

Against the Grain: How Georgia Fought Corruption and What It Means

Johan Engvall

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Preface

Georgia is fast approaching the tenth anniversary of its Rose Revolution. That marker will undoubtedly provide an occasion to take stock of how far the country has changed in its second decade of independence. Any account of Georgia's transformation will need to feature prominently what long remained a remarkable but largely untold story: how Georgia, once ranked as the most corrupt country in the former Soviet Union, now compares favorably to some EU members. That change is all the more remarkable given that rapidly growing international anti-corruption efforts have few positive results to show.

Until the publication in 2011 of a comprehensive World Bank report on the subject, the issue of Georgia's progress in anti-corruption had registered quite some attention in newspaper columns, but little in the form of systematic inquiry. Indeed, especially given that Georgia's reforms defied the recommendations of most international organizations, the World Bank included, the World Bank deserves credit for publishing that study.

In this *Silk Road Paper*, Johan Engvall situates Georgia's reforms in the context of global anti-corruption efforts. He provides the reader with a sense both of what Georgia looked like before the Rose Revolution, and of what the international consensus on combating corruption would have had the country's new government do. He also details what made the new government's reforms work, as well as discussing areas where further reforms are needed, before concluding with a discussion on what other countries and their foreign partners could learn from Georgia's experience.

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Svante E. Cornell
Research Director

Executive Summary

In recent years, the struggle against corruption has turned into a major industry with an estimated global turnover of at least US\$ 100 million annually. Deeply marred by corruption, the post-Soviet region has been one of the main target areas. The international consensus on how corruption should be fought is based on a gradual approach where the key challenge is to build momentum by targeting corruption in some particularly affected sectors. Successfully reducing corruption in these sectors will produce impetus for spillover effects to other areas. The whole process is seen as somewhat mechanic and a long-term endeavor; there are no quick fixes, and sweeping reforms are not recommended.

In post-Soviet Eurasia, the small Caucasian state of Georgia had long held a reputation as second to none regarding endemic corruption. Under Eduard Shevardnadze's government, the entire state apparatus was organized along the lines of a pyramid of corruption. Public offices were sold from the top to the bottom, and officials expected returns on their investments. Money was made from embezzlement, kickbacks, the sale of public goods, collusion with organized crime, extortion and many other more or less sophisticated forms of converting administrative powers into private economic capital. In this environment, the state had virtually abandoned its public functions and stopped delivering basic services as the entire machinery of government had turned into a private market for corrupt informal transactions. Massive corruption and the dysfunctional state were major causes of the Rose Revolution in 2003, which brought a new generation of reform-minded politicians headed by Mikheil Saakashvili to power – in a year when Transparency International ranked Georgia as one of the most corrupt countries in the world.

Against this backdrop, an unprecedented reduction in corruption has taken place in the country since 2003. Reports from major international organizations working on corruption all arrive at the same conclusion:

unofficial payments have virtually been eliminated in the system of government, and the country has moved from a situation where corruption is the norm in society to a new state where it is the exception. In the light of the regional post-Soviet perspective of corruption as ever more entrenched as well as the global perspective that includes very few success stories, the achievement is remarkable and raises the question: what exactly happened in Georgia?

The Georgian approach has been centered on state building, modernization and market liberalization. In the beginning, tough punitive measures, which did not always follow due process, were employed in order to re-establish essential state powers and defeat the criminal authorities that had largely held the upper hand on the state since independence. Over time, the punitive agenda gave way to a strong focus on improving the legislative basis of the state and re-organize public bodies. The new leadership constructed the system to be as simple as possible and to avoid excessive interaction between the state and the private sector. Innovative solutions and extensive use of the opportunities provided by modern technology were employed for the purpose of minimizing the room for corrupt exchanges. On the other hand, while Georgia has made improvements in the process of democratization more broadly, the development in the spheres of democracy, an independent judiciary, a free media and an active civil society have been of limited importance for the achievements made.

Rather than gradually removing corruption from the system, the Georgian strategy is best characterized as a radical and sweeping attempt to rebuild the state from scratch. The strategy has been unconventional and at odds with the international consensus. Yet it recognized that a few piecemeal changes would not help in an environment where corrupt practices were the rules of the game, and in which corrupt actors simply self-correct and adapt to partial reforms. Instead, the new government attacked corruption decisively, and occasionally ruthlessly, across many fronts simultaneously. Entire institutions were dissolved, re-created and re-staffed. Moreover, rather than adhering to international calls for an anti-corruption agency to lead the struggle against corruption, it was orchestrated in a much broader way under the firm command of the political leadership. In this approach, profound

reforms in the major political, economic and social institutions have been crucial.

In a broader perspective, there are important lessons to be learnt from Georgia's struggle against corruption. The essential factor, indeed a precondition for the fight against corruption to be successful, is the existence of a strong political will to initiate and sustain anti-corruption work. In countries where corrupt practices are essential for organizing relations among individuals, breaking out of corruption amounts to nothing less than fundamentally altering these rules of the game. Such radical endeavor is unlikely to succeed unless there is some degree of public support. Moreover, if corruption can be fought in a country once described as the "land of tribes and bribes," it is hard to get away with blaming corruption on engrained cultural traditions and institutions. In short, while every country is different, some important features identifiable from the Georgian experience are of a general nature and have the potential to be replicated elsewhere. Post-Soviet Eurasia in particular hosts many countries marred by problems similar to those that plagued Georgia before the Rose Revolution. These countries also share the common legacy of the Soviet system. Indeed, there is an "export" potential for the Georgian model. For example, reform-minded elements in the government of Kyrgyzstan have in recent times turned considerable attention to understand which main components of the Georgian strategy could be applied to its own declared fight against corruption.

Moreover, a closer look at the Georgian case in the light of the international consensus on anti-corruption strategies strongly indicates that the medical metaphor of corruption as a cancer localized to a certain place of the state body does not reflect the magnitude of the problem – certainly not in countries like Georgia prior to the Rose Revolution, where it is the lifeblood of the system. Indeed, the incremental approach appears equally insufficient as a corrupt system will self-correct and adapt to piecemeal reforms. Georgia's example shows that a strategy to fight corruption needs to be revolutionary, broad-based and combine punitive and preventive measures.

