries, the pensions should also increase in proportional way. There were some unpredictable cases related with this matter.

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<sup>129</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>130</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>131</sup> J. Gadbury and L.Schou-Zibell, *Pensions and Pension Reform in Georgia*, ADB Central and West Asia Working Paper Series, September 2011.

For instance, the general prosecutor of Georgia was resisting the increase in his own salary in order to prevent the increase in the pension of his retired corrupt predecessor<sup>132</sup>.

In 2004, the Georgian government started to consider application of private pension schemes that would allow people to accumulate decent amount of money for their period of retirement. However, it was not so easy to implement. There was a project of “100 USD pension package” aimed at raising the pensions, but the financial crisis suspended it<sup>133</sup>. The social expenditure of government increased from 27,2% in 2007 to 33,9% in 2010. The major part of expenditures (64%) has been composed by the pensions<sup>134</sup>.

### **2.11. Public Healthcare.**

The new government of Georgia has been working hard on reforming of the sphere of public health. At present moment, it is developing the National Health Strategy for 2011-2015<sup>135</sup>. Since the Soviet times, the healthcare in Georgia has been in a very bad condition. In the communist times, the access to the health services was to be free for everyone. In reality, in Georgia as well as in other republics of the USSR, the healthcare system was of rather low quality and was under-funded. There was an oversupply of specialists (nurses, hospitals and doctors) in the Soviet system, but medical materials and technologies were in shortage. Accordingly, after the collapse of the Soviet Union, all this “extra-stuff” became unemployed. There were some attempts of Shevardnadze to privatize a part of healthcare system. However, in reality, these privatized medical centres became private hospitals, serving to the narrow layer of wealthy people. Healthcare system under Shevardnadze looked like a mixture of the Soviet-centralized, state-funded system with partial privatized hospitals in periphery of this system<sup>136</sup>. The overall perception of “free healthcare” concealed in itself the

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<sup>132</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>133</sup> A.Gugushvili, *The (non)Reform of the Georgian Pension system, 1991-2011:A Brief History and update*, 2012.

<sup>134</sup> J. Gadbury and L.Schou-Zibell, *Pensions and Pension Reform in Georgia*, ADB Central and West Asia Working Paper Series, September 2011.

<sup>135</sup> European Bank for Reconstruction and Development, [www. Ebrd.com](http://www.Ebrd.com)

<sup>136</sup> K. Schecter, *The Privatization of the Georgian Healthcare System*, American International Health Alliance, p.15-17.

citizens' awareness that without a "gift" doctors would not help<sup>137</sup>. High level of corruption in the country made it difficult to keep the healthcare on a decent level. Large expenses of government turned out to the low quality of healthcare.

Kakha Bendukidze implemented the reform of healthcare privatization, trying to exclude state from the function of management of medical sphere<sup>138</sup>. Since 2007, the Georgian government increased the expenses on healthcare, even though they were smaller than the European standards. Today, there are a lot of complains about the private insurances, applied in the new Georgian health system. Some researchers argue that there is not enough information about insurances in the rural areas of Georgia and some people still do not know about change in the healthcare. There are a big number of people who cannot afford private insurances<sup>139</sup>. Nevertheless, according to the report of the WHO, the poor families receive vouchers that allow them to get a voluntary medical insurance<sup>140</sup>. There are still a lot of problems in the Georgian healthcare. It is difficult to replace a centralized healthcare with a private one. The problem of the belief in the large government is still alive after the Soviet times and many people think that the government should take care of its citizens. At the same time, there is a growing distrust of citizens towards the government all over the world, but in Georgia, which has been decreasing the role of government, such trust towards the government is growing. In that matter, in order to regulate the stability of the healthcare system and cover possible gaps that may appear during the transformation from public to private healthcare, the government created a new social security scheme. According to Kakha Bendukidze, the nonsense social policy can only harm the system of social welfare and it cannot decrease poverty. In order to achieve major social goals, the reforms should be realistic, pragmatic and goal-oriented and should be combined with the policies of further economic development<sup>141</sup>.

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<sup>137</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

<sup>138</sup> K. Schecter, *The Privatization of the Georgian Healthcare System*, American International Health Alliance, p.17.

<sup>139</sup> K. Schecter, *The Privatization of the Georgian Healthcare System*, American International Health Alliance, p.18.

<sup>140</sup> Overview, abstract, *Healthcare system: the time for changes, Georgia*, www.euro.who.int.

<sup>141</sup> Burakova L., «*Why Georgia has succeeded*», «United Press», 2011

The Georgian government tries to maintain the achieved level of success, making new steps towards better governance and the rule of law. In 2011, Georgia joined the Open Government Partnership, which was initiated by the president of USA and the president of Brazil. This organization promotes accountability, transparency and efficiency of national government. Georgia established the Action Plan aimed at achieving several most essential tasks: improving public sector, increasing public integrity, more effectively managing public resources and creating safer communities<sup>142</sup>.