While it appears that a strong centralized leadership with flexible powers made the Georgian strategy possible in the first place, there are nevertheless areas where this strategy has fallen short. To address these remaining

challenges, the approach pursued so far seems to have reached the end of the road. First, the question of certain forms of elite corruption is often raised. While high-level corruption does not appear to be anywhere near as systemic as under the previous government, the weakness of transparency and accountability at the highest political level means that the perception of top officials' impunity continues to linger among oppositionists, observers and parts of the general public alike. The system is still suffering from a lack of impartiality regarding, for example, the protection of property rights and the handling of public procurement.

Moreover, anti-corruption efforts thus far have largely relied on personalities at the expense of robust institutionalization of reforms. This raises the question whether the achievements are likely to outlive the incumbent government. Efforts directed toward depoliticizing the civil service and lay a stronger foundation for the development of a professional cohort of civil servants, whose careers are not directly dependent on the arbitrary powers of their superiors, have proven to be one of the most efficient tools for curbing corruption in a historical perspective and should therefore be supported. The insulation of reforms would also benefit from a normalization of relations between the government and the opposition, thereby increasing the number of actors willing to take a constructive role in the general ambition of developing the country further. The issue of building an efficient, non-corrupt system of governance, where Georgia has undoubtedly made significant progress, could serve as a lowest common denominator for an open and constructive future political dialogue as opposed to the current situation when the opposition automatically reacts with skepticism or even hostility to government initiatives. It may also be time to create a smaller independent anti-corruption agency with powers to efficiently target corruption in specific sectors without having to divide its resources across the board or be the leading force in the overall anti-corruption work, which largely is a political issue dependent on the continuous development of the political system.

Introduction

Corruption has attracted the expanding attention of the development community in the past decade. With increased awareness of the detrimental effects of corruption for democracy, investment, health, welfare and gender equality, strategies to fight it have become a top priority in policy circles, and active anti-corruption programs have been promoted by a range of donor governments and international organizations.¹ One of the main target areas has been the former Soviet Union, although this was not the case until the late 1990s as focus until then had been on dismantling the old communist system and introducing the institutions needed for building democracy and free markets.² As democratization stalled and transition failed to yield the expected outcome, systemic corruption was increasingly identified as the bane of the post-communist transition.³

The high level of corruption in countries undertaking the presumed transition from the Soviet state was until recently seen as an inevitable by-product of the conversion process to modernity. Indeed, for long it was common to argue that corruption may even be the grease that helps spur economic and political modernization.⁴ However, as a new system of public institutions and bodies consolidated, corruption was expected to decline. From this conventional modernization or transition perspective, the fact that corruption in many post-Soviet countries has been growing steadily since the

¹ Alina Mungiu-Pippidi, "Corruption: Diagnosis and Treatment," *Journal of Democracy* 17, no. 3 (2006): 86-99.

² James H. Anderson and Cheryl W. Gray, *Anticorruption in Transition 3: Who is Succeeding ... and Why?* (Washington, D.C.: World Bank, 2006).

³ Anders Åslund, *How Capitalism Was Built: The Transformation of Central and Eastern Europe, Russia, and Central Asia* (Cambridge: Cambridge University Press, 2007), 249-255.

⁴ Samuel P. Huntington, "Modernization and Corruption," in *Political Corruption: A Handbook*. Edited by Arnold J. Heidenheimer et al. (Somerset, NJ: Transaction, 1987), 253-263; Nathaniel Leff, "Economic Development through Bureaucratic Corruption," *American Behavioral Scientist* 8 (1966): 8-14.

collapse of the Soviet system would be explained in terms of a still ongoing and incomplete transformation to a new political order.⁵ Yet contrary to the expectation of an initial surge in corruption and the gradual vanishing of corrupt practices, corruption in the post-Soviet region has over time become ever more pervasive, but also more standardized and rationalized. In other words, it has developed into a well-defined system in its own right.⁶

The predominant view today among scholars and international organizations alike is that corruption is a crime, usually defined as “the misuse of public power for private gain.”⁷ It has been popular to apply medical metaphors of disease to the phenomenon, such as the “cancer of corruption.”⁸ From the perspective of anti-corruption strategies, this entails that rampant corruption can be localized, excised and removed from the political body. The view of corruption as a crime or violation of formal rules implies that it is a phenomenon that is essentially the same everywhere; the only major difference being a matter of degrees of corruption. However, in countries where corruption is endemic, corrupt practices cannot in any meaningful way be understood as violations of formal rules, for these practices should be understood as representing a distinct mode of social organization, i.e. a dominant norm for the organization of the state and the distribution of public goods on the basis of status, privilege, connections and money.⁹

The insufficiency of thinking of corruption as deviant behavior becomes clear if one takes a quick look at Transparency International’s Global Corruption Barometer. Low levels of corruption are found among some countries in Western Europe, North America, the Antipodean, as well as a few isolated cases in South America, Eastern Europe and Asia. The rest of

⁵ Jens Chr. Andvig, “Corruption and Fast Change,” *World Development* 34, no. 2 (2006): 328-340.

⁶ Johan Engvall, *The State as Investment Market: An Analytical Framework for Interpreting Politics and Bureaucracy in Kyrgyzstan* (Uppsala: Department of Government, 2011).

⁷ Susan Rose-Ackerman, *Corruption and Government: Causes, Consequences, and Reform* (Cambridge: Cambridge University Press, 1999).

⁸ Elizabeth Harrison, “The ‘Cancer’ of Corruption,” in *Between Morality and the Law: Corruption, Anthropology and Comparative Society*. Edited by Italo Pardo. (Aldershot: Ashgate, 2004), 138.

⁹ Ajit Mishra, “Persistence of Corruption: Some Theoretical Perspectives,” *World Development* 34, no. 2 (2006): 349-358; Mungiu-Pippidi, “Corruption: Diagnosis and Treatment,” 86-99.

the world consists either of highly corrupt or “semi-corrupt” countries. Thus, in an international perspective, corruption is the norm, not the exception. Seen in this light of entrenched corruption as the natural state of affairs, the real puzzle is rather how some countries have managed to curb corruption.