In this chapter, I have tried to describe the process of implementation of reforms by the new “Rose Revolution” government with the Michael Saakashvili and Kakha Bendikidze as main initiators of these reforms. The main results of the National Anti-corruption Strategy and the Action Plan, which is a major tool and guideline for fighting corruption in Georgia are the following:

- Police free of corruption. The anti-corruption measures of the new government led to significant improvement of results of police performance, growing trust to the police among the citizens, better contact with the police (as it was mentioned by interviewed persons, after fundamental reforms, the Georgian policemen became polite, kind and always willing to help).
- Liquidation of the thieves in law and organized crime. With complete destruction of organized crime groups, the Georgian society found itself in more secure and transparent conditions. Nowadays, there is no need to use help of criminal organizations, since administration and other enforcement institutions work fair, fast and efficiently.
- Improved judiciary system. Increase in judges’ and prosecutors’ salaries, improvement of working conditions led to transparency in judiciary system in Georgia. These fundamental changes impacted the Georgian judicial performance<sup>143</sup>.
- Reducing the level of bureaucracy. Today, the people in Georgia can issue all kind of documents and services without queuing, paying bribes,

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<sup>142</sup> Georgia, Action Plan, Ministry of Justice, [www.Justice.gov.ge](http://www.Justice.gov.ge)

<sup>143</sup> Picture of Tbilisi Prosecutor’s Office is to find in annex.

spending a lot of time in institutions. The system is transparent, easy in use, fast and comfortable<sup>144</sup>.

- Brilliant results in simplification of bureaucratic process in starting and doing business (fair tax system, absence of criminal groups).
- Privatization of government enterprises.
- Increase in salaries and pensions.
- Bringing stability and security to the state system (cleaning it from corruption) which resulted in significant growth of foreign direct investments to Georgian economy.

There are still unsolved issues in social and economic life of Georgia. However, one should remember that the complete transformation of the system takes time. The rule of law, transparent government, accessible infrastructure is enough to change the living standards of citizens overnight. There are some memories and traditions, cultural peculiarities, historical legacy that still tearing the country apart. Civil society does not emerge at the moment when a good government comes to power. It should grow with the awareness of citizens about the things changing for better. Gap in establishing efficient healthcare one day would be filled out. It will take time to select suitable system that would serve all citizens in a high quality at the same time it would be convenient for the government in terms of expenses. Reforming the pension system and increase of salaries of civil servants would be done when the state would cope with financial crisis as well as political crisis with Russia.

Definitely, it is important to know many things have not being implemented during the reforms. Nevertheless, it is crucial to value all the fundamental and unique reforms which have been implemented by Mikhail Saakashvili. In this terms, I would argue that the Georgian government completed amazing task. Businessmen from all over the world as well as regular Georgian citizens agree with the fact, that Saakashvili's government has cleaned the country from corruption on low and middle level. Corruption was the main complain of the Georgian citizens before the Rose Revolution. Overall fatigue of corruption

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<sup>144</sup> Picture of Public Service Hall is to find in annex.

was the cause of Revolution and brought Saakashvili to power. Should one say that mission is complete? Partially, it is. In the next chapter, I describe the things what have not being achieved by the new government. Also there are recommendations for other post-Soviet countries on anti-corruption reforms from the experience of Georgia.

## Chapter III.

### “Elite Corruption and the Georgian Lessons for other Post-Soviet Countries”

Nothing is ever black and white - every abrupt success conceals flaws and defects. In my research, I am not arguing that the anti-corruption policies implemented in Georgia have significantly reduced the level of corruption. The objective of my thesis is to prove the success of the anti-corruption policies implemented in Georgia after the Rose Revolution. I think it would be pertinently to mention the statement elaborated by Fleck and Kuzmics one more time:

*“Corruption can be found in all societies that have reached a certain level of complexity”.*

I am not abolishing this statement in my research. I have already described the successes of anti-corruption reforms done by the Georgian government. The positive impact on different social areas such as education, police forces, judiciary, public institutions is obvious. These reforms have not only impacted the state structure, but the citizens as well. What I mean is the better organization and obliging characteristics of Georgians today in comparison to the past. There was a lack of these characteristics when it came to deal with Georgian people<sup>145</sup>. I would connect this change with the occurrence of transparent system in governing and administration in Georgia.

However, there is a place for a critic of the new Georgian government. Trying to be objective in my research, besides the general overviews published by experts, I would like to provide some private experiences of the people who have done business in Georgia before and after the Rose Revolution. According to the report of Philip Dimitrov, the EU Ambassador in Georgia, the Georgian reforms towards fight of corruption has been successful very successful so far. In 2010, the reforms have met all the requirements imposed by the European Union on the Georgian government. The administrative corruption was fought, however, there

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<sup>145</sup> Personal interview.

are still individual cases of corruption among senior officials<sup>146</sup>. There are no doubts about the overall corruption situation in Georgia. It is not only people's surveys being the proof of level of corruption decrease. Critics also recognize the decline in the everyday corruption. Nevertheless, "elite corruption" – corruption on the top level of the ruling power remains. From the theoretical point of view, the emergence of elite corruption takes place when a government has a dominant position towards access to the opportunities for social and economic progress. The main danger of such phenomenon lies in the negative impact on the political elite from inside as well as on the bottom-level public officials. Elite corruption leads to the failure of an administrative capacities of state machinery<sup>147</sup>. From academic point of view, elite corruption is much more difficult to reveal than regular day-to-day corruption. Regular citizens are concerned about a low or middle level bribing. If one does not meet the necessity of paying bribe on the daily basis, the situation brings a semblance of the working transparent system<sup>148</sup>. There should be the practical cases of such phenomenon in order to reveal elite corruption<sup>149</sup>.

The personal interviews conducted by me with the Georgian citizens and businessmen working with Georgian partners contain the arguments proving the residue of corruption on the upper level. The situation of corruption in Georgia has dramatically changed for the lower and middle level of society. Nevertheless, the upper social level, higher governmental ranks like ministers have not still bothered by obeying the law they have created by themselves. The good side of the story is that the institution established in order to serve in the name of justice work good and smoothly<sup>150</sup>. Recently, there was a new criminal case on illicit spending of state treasures by the government<sup>151</sup>. Personal interviews with the citizens representing the intellectual youth elite in Georgia, besides the positive feedbacks on the decrease of corruption in their country, demonstrate concern about elite corruption:

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<sup>146</sup> N.Kirtzkhala, EU recognizes existence of elite corruption in Georgia, [www.eu.trend.az](http://www.eu.trend.az) (10.06.2013).

<sup>147</sup> V.Shlapentokh, Ch.Vanderpool, B.Doktorov, *The New Elite in Post-Communist Eastern Europe*, USA 1999, p.84

<sup>148</sup> D.Tsitsishvili, *Georgia. Civil Society against corruption*, 2010, p. 12

<sup>149</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>150</sup> Personal interview.

<sup>151</sup> [Baku.ws/index.php?newsid=22820](http://Baku.ws/index.php?newsid=22820)

*“However, corruption is not only about simplifying rules, procedures and non-bribe taking in low level. Corruption on high level, among high public officials remained unsolved problem even after the Rose Revolution<sup>152</sup>”.*

In order to make a picture of elite corruption in Georgia explicit and more understandable, I will describe a couple of examples happened in business life in recent years of Saakashvili’s government ruling. In the recent years of Saakashvili’s rule, the tendency to create special conditions for privileged business groups being close to power occurred. The biggest businesses in Georgia started to request special individual exemptions and the government willingly gives them these privileges<sup>153</sup>. Definitely, the senior officials receive benefits from such cooperation with the main businesses in Georgia. According to Transparency International, one of the reasons for such phenomenon as elite corruption is still the lack of independence of big business from direct governmental influence and a pro-government bias in the Competition Law of Georgia. The government has too much illegible power in this Law, thus it is able to indicate the priority sectors which Competition Law should regulate<sup>154</sup>.

The privileged business groups have easier access to some strategic positions such as winemaking, energy and transportation. There are many examples, when the government has used administrative obstacles in order to eliminate competitors. For instance, in the situation with the biggest Georgian wine exporter to the Polish market in 2004-2007, it did not allow any other Georgian competitor to enter the Polish market. The leading wine exporter to Poland was afraid of increasing competition and this firm was supported by administrative limitations of the government of Michael Saakashvili. Thereby, after trying free market competition, the Georgian government, which stayed behind large business groups interested in this particular sectors of economy, started to use administrative remedies to support these large businesses. During his visits to Poland, Michael Saakashvili made a comment about the poor quality of wine of an alternative Georgian exporter (independent from the government)

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<sup>152</sup> Personal interview, 3.

<sup>153</sup> Nazarov V., Georgian liberal reform lesson, [www.m.forbes.ru/article.php?id=67978](http://www.m.forbes.ru/article.php?id=67978), (10.06.2013).

<sup>154</sup> Transparency International, *TI Georgia recommendations for the Parliament on competition policy*, 2013

during an interview at the dinner in one of the Georgian restaurant in Warsaw. The waiter told to Saakashvili that this particular wine is very popular among the clients and all the people who order it are very satisfied. The Saakashvili's comment at this wine degustation was transmitted in the whole Georgia. What he said was that the wine of this company is nothing but slops. On the other administration session transmitted on television as well, he made a critique about this alternative company one more time. Saakashvili announced that one unknown company in Georgia is exporting wine to Poland so successfully, meanwhile the best Georgian companies do not have access to the Polish market at all. In addition, Saakashvili criticized the whole winemaking region, where this vine came from (the region of Gori). Definatly, after such strong announcements there was a yearlong governmental revision of this particular wine company in Georgia, which entered the Polish market by itself and did not participate in informal cooperation with the Georgian government. This revision did not verify anything that could make this brand of vine worse off. Nevertheless, the wine export of this company was destroyed and it could not restore the same amount of export afterwards<sup>155</sup>.

Another example of administrative obstacles made by Saakashvili took place with the wine enterprise "Badagoni". After the construction of a new wine factory "Badagoni" and its expansion on the wine market, some wine businesses, which had close connection to Georgian administration, had been actively displaced from the market by "Badagoni's" production. Simultaneously, the Georgian administration demanded a revision of the enterprise, during which the fifty tones of wine were wasted, considered not meeting standards by inspection. The process of wasting wine was transmitted by Georgian television. Later on, investors of the "Badagoni" enterprise complained to president Saakashvili about the incident. In the end, Saakashvili acknowledged the mistakes of the inspection. However, the reputation of the company became weak and the production of wine was stopped for the period of half a year<sup>156</sup>. Using these two life examples, my purpose was to demonstrate how so called "*elite corruption*" works in Georgia nowadays.

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<sup>155</sup> Personal interview.

<sup>156</sup> Personal interview.

Perhaps, the administrative methods of sustenance of some parts of Georgian market started after the Russian-Georgian crisis that caused the War in 2008. There is an example of using those methods in grape growing in Georgia. It is a key part of the Georgian economy, thereby, when the Russian government introduced an embargo on wine export from Georgia, it had an inevitably harmful impact on the Georgian economy. The most influenced by those changes were the Georgian farmers, growing grapes<sup>157</sup>. The Georgian administration forced businesses dealing with the wine export to buy grapes from the farmers. Some enterprises had their own vineyards and fully supplied themselves. Nevertheless, everyone acknowledged the fact that in order to be able to export their production, they had to buy a specific amount of grapes required by administration from the farmers. Also, grapes had to be bought by other businesses not connected to wine making. The government itself spent significant amount of money on this purpose. There was another problem when farmers had grapes which contained a high level of wild sugar, so it could not be used in wine making<sup>158</sup>. The situation framed the expropriation of money in exchange on products that could not be used in production<sup>159</sup>. Businessmen could not just pay without receiving the purchase. They had to figure out what to do with such big amounts of grapes (some of them started to produce excerpted alcohol of brandy).