Among international organizations that have made anti-corruption a key pillar in their development programs, there is a considerable consensus regarding how anti-corruption strategies should be formulated. The World Bank advocates a technical-instrumental approach, where the key question “is finding an appropriate entry point for anticorruption work. Given the magnitude of the tasks faced in most of these countries, it is critical to begin at a point where the goals are feasible and tangible results can be realized within a time frame that builds support for further reforms. Small gains can provide essential levers to sway public and official opinion.” Then, the task is to maximize leverage beyond the entry point in order to adopt a critical mass of mutually reinforcing reforms that step-by-step builds into a comprehensive program that is sustainable.¹⁰ The United Nations’ global program against corruption similarly understands reforms as a “long-term process whereby corrupt values and practices are gradually identified and eliminated.”¹¹ Thus, progress should come gradually as a country slowly changes from a corrupt to a non-corrupt track. Finally, the most explicit of all international anti-corruption organizations – Transparency International – echoes this general consensus:

Instead of sweeping programs of reform, TI implements focused and specific plans of action in an incremental process. Often, the prevalence of corruption discourages individual firms or even entire nations from taking the first step toward transparency. When everyone pays bribes, no one wants to be the first to stop, thereby losing business to competitors. As an answer to this problem, TI has developed a concept called “Islands of Integrity,” whereby competing firms in a specific market enter into an Anti-Bribery Pact.... The “Islands of Integrity” concept is being recommended in

¹⁰ World Bank, *Anti-Corruption in Transition: A Contribution to the Policy Debate* (Washington, D.C.: World Bank, 2000).

¹¹ United Nations, *Anti-Corruption Toolkit* (New York: UN, 2004).

one form or another to most countries that have entered into relationships with TI.¹²

By looking at the type of institutional arrangements that exist in relatively non-corrupt countries, scholars and donors point to a catalog of general institutions that help protect countries from corruption. The list is endless.¹³ Yet promoting anti-corruption work based on this extensive catalog of factors has its limitations, because these factors are based on the kind of behavior and institutions that thoroughly corrupt countries lack. As Bo Rothstein astutely observes: “Instead of explaining the causes of corruption, authors in this approach have simply described how the institutional systems in corrupt and non-corrupt countries differ.”¹⁴ In short, despite the substantial amount of intellectual and financial attention paid to the problem of corruption and the development of anti-corruption programs, the outcomes are highly mixed. On the one hand, the huge anti-corruption industry has undeniably been enormously successful in raising awareness and improving the collection of data on corruption all over the world. On the other hand, the hard fact is that the many attempts to implement concrete and sustainable anti-corruption programs have not had the desired effect. Paradoxically, some countries subject to a decade of anti-corruption efforts appear to have become even more corrupt. It has, for example, been observed how corruption levels in African countries have been resistant despite sustained programs designed in order to reduce corruption.¹⁵ High levels of corruption also persist in the former Soviet republics despite substantial resources being spent on combating it. To give but one illustration, fighting corruption has been an essential component in Kyrgyzstan in stepwise

¹² Peter Eigen, “Combatting Corruption around the World,” *Journal of Democracy* 7, no. 1, 1996, p. 163.

¹³ The World Bank, for example, identifies five building blocks of an anti-corruption strategy: institutional restraints on power; political accountability; a competitive private sector; an active civil society, including a free and open media; and public sector management reform (World Bank, *Anti-Corruption in Transition*, Chapter 4).

¹⁴ Bo Rothstein, *The Quality of Government: Corruption, Social Trust, and Inequality in International Perspective* (Chicago: University of Chicago Press, 2011), 105.

¹⁵ Anna Persson, Bo Rothstein and Jan Teorell, “The Failure of Anti-Corruption Policies: A Theoretical Mischaracterization of the Problem,” *QoG Working Paper Series 2010: 19*, June 2010.

reform programs in certain sectors of the state such as the judiciary, the police, revenue administration and economic investment sponsored by organizations like the USAID, the Organization for Security and Co-operation in Europe (OSCE), the Asian Development Bank (ADB), the World Bank and the International Monetary Fund (IMF), but ultimately the level of corruption has increased rather than decreased if survey evidence is to be believed.¹⁶

Nonetheless, there is one country that demonstrates a break with the general trend of corruption in post-Soviet societies as ever more entrenched and standardized: Georgia after 2003. At the time of that year's Rose Revolution, Transparency International's Global Corruption Barometer ranked Georgia as the most corrupt post-Soviet country (124th of 133 countries).¹⁷ However, since the revolution, something dramatic has taken place. In 2011, Georgia ranked as the least corrupt post-Soviet country outside the Baltics, and ahead of several EU member states (64th of 188 countries).¹⁸ The country further ranked first in the world in terms of the relative decrease in corruption levels and second in terms of the government's effectiveness in fighting corruption. Less than three percent of the population said they had to pay a bribe during the last year, which places the country alongside the U.S. and several Western European countries in this respect.¹⁹ These results are consistent with surveys conducted by other organizations, for example the European Bank for Reconstruction and Development (EBRD), the World Bank and the Caucasus Research Resource Centers.²⁰

Thus, something has undoubtedly changed in Georgia in the past decade and there is a largely untold story of what has really happened regarding curbing

¹⁶ Engvall, *The State as Investment Market*.

¹⁷ Transparency International, "Corruption Perceptions Index," 2003.

¹⁸ Transparency International, "Corruption Perceptions Index," 2011.

¹⁹ Transparency International, "Corruption Perceptions Index," 2010.

²⁰ World Bank Group, "Business Environment and Enterprise Performance Survey (BEEPS)"; Enterprise Surveys (www.enterprisesurveys.org), The World Bank; European Bank for Reconstruction and Development (EBRD), *Life in Transition: After the Crisis* (London: EBRD, 2011); The Caucasus Research Resource Center, *Caucasus Barometer 2010*.

corruption in the country.²¹ Given that it has been increasingly noticed that corruption, once it has taken root, is very difficult to eradicate and that contemporary success stories are very few,²² the turn of events in Georgia during such a short period of time raises several important questions that this report seeks to address. What made this dramatic change possible? Did Georgia follow existing anti-corruption advice? What does the Georgian experience mean for our assumptions about fighting corruption in a broader post-Soviet, or even in a global perspective? In short, undertaking an examination of Georgia's anti-corruption strategy may potentially hold significant implications for anti-corruption policies in general and the post-Soviet region in particular.

²¹ The major exception is a recent, detailed analysis by the World Bank, *Fighting Corruption in Public Services: Chronicling Georgia's Reforms* (Washington, D.C.: The World Bank, 2012).

²² Mungiu-Pippidi, "Corruption: Diagnosis and Treatment," 86-99.