Nevertheless, the situation of elite corruption in Georgia is also changing with time. The elections in October of 2012 were a sudden turn for Georgian political future. The party “Georgian Dream” won the election and Bidzina Ivanishvili became a prime minister of Georgia. Perhaps, this change would create a system of “check and balances” in the Georgian government, because right after the elections several investigations started to be run against public officials in the Office of the Prosecutor<sup>160</sup>.

Being objective towards the existence of elite corruption in Georgia, I would like to present a different point of view about this phenomenon. According

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<sup>157</sup> Nazarov V., Georgian liberal reforms lesson, [www.m.forbes.ru/article.php?id=67978](http://www.m.forbes.ru/article.php?id=67978), (10.06.2013).

<sup>158</sup> Personal interview.

<sup>159</sup> Nazarov V., Georgian liberal reforms lesson, [www.m.forbes.ru/article.php?id=67978](http://www.m.forbes.ru/article.php?id=67978), (10.06.2013).

<sup>160</sup> Personal interview, 3.

to the former Minister of Reform Coordination, Kakha Bendukidze, the so called “*elite corruption*” is nothing but people’s perception of significant salary increase of the civil servants. Kakha Bendukidze explains the situation, when before the reforms the employees in the public sector had very small salaries, thus they were taking bribes. However, nowadays they do not take bribes, but receive much higher salary than the average. Some critics may perceive it as an elite corruption. In Bendukidze’s opinion, most of the people, who criticize the government are choosing the easiest way to deal with the things happening in Georgia. These people are not pointing out the actual problems of the government, but they only say all the Georgian actual problems are the fault of elite corruption. To understand what is actually going wrong in the current Georgian government, it is necessary to identify in which sector appear these problems<sup>161</sup>.

Summarizing the Georgian actions in the fight of corruption, it is obvious that the Georgian government has achieved significant decrease of corruption in small and middle size businesses as well as state administration after 2003. Nothing has left from the past tradition of bribing, except the Georgian tradition of feasts for guests, tableful and presents that has been always distinguished feature of the Georgian culture. However, nowadays, even this type of cultural behavior public official and civil servants perceive with wariness. Necessity to pay bribes in order to make things done has been replaced by the obligation of paying taxes. Nowadays, the practice of paying taxes is also a big challenge for the Georgians, because they are not used to do it. Big number of Georgians has tried to avoid paying taxes, however, the new Georgian laws on tax evasion are very harsh and the ultimate punishment for not paying taxes is imprisonment. Thereby, this leads to increase of number economical prisoners, which provoke dissatisfaction of society<sup>162</sup>.

In my opinion, in order to understand the change in a society’s perception of corruption, it is necessary to acknowledge the cultural differences existing in Georgia in regards of hosting guests. Even during the years of poverty in Georgia, guests, good partners and friends had been received with very generous

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<sup>161</sup> Elene Kvanchilashvili, *Bendukidze: there is no other way*, <http://bizzone.info/interview/1333160783.php>.

<sup>162</sup> Personal interview 1.

welcoming. This tradition has not been changed for now as well<sup>163</sup>. This could be misleading in perception of corruption in comparison to the European countries and the countries of the South Caucasus. For a Georgian citizen, the tradition of showing all his respect to his friend or business partner by inviting him and his friend (the principle: your friends are my friends as well) for feast is very common.

### **3.1. Georgian lesson for other post-Soviet states.**

The enormous problem of high level of corruption in the former Soviet countries such as Belarus, Ukraine and Russia make them look closer to their Southern neighbour. According to the Corruption Perception Index, published by Transparency International in 2012, Belarus occupied 123 place in this ranking, Russia – 133 and Ukraine – 144, Georgia – 51<sup>164</sup>. Apparently, the lesson of Georgia is to be learned by those countries, which are trying to cope with this phenomenon of corruption, which causes negative political and economic impact.

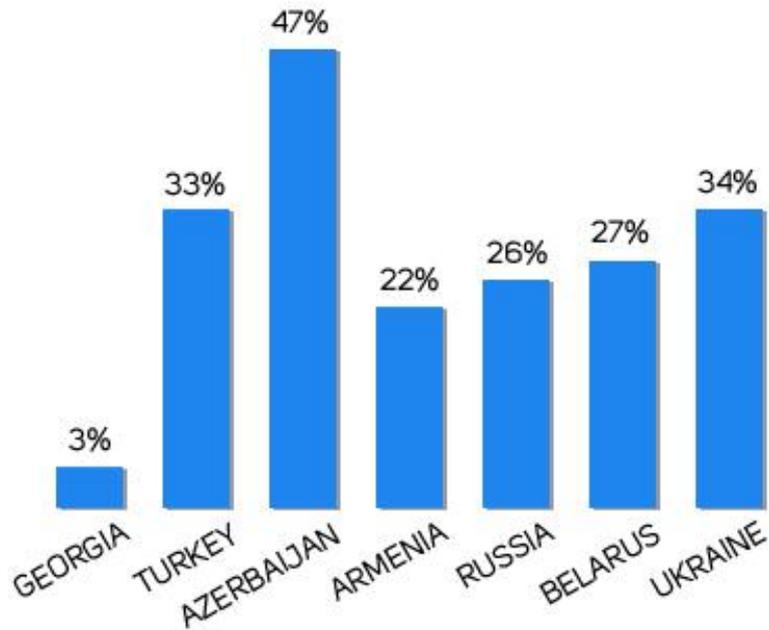
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<sup>163</sup> Personal interview.

<sup>164</sup> Corruption Perception Index, <http://www.transparency.org/cpi2012/results>

**Graph 6: the level of bribe paying in the post-Soviet states and Turkey.**

PERCENTAGE OF USERS PAYING A BRIBE TO RECEIVE ATTENTION FROM AT LEAST ONE OF NINE DIFFERENT SERVICE PROVIDERS IN THE PAST 12 MONTHS



Source – Transparency International, Global Corruption Barometer 2010, [http://www.justice.gov.ge/index.php?lang\\_id=ENG&sec\\_id=882&info\\_id=4628](http://www.justice.gov.ge/index.php?lang_id=ENG&sec_id=882&info_id=4628)

Large number of academics and politicians would argue that this kind of success of anti-corruption reforms, which have been implemented in Georgia, was possible only because of the small territory of the state. Definitely, the size of the country played a big role, but the truth is that these reforms would be possible and effective also in such huge country as Russia<sup>165</sup>. In Georgia, the small territory and population of about 4,5 mln people, allowed to spread the information about the reforms very fast. However, in Russia those reforms would work even faster with better quality, because the Russian citizens are more law-abiding that is why such policies would not have a problem in their implementation. However, in case of Georgia it is difficult to teach Georgians about the rule of law because they have different mentality (Minister Merabishvili)<sup>166</sup>.

<sup>165</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>166</sup> Kovarkij N., Georgian Order, [www.forbes.ru/ekonomika-column/vlast/52395-poryadok-po-gruzinki](http://www.forbes.ru/ekonomika-column/vlast/52395-poryadok-po-gruzinki), (06.06.2013)

Even though the similar anti-corruption reforms in the Russian Federation have been implemented under the ruling of the president Wladimir Putin in 2001, the results of these reforms in these two countries are extremely different<sup>167</sup>. In Russia, the government also implemented reforms of judicial system, land code, pension and tax legislation, pruning of license requirements in Russia. The simplification in starting business in Russia perhaps reduced the level of corruption, but only among minor clerks. Instead of existing on a low level, bribing has moved up to the higher levels of administration<sup>168</sup>. According to Kakha Bendukhidze, the only positive feature of the Russian tax reform is the 13% flat rate of income tax. He assumes that even though the Russian tax system is the most liberal in the world, the other spheres have not been liberalized at all<sup>169</sup>. In comparison to Russia, the Georgian government introduced more convenient taxes for business<sup>170</sup>. It should catch an eye of the Russian government, because by the reformation of tax system, simplifying and reducing unnecessary taxes, state creates more comfortable and attractive atmosphere for businesses and by this the economical situation in the country gets better off. Despite the economical liberalization done in Russia, Wladimir Putin ignored the political one.

There is not only easiness of doing business that would push Russia to be a less corrupted state. The Russian problem of money withdrawal from the country could be solved by implementation of the protection of private property. There is a lack of security of the right of ownership in the legal system of Russia. Citizens do not trust their government, which cannot protect them, they feel unsecured towards their property, what results in the large scale export of Russian money outside Russia. Certainly, this is a negative consequence for the Russian

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<sup>167</sup> Georgia's Liberation Revolution, Part two: Bendukidze and Russian Capitalism, Tbilisi 2010, [http://www.esiweb.org/pdf/esi - georgias libertarian revolution - part two - bendukidze and russian capitalism - 17 april 2010.pdf](http://www.esiweb.org/pdf/esi_-_georgias_libertarian_revolution_-_part_two_-_bendukidze_and_russian_capitalism_-_17_april_2010.pdf)

<sup>168</sup> Lilia Shevtsova, Putin's Russia, [http://books.google.pl/books?id=l-1mIBMVZ\\_UC&pg=PA187&hl=pl&source=gbs\\_toc\\_r&cad=4#v=onepage&q&f=false](http://books.google.pl/books?id=l-1mIBMVZ_UC&pg=PA187&hl=pl&source=gbs_toc_r&cad=4#v=onepage&q&f=false)

<sup>169</sup> Yuri Kuznetsov, "Interview with Kakha Bendukidze: Taxes in Exchange for Services. Read the List!", <http://www.strana-oz.ru/?article=250&numid=5>

<sup>170</sup> Nazarov V., Georgian liberal reforms lesson, [www.m.forbes.ru/article.php?id=67978](http://www.m.forbes.ru/article.php?id=67978), (10.06.2013).

economy<sup>171</sup>. In case of the people who have stolen state property there are some legal difficulties. There is no possibility for de-privatization and it is practically impossible to punish those who have stolen the state property long time ago. Nevertheless, the past mistakes can be turned into a good lesson. The lesson that could be taken from Georgian case for the future is to establish “just rules of game” in Russian system in an intelligent way, what would attract to governmental institutions young talented people, who are willing to work for the future of their country. It would reduce the number of people willing to gain profits by using their positions, stealing and moving those goods abroad<sup>172</sup>.

In order to use similar anti-corruption policies, the post-Soviet countries should realize the reasons for success of Georgian reforms. Very important feature of the Georgian anti-corruption policies is the good organisation of them from the side of PR and broadcasting. The most serious policies had always had good PR. It is crucial to make society understand what happens in the state during fundamental reforms. People have to be aware what kind of changes would occur in the country and what general purpose of them is<sup>173</sup>.