Corruption in Georgia Before the Rose Revolution

In the midst of Eduard Shevardnadze's presidency (1995-2003), the World Bank noted that in Georgia "the price of obtaining 'high rent' positions is well known among public officials and the general public, suggesting that corruption is deeply institutionalized. Higher prices are paid for jobs in agencies and activities that households and enterprises report to be the most corrupt, suggesting that corrupt officials rationally 'invest' when buying their public office."²³ According to the results of the World Bank survey, the percentage of public officials believed to have purchased their position was close to 50 percent for customs inspectors, approximately 40 percent for tax inspectors and ordinary police officials. More than one-third of the offices of natural resource licensers, judges, investigators and prosecutors were also believed to have been purchased.²⁴

The price for a job in the police is said to have been ranging from \$2,000-\$20,000, depending on the profitability of the position for sale. Prospective customs officers could pay up to \$10,000 to get their jobs, while officials in the civil registry offices invested \$5,000-\$25,000 to get appointed. In the universities, bribes ranged from \$8,000 to \$30,000 depending on the prestige of the program.²⁵ Since the average monthly salary of a street level bureaucrat approximated \$35-\$40, the money invested somehow had to be retracted unofficially. Structured as a pyramid, revenue obtained from bribery and extortion would pass upward the pyramid. Thus, the system was more organized than what met the eye. Officials were not free to dispose of their collected proceeds as they wished, since they had to provide a regular supply of payments to their bosses, and there were strong informal sanctions in place to punish those who did not obey the informal rules – giving officials

²³ Daniel Kaufmann, Sanjay Pradhan and Randi Ryterman, "New Frontiers in Diagnosing and Combating Corruption," *PREMnotes* 7, The World Bank, October 1998.

²⁴ *Ibid.*

²⁵ World Bank, *Fighting Corruption in Public Services*.

strong incentives to participate in the informal market.²⁶ The result was a privatization of the state; individuals invested in the public sector expecting reimbursement, like in any investment market. In order to repay the money they had borrowed for the initial investment policemen, tax officials and various inspectors collected bribes from the outset.²⁷ An international investigation documented that “the police, the customs and the courts, those very agencies responsible for fighting corruption, are most widely affected by it”.²⁸ Thus, the ability to use state power for personal enrichment became an officially sanctioned right reserved for members of the state apparatus.²⁹

The system of corruption had a number of devastating consequences for Georgian state and society. The country displayed one of the world’s poorest tax collection records.³⁰ Businessmen avoided formal taxation by paying bribes to officials. These bribes went into the private pockets of officials, leading to budget deficits. According to official Georgian sources during that time, more than \$40 million in tax arrears was embezzled as a result of corruption,³¹ and the shadow economy was variously estimated to account for 60-85 percent of the country’s total economic activity.³² According to former

²⁶ Author’s interviews with Tornike Turmanidze, Deputy Secretary of the National Security Council, Tbilisi, September 6, 2011; Gela Kvashilava, Deputy Director Department of Information and Analysis, Ministry of Internal Affairs, Tbilisi, September 8, 2011; Davit Sakvarelidze, first Deputy Chief Prosecutor, Tbilisi, September 8, 2011; Katia Dekanoidze, Director, Police Academy, Tbilisi, September 8, 2011; Alexandre Kukhianidze, former Director of Transnational Crime & Corruption Center Caucasus Office, Tbilisi, September 15, 2011.

²⁷ Jonathan Wheatley, *Georgia from National Awakening to Rose Revolution: Delayed Transition in the former Soviet Union* (London: Ashgate, 2005), 114. A Georgian expert described the situation in the police: “The salary was enough for three days, after that policemen turned into self-financed gangsters.” (Author’s interview with Alexandre Kukhianidze, Tbilisi, September 15, 2011.)

²⁸ See Rasma Karklins, *The System Made Me Do It: Corruption in Post-Communist Societies* (New York: M.E. Sharpe, 2005), 30.

²⁹ Barbara Christophe, “Understanding Politics in Georgia,” *DEMSTAR Research Report No. 22*, November 2004, 11.

³⁰ In the 1990s the tax proceeds were less than 10 percent of the GDP, while in the last years of Shevardnadze’s rule, the ratio had stabilized around 13 percent of GDP.

³¹ International Monetary Fund, *Georgia: Recent Economic Developments and Selected Issues* (Washington, D.C.: IMF, 1998), 43.

³² Charles King, “A Rose among Thorns: Georgia Makes Good,” *Foreign Affairs* 83, no. 2 (2004): 16; Phil Williams, “Criminalization and Stability in Central Asia and South Caucasus,” in *Faultlines of Conflict in Central Asia and the South Caucasus: Implications for the U.S. Army*. Edited by Olga Oliker et al. (RAND, 2003), 90.

Minister of Economy Vladimer Papava, virtually the entire economy was swallowed up in a hole of tax privileges and preferential treatments.³³ Because of low tax collection, the Georgian government failed to implement the state budget from 1998 to 2004. An incoherent and complicated tax system contributed to the failure. A high social insurance tax prompted employers to pay salaries illegally; the income tax had a confiscatory character, leading people to hide their real income. The tax code had since it was adopted in 1997 been the subject of thousands of amendments.³⁴ As a result of an underfunded budget, the government was unable to provide basic social services: “pensions and social benefits were not paid; basic utilities like water and electricity were unreliable at best; healthcare quality was poor and even basic care was not provided by the state; and basic infrastructure like roads and irrigation were either poorly repaired or destroyed entirely.”³⁵

The Criminalization of the State

Describing Georgia as a highly corrupt state does not reflect the magnitude of the situation prior to the Rose Revolution. Georgia was more than corrupt; it was a thoroughly criminalized state. The infamous Georgian *vory-v-zakone* (thieves in law) had their own budget and laws. The basis of their power laid in control over prisons and criminal communities, influence over the informal business sector as well as substantial parts of the formal economy. These experts in violent entrepreneurship had managed to establish a significant leverage over law enforcement agencies and other government structures, which ensured them impunity from criminal prosecution.³⁶ The origins of the situation can be traced back to the Soviet system. In a study of the Soviet Union’s “second economy” in the 1970s, Gregory Grossman noted that Georgia had a “reputation second to none” when it came to illegality and

³³ Vladimer Papava, *Necroeconomics: The Political Economy of Post-Communist Capitalism* (New York: iUniverse, 2005), 55.

³⁴ *Ibid*, 161.

³⁵ UNDP, *Georgia Human Development Report 2008: The Reforms and Beyond* (Tbilisi: UNDP, 2008), 10.