In case of imposing anti-corruption policies in the post-Soviet countries, one should understand that the Western mechanisms would not be appropriate tool for that matter. Just because of the difference between the Western and Eastern approaches, there is no way to solve the problem of corruption, except to elaborate a new mechanism fitted in the milieu of former-Soviet states. The mechanism successfully implemented in the Western countries, in Eastern Europe and Russia could bring wrong results. For example, the Western model of bureaucracy implemented in Russia has been distorted and nowadays it is not rational, not according Weber<sup>174</sup>.

The main issue in this subject is the difference of historical legacy left by the communist times. Even though it seems that the Soviet times had passed and the next generations of people have changed their values and mentality - it does

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<sup>171</sup> Gudkov L., Lukashenko would not hold even a year if the situation in Moscow changed, [www.charter97.org](http://www.charter97.org) (11.06.2013).

<sup>172</sup> Nazarov V., Georgian liberal reforms lesson, [www.m.forbes.ru/article.php?id=67978](http://www.m.forbes.ru/article.php?id=67978), (10.06.2013).

<sup>173</sup> Burakova L., «Why Georgia has succeeded», «United Press», 2011

<sup>174</sup> Gudkov L., Lukashenko would not hold even a year if the situation in Moscow changed, [www.charter97.org](http://www.charter97.org) (11.06.2013).

not happen in Russia. The way of thinking and perceiving life of “Homo Sovieticus” still have place in the Russian society. It has never left Russia. Particularly, this feature of the Russian society makes it impossible to change the state apparatus for fair and transparent one. Homo Sovieticus cannot stand inequality and complexity. He is willingly led by simple, precise and simplified models. This is the main reason why the Western models of reforming state apparatus would fail if they are applied in the former-Soviet states. The situation in Belarus and Ukraine is a bit different regarding the “homo sovieticus” mentality, however, the main core still exists<sup>175</sup>. Giving an example of characteristics of the “homo sovieticus”, I stress out the importance of steps done by Georgia after the Revolution. The model created by the Georgian government could be a helpful model for other post-Soviet countries as all of them face the same challenges and have the same heritage. Definitely, there are distinguishing characteristics in culture, history and traditions, however, the main foundation of political, social and economic life of all these post-Soviet countries is pretty much the same – all of them can use the successful experience of Georgia in order to start modernization of their countries.

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<sup>175</sup> Gudkov L., Lukashenko would not hold even a year if the situation in Moscow changed, [www.charter97.org](http://www.charter97.org) (11.06.2013).

## Conclusion.

During the last decade, Georgia has turned from the most corrupted country among the post-Soviet states which had extremely high level of criminal activity to one of the most transparent state with low bureaucracy and well-established system of doing business. The results of Georgian reforms, implemented by the government of Michael Saakashvili, are known as the most successful in the whole post-Soviet region. Despite the fact that there were attempts of previous government to decrease the high level of corruption, only the strong political will of new government helped to reduce corruption and destroy criminal groups. Today, Georgia is ranked by Transparency International as the fastest corruption-fighting state in years of 2003-2009. According to the progress ranking, created by the Russian consultancy firm PKF Moscow, Georgia occupies the first place in the world by the pace of improvement during the last five years<sup>176</sup>. I perceive the reduction of corruption level as an integral part of this success of the Georgian government. The Georgian situation regarding corruption level in the past was pathetic and hopeless. No one could believe that the Georgian organized crime could be fought as well as the high level of corruption could be decreased. Before 2003, corruption in Georgia prevailed almost everywhere: in education, business, custom service, police, judiciary, institutions issuing documents, government. The organized crime in Georgia played extremely influential role in the Georgian economy and politics. It controlled shadow businesses as well as provided protection to businessmen. For decades such a high corruption and organized crime seemed like inherited and natural part of Georgian everyday life. The Georgian life standards had been extremely low – no electricity supply for many citizens, problems of water supply (even in the residence of a president), low salaries and pensions. Precisely it was the high level of corruption which made it difficult to improve the life standards of the Georgian citizens. The existing myth that Georgian culture and traditions carry inside the tendency for disobedience to the law and rules established by government has been dispelled. The positive results of the anti-corruption policies implemented

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<sup>176</sup> PKF ranking, <http://www.pkfmoscow.com/>

after the Rose Revolution is the best argument to refute this myth. However, the strong political will of the new Georgian government proved that it is possible to implement successful reforms even in such difficult conditions as Georgian.

I would like to stress out the main reasons why have been the Georgian anti-corruption policies so successful. As in case of many anti-corruption strategies, for instance, in Singapore, it is the strong political will of the government. The key tool for the anti-corruption policies in Georgia was the political will of the government, which did not only create some policies and left them on the paper, but found a way to apply them in the severe realm of the Georgian bureaucracy, criminal world and cultural peculiarities. The Georgian government understood that it is not enough to establish harsh punishment for those who are taking bribes or creating the situation of bribing. All of those actions are just branches of a big tree with enormous roots underneath. Corruption can be fought only in comprehensive way, using several instruments at the same time. Low salaries of police, publish officials, administration made it inevitable to refuse bribing as well as made it impossible to push those people to fight with corruption. Increasing salaries for the police, civil servants and ministers made it economically unnecessary to take risk by bribing. The new Georgian government gave an opportunity to people to earn sufficient amount of money to have decent lives. By decreasing the number of civil servants who actually only widen the bureaucratic system making unnecessary paper work, the government could rise salaries to the rest of the civil servants, what led to the growth of the quality of their work. The simplification of issuing documents, creation of electronic data bases, decreasing number of civil servants led to the decreasing possibility of emergence of moments, when a person can misuse his position to gain benefits. In order to decrease corruption on the low and middle level, there was a necessity to implement economical reforms, privatization of the state property and liberalization of the Georgian market. All of those reforms led to the result, when the system started to work not because of shadow activities of criminal groups or bribes to the public officials. It started to work because there were no obstacles for sustainable growth anymore. At present moment, the Georgian citizens have a transparent state, where each of the citizens acknowledges his responsibility in

contrast to the previous Soviet-style system. The major feature for establishing the government which would be able to implement such radical reforms was the common similar thinking about state building of all the members of this government. The ministers of Saakashvili government were young, educated in the West or having other international experience, people who did not think about the power and the career in the government, but were great specialist of their realms. The common will to build a better system without corruption in their motherland brought them together and contributed to the results that Georgia has achieved today.

Definitely, the success of anti-corruption policies implemented by the government of Saakashvili is very significant, however, there are some tendencies that are not so positive. The Georgian citizens as well as some experts claim that corruption has stayed on the top level of the government. The existence of elite corruption has been proven by several examples which I have already described in my thesis. Bringing back the quote by John Acton that the power corrupts, I would argue that elite corruption would last till the time of formation of political structure in Georgia. It was the first time, when the Georgian citizens have chosen their government democratically, acknowledging the problems of the state, voting for changes in the system<sup>177</sup>. Even during the mass dissatisfaction expressed by citizens about drastic reforms executed in order to change the old system, the citizens voted for Michael Saakashvili for the second time. It proves the willingness of the Georgians to follow the chosen path from the old corrupt system to the new one. Nowadays, there is a possibility for the Georgians to change the government if they perceive it unproductive and ineffective. There is more transparency in governmental actions. The cases of elite corruption are also visible and known, so the potential to fight with this phenomenon is very high.

The Georgian lesson is striking and very important for the states of the post-Soviet area, where the level of corruption is very high. The example of anti-corruption policies can be used for the future elaboration of reforms in Russia,

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<sup>177</sup> Here I do not perceive the election of the president of Georgia Zviad Gamsakhurdia as non-democratic. However, in my point of view, there were completely different circumstances in the very beginning of the 90<sup>th</sup>. It was the time of open military conflict of Georgia with its separatist regions.

Ukraine and Belarus. The importance of the Georgian case resides in the geographical location and common legacy of those countries. The USSR left the cultural and traditional heritage binding these countries. Thereby, the results brought by the Georgian reforms would have more possibility to be implemented in the right way in the systems of Ukraine, Russia and Belarus.

As it is clear from the results of anti-corruption reforms in Georgia there is no one prescription for corruption fight. Fighting with corruption contains different “ingredients”. There is a necessity to have a good working and clear law-enforcement system, implement economic reforms, improve bureaucratic apparatus in the state. All of this would lead to the decrease of corruption on a daily basis. In order to elaborate such effective policies, there is a need to establish a good government with the same state-building idea. It is impossible to bring off any positive results with the dissonance in the political elite, while everybody tries to gain something for himself, achieving their personal goals. The reason of success of the Georgian anti-corruption policies lied in the ability of the new government to create unity in their decision-making concerning the fight with corruption. There were a lot of difficult steps during the process of reduction of the level of corruption, for instance, the decision to arrest influential people for corruption. Such steps require strong political decisions. Otherwise, any anti-corruption strategy would not bring positive effects. Perhaps, it would lead to a small changes in statistics, however, the major problem would be still unsolved. If we compare Georgia to the other post-Soviet states, where anti-corruption reforms also took place, one can see that in Georgia the decision of fighting corruption had the major importance. The new government realized that without the decrease of the level of corruption, the country could not achieve any improvement in other sectors. This understanding led to the elaboration of mechanism that later allowed to cover almost all problematic issues, including the organized crime. Even though some of the reforms were not popular among the citizens, the government did not stop implementing them, proving their strong will to fight the corruption creating transparent system in the country. Michael Saakashvili created the government that is not afraid to lose its popularity and votes in the next elections. For the public official involved in the anti-corruption strategy, the major objective

was to decrease the spread of corruption within the top-decision makers of the country. Some instruments of fighting with corruption were drastic and painful for the society. Large number of people lost their jobs. Nevertheless, there should be the price for the efficiency of the policies. In order to create a new, transparent and better working system, the Georgian government had to take hard steps, because it could not implement “healthy” elements in the old, “sick”, Soviet system. There a lot of examples of implemented anti-corruption policies, which did not bring the expected results. There are two reasons for that. First of all, most probably, there was not enough information about the actual roots of emerging corruption. In that case, fight with corruption has been directed to the display of the corruption, but not its real roots. The results of these actions would be the decrease of corruption on the level of particular elements of the system, however, it would come back later very fast. The second reason, the fight of corruption would not touch the upper level of the government, influence people, criminal groups. The Georgian lesson is a good example of the fight with corruption from the top to the bottom perspective.

Summarizing my thesis, I would like to admit that the main goal of my research has been achieved. The anti-corruption policies in Georgia implemented after the Rose Revolution of 2003, have had very significant success. The evidences of this success can be seen when a researcher visits Georgia or analyzed the statistics published by independent international organizations. Personally for myself, the major indicator of this enormous success of Georgia are the testimonies of regular Georgian people who shared this opinion with me.