³⁶ Author’s interview with Davit Sakvarelidze, Tbilisi, September 8, 2011. For further details, see Svante Cornell, “The Threat of Transnational Organized Crime in the South Caucasus,” in *The South Caucasus: A Challenge for the EU*. Edited by Dov Lynch. (Paris: EU Institute of Security Studies, 2003), 23-40.

the scale of black market activities.³⁷ In an interview in 2001, President Shevardnadze's nephew, Nugzar Shevardnadze, recalled his work in black business and theft from the Soviet budget in the early 1970s: "If they caught you, they would shoot you ... Back then, we were stealing money from the Soviet budget. Everyone was stealing money wherever they could. We were stealing money in a very civilized and cultured manner."³⁸ The role of Georgian thieves-in-law in politics and business was given further impetus during Perestroika in the 1980s, making them well positioned to exploit the opportunities presented when the Soviet Union collapsed.³⁹ In 1990, it was estimated that as many as one-third of the thieves-in-law operating in the USSR were of Georgian ethnicity.⁴⁰ Following the political chaos during Georgia's early independence, including the civil war in Tbilisi in 1991-92 and the ethnopolitical conflicts in Abkhazia and South Ossetia, crime exploded and a war economy developed with state actors intertwined with warlords and organized crime groups.⁴¹ The inability to set up the state as an organization with a comparative advantage in the use of force, meant that the exercise of power was dispersed, decentralized and criminalized.

Compared to the lawlessness and lack of central political authority in the early 1990s, Georgia over time stabilized during Shevardnadze's presidency. While the monopoly on the use of force gradually came to be in the hands of the Ministry of Internal Affairs (the police), this came at the price of co-opting members of paramilitary and criminal groups into the police force. According to country specialists, under these circumstances the police system in Georgia could not be understood by the use of conventional tools for measuring state capacity, as it resembled a centralized mafia-type organization. The primary source of funds for the Ministry of Internal Affairs did not come from the state budget, but from the shadow economy or

³⁷ Gregory Grossman, "The Second Economy of the USSR," *Problems of Communism* 26 no. 5 (1977): 25-40.)

³⁸ Robyn Dixon, "Georgia Leader's Nephew Feels Strain of Family Ties," *Los Angeles Times*, October 4, 2001.

³⁹ Niklas Nilsson, "Georgia's Conflicts: Abkhazia and South Ossetia," in *The Political Economy of Armed Conflict in Eurasia*, Edited by Svante E. Cornell and Michael Jonsson (Philadelphia: University of Pennsylvania Press, forthcoming).

⁴⁰ Gavin Slade, "Georgia and Thieves-in-Law," *Global Crime*, 8 no. 3 (2007): 273-274.

⁴¹ Nilsson, "Georgia's Conflicts."

from illegal sources, like the sale of narcotics, fuel and tobacco and large and small-scale extortion.⁴² Thus, much like the Sicilian mafia, the police in Georgia came to perform two principally different functions. On the one hand, it resembled a business syndicate involved in illicit business activities like the narcotics trade. On the other hand, it functioned as a power syndicate linked to protection business. The sale of public goods like protection and jurisdiction allowed law enforcement officials to make money. In short, a situation in which public institutions acted on behalf of organized crime and business interests characterized Shevardnadze's rule.⁴³

⁴² Wheatley, *Georgia from National Awakening to Rose Revolution*, 113-115.

⁴³ Ibid; Alexander Kupatadze, *'Transitions after Transitions': Coloured Revolutions and Organized Crime in Georgia, Ukraine and Kyrgyzstan*, PhD Dissertation, School of International Relations, University of St Andrews, August 2010.

After the Revolution: Reforms and Results

Massive corruption and criminalization was a major cause of Georgia's Rose Revolution, and the new government immediately made fighting corruption and crime the cornerstone of its post-revolutionary platform. The election of Mikhail Saakashvili as new President of Georgia in January 2004 with 96 percent of the vote marked the start of an aggressive fight against the old corrupt system. Fighting corruption, however, was not an isolated undertaking; it was part and parcel of a wider attempt to overhaul the old system. Below follows a chronological narrative of the struggle against corruption divided into four main sections: re-establishing a monopoly on the most basic state functions; rolling back the state; economic liberalization; and educational and infrastructural reforms.

Re-establishing Elemental State Functions

The inability to set up the state as an organization with a comparative advantage in the use of force meant that the exercise of power in Georgia since independence had been dispersed, decentralized and criminalized. A particularly important component in rebuilding the state was to confront the entrenched authority of Georgian organized crime bosses. From the outset, the new administration took on the task of breaking up this vicious cycle of criminalization of the state by confronting criminal authorities head on. In February 2005, the Parliament passed an anti-mafia law, which allowed persecuting and convicting persons for the crime of being members of mafia groups. The law was inspired by the American RICO (Racketeer Influenced and Corrupt Organizations Act) as well as Italian anti-mafia legislation. As a result of the law, it became possible to criminalize affiliation with organized crime groups. The law also allowed for plea bargaining and large-scale confiscation of property acquired through corrupt or criminal deals, and strengthened the protection for witnesses in crime-related cases. The new legislation was vigorously enforced from the start. In 2005, 9 thieves-in-law

and 37 ‘criminal authorities’ were detained. Today there appears to be consensus that there are no longer any thieves-in-law operating in Georgia; they have either been imprisoned or fled abroad, mainly to Russia, prompting President Saakashvili to state, in the context of Russia’s embargo on Georgian products, that: “mafia bosses are our sole export to Russia.”⁴⁴ In 2011, the Georgia Crime and Security Survey reported that 70 percent of respondents believed the authority of the thieves-in-law had decreased significantly.⁴⁵

As the state also had been taken hostage to corrupt private business interests, the situation of businessmen and public officials parasitizing on the state had to be broken. This was done with the use of very strong punitive means. In February 2004, Gia Dzhokhtaberidze, former President Shevardnadze’s son-in-law and head of Georgia’s biggest mobile phone company, was arrested on tax evasion charges. He was released in April after paying \$15.5 million to the state in an extra-legal bargaining process for his freedom. Throughout the year the police struck against well-known corrupt individuals. Among those arrested were the former minister of energy and of transport and communication, the chairman of the Chamber of Control, the head of the civil aviation administration, the chief of the state-owned railway company, the president of the football federation, the president of the state-owned gold mining company, and some oligarchs. Extra-legal means were frequently practiced in these sanctions. A commentator notes that revolution brings revolutionary methods of rule, not the rule of law. Under these circumstances,

The government strategy was to use corrupt law enforcement structures to combat other corrupt government structures. In the beginning, law enforcement agencies carefully implemented the political will but they were still corrupt and not working within the framework of the rule of law. Adhering to such principles would have resulted in lengthy processes.

⁴⁴“Saakashvili: Criminals are Georgia’s main export to Russia,” available at http://passport.foreignpolicy.com/posts/2009/03/31/saakashvili_criminals_are_georgias_main_export_to_russia.

⁴⁵ See World Bank, *Fighting Corruption in Public Services*, 19.

Instead, people were intimidated to leave their positions which gave the opportunity to bring in new people.⁴⁶

As noted by Svante Cornell and Niklas Nilsson, “this policy raised eyebrows in the West, as it showed less than full respect for due process, but it was certainly effective in ending the climate of impunity that had reigned in Georgia. ... Without these moves against high-level corruption, Saakashvili’s measures to halt low-level corruption would probably not have been met with the same level of public acceptance.”⁴⁷

Police reform was a major priority. In July 2004, the notoriously corrupt traffic police (GAI) was entirely disbanded, and 16,000 officers dismissed overnight. In August, a new 2,400-strong Patrol Police, inspired by the U.S. model, was rolled onto the streets with higher salaries, a new recruitment system, new equipment and a new code of ethics. A few months later the dysfunctional Soviet-era remnant, the Ministry of State Security (former KGB) was abolished and its remains were merged with the Ministry of Internal Affairs. A subsequent initiative included the introduction of community policing principles, in order to facilitate closer cooperation between the police and citizens. Following these reforms, the average police salary has increased fifteen-fold since 2003,⁴⁸ and the total staff of law enforcement agencies has been reduced from 63,000 to 27,000. According to the Director of the Police Academy, the average police officer today is 27 years old.⁴⁹ The World Bank offers the following empirical evidence of the success:

A 2010 survey indicates that only 1 percent of Georgia’s population reported having paid a bribe to the road police. Comparable numbers were 30 percent

⁴⁶ Author’s interview with Alexandre Kukhianidze, September 15, 2011.

⁴⁷ Svante E. Cornell and Niklas Nilsson, “Georgian Politics since the August 2008 War,” *Demokratizatsiya* 17, no. 3 (2009): 253.

⁴⁸ Yet, as noted by Lily Begiashvili, the Deputy Head of Georgia’s Tax and Custom’s Administration, the actual income of a tax official or police officer is probably the same as under the old system; the difference is that nowadays officials are paid from the state budget and not fed by bribes (author’s interview, Tbilisi, September 13, 2011).

⁴⁹ Author’s interview with Khatia Dekanoidze, Tbilisi, September 8, 2011.

in the former Soviet Union countries, 7 percent in the new member states of the European Union (EU), and zero in selected EU members (France, Germany, Italy, Sweden, the United Kingdom). Transparency International's 2010 Global Corruption Barometer shows that Georgia has one of the world's least corrupt police forces. In fact, of all 86 countries surveyed, only Finland scored better than Georgia.⁵⁰

As a result of the strengthening of the police and the dramatic weakening of organized crime groups, the general crime rate has seen a sharp reduction: "Reported crime decreased by more than half between 2006 and 2010, with the number of armed robberies dropping from 2,160 to 398. In the capital Tbilisi more than 95 percent report they feel safe at all times."⁵¹

Rolling Back the State

Until the Rose Revolution, there had been no real civil service reform in Georgia. In fact, despite the declared ambition to undertake the transformation from a command economy to a free market economic system, the state had ironically continued to grow in size. While some Soviet bodies were abolished, most remained and additional ones were set up, causing the public administration to swell. This led to a multitude of inspecting and regulatory agencies with unclear boundaries, frequent duplications of functions, and competition over the right to control businesses and extract bribes. The outcome was a framework of a big, weak state, in which entire bureaucracies were informally "privatized" by elites.⁵² When the state was captured by private interests, a market-oriented capitalist system could never fully develop as it was subsumed to a politically-oriented capitalism of rent-seeking and privileges.

To address the catastrophic consequences of the big, weak state extensively interfering in the lives of citizens, a new law "On Structure, Authority, and regulation of the Government of Georgia" was passed in February 2004. The

⁵⁰ World Bank, *Fighting Corruption in Public Services*, 21. Also see Transparency International, "Global Corruption Barometer 2010".

⁵¹ Ibid.

⁵² Gil Eyal, Iván Szélenyi and Eleanor Townsley, *Making Capitalism without Capitalists: The New Ruling Elites in Eastern Europe* (London: Verso, 1998).

law reduced the number of ministries from 18 to 15. Amendments to the law in June and December that year further reduced the number of ministries to 13. A special Civil Service Bureau was also created to implement reforms in the civil service. In June 2004, the parliament approved the law on State Registry, which dissolved the public service registry and replaced it with the Civil Registry Agency, a self-funding body under the Ministry of Justice. At the end of 2004, all 2,200 public registry employees were dismissed in a single day. In December 2005, a new organic law on local self-government was adopted, which consolidated local self-governments from 1,110 to 67. In October 2004, the first municipal elections of mayors took place based on the new structure of local government. Throughout that year, single window systems in the Ministry of Justice, property registry and other public institutions were introduced to improve public service efficiency and eliminate corruption. The state apparatus was subject to another major overhaul as all eighteen independent state departments were abolished or subsumed under ministries. According to the Civil Service Bureau the total number of public officials has been cut in half, from 120,000 in 2003, and official remuneration for civil servants has increased 15-fold.⁵³

After the initial round of aggressively cutting the size of the state apparatus, an ongoing modernization process followed. In December 2008, a new law on the Chamber of Control was adopted in an attempt to transform this agency, with a highly corrupt history, into a more modernized supreme audit institution. New staff was recruited for the Chamber, but the actual success in this case seems doubtful in light of some current events involving the Chamber and the political opposition, which prompted prominent opposition politician Irakli Alasania to characterize it as a political force used in order to remove the main political competitors.⁵⁴ In March 2009, significant amendments were made to the Law on Conflict of Interest and Corruption in Public Service. In June 2009, the Law on Public Service originally adopted in 1997, was amended with a new Chapter on general Code of Ethics for civil

⁵³ Author's interview with Irakli Kotetishvili, Director Civil Service Bureau, Tbilisi, September 9, 2011. Also see Aleko Kupatadze, "Similar Events, Different Outcomes: Accounting for Diverging Corruption Patterns in Post-Revolution Georgia and Ukraine," *Caucasus Analytical Digest* No. 26, April 26, 2011, 2.