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## ANNEX

By improving the dramatic working conditions of public officials, police, courts, public institutions, new Georgian government increased the efficiency and transparency of civil servants working results. Glass walls symbolize transparency of new Georgian system.

### **Tbilisi Prosecutor's Office**



(photo from <http://www.archdaily.com/244169/ministry-of-justice-architects-of-invention/>)

### **Ministry of Justice**



(photo from <http://www.archdaily.com/244169/ministry-of-justice-architects-of-invention/>)

## Public Service Hall



(photo from <http://www.designboom.com/architecture/massimiliano-doriana-fuksas-tbilisi-public-service-hall/>)

## Ministry of Internal Affairs of Georgia



(photo from <http://bablowsky.blogspot.com/2013/04/architecture-of-georgia-republic-has.html>)

### House of Justice and Police Station in Mestia



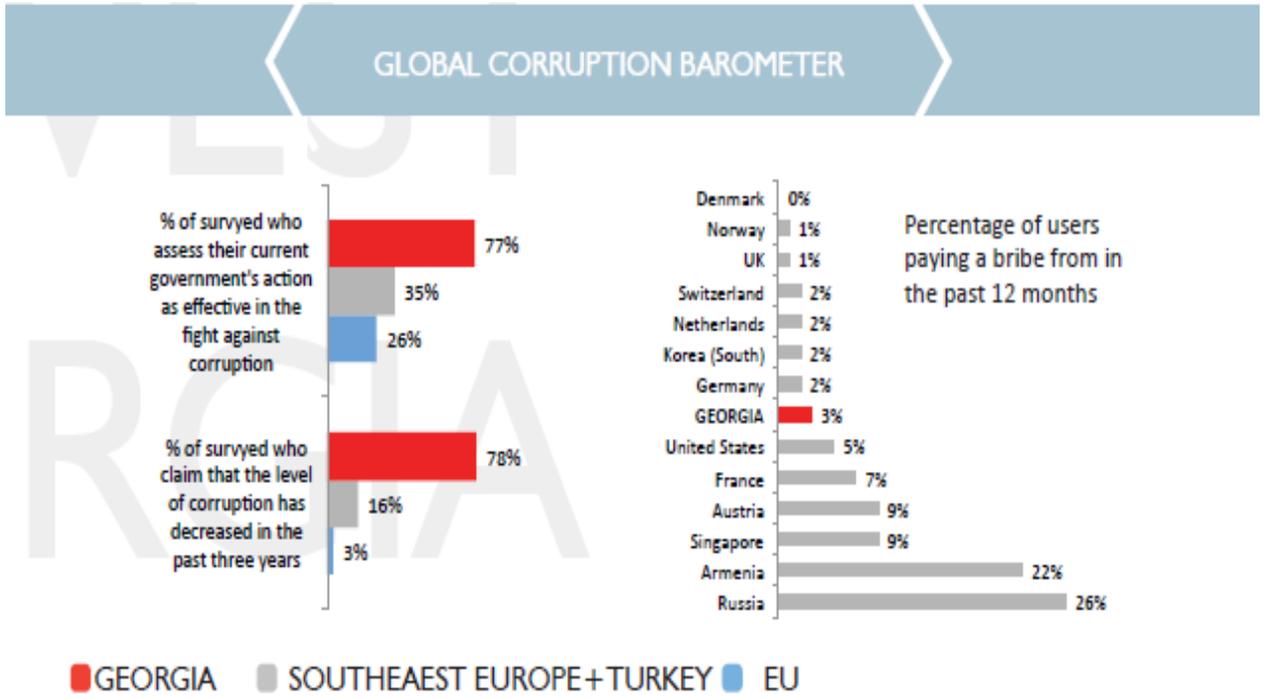
(photo from <http://bablowky.blogspot.com/2013/04/architecture-of-georgia-republic-has.html>)

### Police Station in Tbilisi



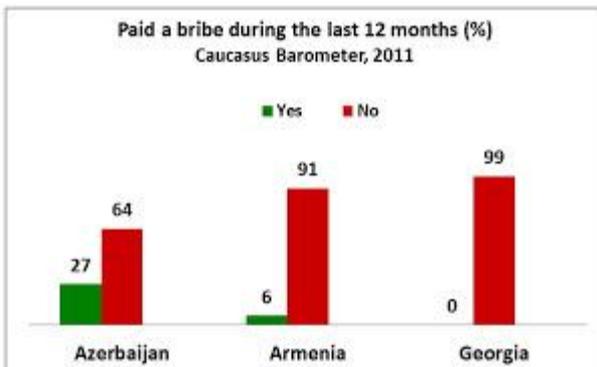
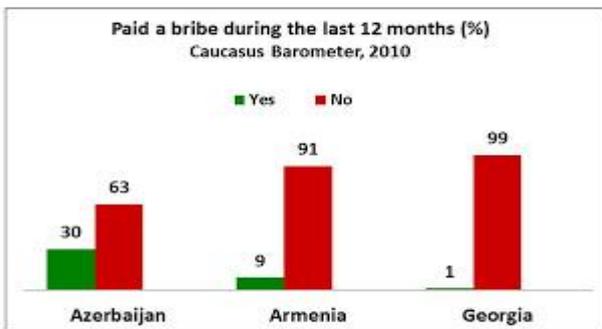
(photo from <http://bablowky.blogspot.com/2013/04/architecture-of-georgia-republic-has.html>)

# Graphs



Source: <http://investingorgia.org/index.php?m=234>

## Decrease in paying bribes 2008 -2011



Source <http://crrc-caucasus.blogspot.com/2012/10/corruption-in-south-caucasus.html>