⁵⁴ "Saakashvili vs. Opposition," *Georgia Times*, June 26, 2012, available at <http://www.georgiatimes.info/en/articles/77369.html>.

servants. As a result of the amendments, the Information Bureau on Assets and Finances of Public Officials under the Ministry of Justice of Georgia was abolished and its functions delegated to the Civil Service Bureau, an independent agency established in 2004 to handle the process of civil service reform. In 2010, several fine-tuning arrangements were launched, including the Online Asset Declaration System set up by the Civil Service Bureau in order to completely replace the paper declaration system; the adoption of a law on internal audit and inspection; and the introduction of passports that include biometric data, photos, fingerprints, and digital signatures. In 2011, a number of additional innovations were rolled out: An electronic procurement system was launched; passports were automatically linked to a new kind of e-identification card; and legislation was passed that makes it mandatory for medical establishments to send message about births and deaths electronically to the civil registry agency. Moreover, the first four public service halls were opened in the country (Batumi, Kutaisi, Mestia, and Rustavi). These public service halls allow the unification of services of different state agencies – such as the Civil Registry Agency, National Agency of Public Registry, National Archives of Georgia, National Bureau of Enforcement, Notary Chamber of Georgia and Statute Book of Georgia – under a single roof.

The human make-up of the civil service has undergone a dramatic shift as a result of the reform program. A whole new generation is running public affairs. Ministers are generally in their 30s or early 40s, while deputy ministers and some heads of state agencies tend to be in their late 20s or early 30s.⁵⁵ In practice, one generation has been bypassed altogether in the government of the state. According to government representatives, this was not the result of any planned strategy of getting rid of the older generation, but rather an outcome of the new policies, including the strong anti-corruption drive. The ongoing modernization of the bureaucracy requires new knowledge and skills such as computer expertise and proficiency in the English language, rather than outdated Soviet skills and a corrupt mentality.⁵⁶ Although officials who had lost their places in restructured

⁵⁵ Statistics provided to the author by Irakli Kotetishvili, Tbilisi, September 9, 2011.

⁵⁶ Author's interview with Vakhtang Lejava, Tbilisi, September 9, 2011.

ministries could apply again, many did not opt to do so realizing that they stood no chance in an open competition.⁵⁷

Market Liberalization

Perhaps the most overarching governmental priority has been to reform the economy in order to stimulate investment, economic growth and, not the least, the legalization of the economy. As part of that objective new pieces of legislation were written, revenue administration restructured, mass privatization undertaken and liberal trade policy agreements pursued.

To start with the tax system, it was rapidly rebuilt. Already by the end of 2004, tax revenues as a share of GDP had increased from 12 percent to 20 percent of GDP, primarily due to improvements in collection. In February 2005, a new tax code was adopted, which reduced the number of taxes from 22 to eight, and later in 2008 further down to six, as well as sharply cut the tax rates. At that time, tentative custom system reforms had already been introduced following the adoption of the Custom System Development Strategy in the summer of 2004. This system reduced the number of customs staff by almost half. In September 2006, a new law on customs tariffs was introduced, which was later the subject of significant amendments three years later. Revenue collection modernization took an additional step in 2007, when the customs service, the tax service and the financial police were united under the State Revenue Service, although in practice they initially remained independently run. During 2008, the decision was made to entirely release the financial police from their customs duties. Other notable initiatives during this period included the introduction of an e-filing system which reduced interaction between taxpayers and tax officials as well as further unification of tax and business registration, making only one registration necessary. To improve transparency and reduce opportunities for corruption, the tax service stopped accepting hard copies of tax declarations in 2009. In the beginning of 2011, a new tax code came into force, unifying the former tax and customs codes. Among the novelties introduced was the position of tax ombudsman, which is created to protect taxpayers' rights and report conditions to parliament. In sum, tax legislation has focused on making the

⁵⁷ Author's interview with Gela Kvashilava, Tbilisi, September 8, 2011.

system as simple as possible, including low, flat and few taxes. According to Forbes, Georgia has the fourth lowest tax burden in the world after Qatar, the UAE and Hong Kong.⁵⁸ Administrative restructuring means that tax and customs offices to 90 percent consist of new recruits.⁵⁹ The benefits of fiscal reforms are visible in government revenue statistics. By 2008 the state budget had nearly tripled compared to five years earlier. Between 2004 and 2010, tax rates fell considerably but tax revenues increased four-fold. As of 2011, tax revenues stand at a rate of 24 percent of GDP.⁶⁰

The business environment benefited greatly from tax reform. In the 2002 EBRD-World Bank Business Environment and Enterprise Performance Survey, more than 70 percent of Georgian firms reported tax administration as a problem doing business. Three years later, the number had fallen dramatically to slightly over 20 percent. The improvements are consistent in the latest survey from 2008, in which no more than 3 percent of Georgian firms state that bribery is frequent in dealing with taxes (down from 13 percent in 2005). The average for former Soviet countries was 18 percent.⁶¹ Nonetheless, as will be discussed later on, experts and entrepreneurs perceive that tax authorities' interaction with businesses remains problematic, although in a more subtle and politically motivated manner than previously.

Second, in addition to adopting business-friendly tax legislation, extensive deregulation of the economy was pursued. Starting in June 2005, a law was passed that clearly defines all types of activities that required a license or permit. From having had 909 licenses and permits, only 109 licenses and 50 permits remained. In total, 70 percent of the business-related licenses and 90 percent of the permits that were once necessary for businesses to operate were abolished. A year later, the Law on State Support for Investments established the National Investment Agency responsible for assisting investors in obtaining various licenses and permits. A one-stop shop has also

⁵⁸ "Tax Misery and Reform Index," *Forbes*, available at www.forbes.com/global/2009/0413/034-tax-misery-reform-index.html.

⁵⁹ Author's interview with Lily Begiashvili, Tbilisi, September 12, 2011.

⁶⁰ International Monetary Fund (IMF), *Country Report No. 11/146* (Washington, D.C.: IMF, June 2011), 13

⁶¹ EBRD-World Bank, "Business Environment and Enterprise Performance Survey (BEEPS)," 2005 and 2008.

been introduced to handle all business-related administrative procedures and significantly contributing to speeding up property registration.

Third, in the summer of 2004 the Ministry of Economy initiated a new program for mass privatization. A list of 372 economic entities was prepared for a first phase of privatization (2004-06). Since then privatization has been vigorously pursued, and well over 4,000 state assets have been transferred to private ownership resulting in a total of \$1.60 billion state revenues.⁶² While the privatization program has been far from faultless, it helped breaking the dominant economic practice of rent seeking from under-performing state enterprises, and promoted productive economic activity under the conditions of a free market.

Finally, a very liberal trade policy was adopted, including simplified customs procedures, free trade regimes with all its regional trade partners and the pursuit of international free trade agreements with the rest of the world. Between 2004 and 2007, Georgia tripled its volume of Foreign Direct Investment (FDI) attracting 1.6 billion U.S. dollars as FDI exceeded foreign aid as a source of external finance.⁶³

To summarize, in the sphere of economic policy, the World Bank has hailed Georgia as the number one economic reformer in the world. According to the World Bank/IFC's "Ease of Doing Business" rankings for 2010, and much to the delight of Georgian leaders, the country rose from 112th to 12th in the world under the current administration.⁶⁴ In the Heritage Foundation's 2012 Index of Economic Freedom, Georgia ranks 34th, and among post-communist countries only Estonia, Lithuania and the Czech Republic are ahead.⁶⁵ Whereas the business environment has improved dramatically, it should be noted that Georgia has achieved less success in improving its development

⁶² "2004-2010: Seven Years that Changed Georgia Forever," A publication of the Government of Georgia, www.georgianreforms.com.

⁶³ UNCTAD Country Fact Sheet Georgia 2008, www.unctad.org/sections/dite_dir/docs/wiro8_fs_ge_en.pdf. Following the war with Russia and the global financial crisis, the country has again become more dependent on foreign aid.

⁶⁴ The World Bank/IFC, *Doing Business 2011: Georgia* (Washington, D.C.: The International Bank for Reconstruction and Development/The World Bank, 2011), 2.

⁶⁵ Heritage Foundation, 2012 Index of Economic Freedom, available at <http://www.heritage.org/index/ranking>.

indicators in more extensive socio-economic indexes, such as the UNDP Human Development Index.⁶⁶ Despite economic growth, unemployment and poverty remain high.⁶⁷ Economic reforms have also produced uneven results, with declining agricultural production being a major shortcoming.

Education and Modernization

Significant attention has been paid to laying the foundation for modernizing the country. In this context, reforming the educational system has been a priority. Prior to the Rose Revolution, corruption was particularly rife in the university application process, which consisted of separate admission exams administered by individual universities in a manner consistent with Soviet times. Students were not accepted on the basis of merit but informal payments. Unsurprisingly, then, merits played no part in awarding degrees.⁶⁸ Two new pieces of legislation were adopted early on. In late 2004, the Law on Higher Education was adopted, overhauling management, financing and accreditation procedures in the universities and in April 2005, the Law on General Education came into force. The most important and lauded initiative was probably when the Ministry of Education in June 2005 created a new university entrance examination system aimed at curbing corruption in the academic admissions process. A brand new independent National Examination Center was set up to administer exams for all higher educational establishments, thus removing this power from the universities. According to the UNDP, the examination process is both transparent and meritocratic. “Both student placement and funding are allocated entirely on performance in this exam.”⁶⁹ From 2006, all university applicants’ exam sheets are scanned and posted on the National Examination Center’s website. Consequently, while still not insulated from political interference, university management has become increasingly autonomous. In total, the number of universities has been reduced from 237 to 43 and most instructors at public institutions for higher education have had to reapply for their jobs. There is

⁶⁶ Human Development Report 2011, Statistical annex, available at http://hdr.undp.org/en/media/HDR_2011_EN_Tables.pdf.

⁶⁷ World Bank, “Georgia Poverty Assessment,” *Report No. 44400-GE*, April 2009.

⁶⁸ UNDP, *Georgia Human Development Report 2008*, 41.

⁶⁹ *Ibid*, 43.

widespread hope that these reforms will lay the foundation for a new generation of Georgians whose educations and jobs are allocated on the basis of merit and professional capacities instead of informal connections.

Another success is the rebuilding of basic infrastructure. Partly due to endemic corruption, Georgia's infrastructure was in a state of collapse by 2003. Despite substantial U.S. financial and technical assistance, Georgia was generating electricity at no more than 45 percent of its 1989 level with daily technical losses approximating \$30,000. According to a US government study, the energy sector each year suffered losses estimated at \$300 million in taxes, \$200 million in electricity losses and \$100 million in natural gas losses.⁷⁰ The country, including most of the capital Tbilisi, had access to electricity for only a few hours a day. Wiping out corruption in the energy sector means that Georgia has gone from regular nationwide electricity deficits to being a net exporter of energy. Collection rates have soared from 15 percent before the revolution to 95 percent.⁷¹ Although the electricity sector stands out, improvements are also noticeable in other sectors, such as transport, schooling and tourism.

Concluding Note

What the overview above manifests is the wide array of reforms undertaken during a very short time span. The reforms focused on rewriting legislation and forcefully implementing policy decisions. The strategy was not confined to attacking corruption in a few major areas, nor were the reforms based on the gradual elimination of corrupt transactions from the system, allowing for its normal functioning. To the contrary, the idea was to radically alter the organization of the state and to create a completely new system of public services. This was done by unconventional methods, at odds with the recommendations advanced by international advisors. The major goals were strictly formulated at the central political level, but the actual design and implementation of reform packages in various sectors were handed over to

⁷⁰ Stacy Closson, "State Weakness in Perspective: Strong Politico-Economic Networks in Georgia's Energy Sector," *Europe-Asia Studies* 61, no. 5 (2009): 759-760.

⁷¹ "2004-2010: Seven Years that Changed Georgia Forever."

individual ministries, thereby giving them considerable leeway in influencing the direction of reforms.⁷²

In general, the key feature of Georgia's reforms is the holistic approach adopted, not the identification of any key priority areas from which reforms then spilled over to other spheres in a somewhat mechanical process. Nonetheless, on closer scrutiny a certain logic of sequencing can be detected. As Georgian reformers are quick in pointing out, Shevardnadze's rule had left a legacy of a failing state. In a situation with low state capacity, the paramount task was to establish classical state functions like the provision of law and order and revenue collection rather than think about ambitious active policy initiatives that address market failures or the construction of welfare programs. In the words of David Woodruff, during such period of state-building, the government had to first gather the sovereign powers needed for pursuing conventional policies.⁷³ As government strategist Giga Bokeria recalls: "The first thing was to clean the Augean stables and create a government that could do elementary things and deliver basic services."⁷⁴ It was particularly important to significantly simplify the system in order to avoid the needless interaction between bureaucrats and business managers that had fed corruption.

Unsurprisingly, most of the major structural reforms were undertaken in the first years following the revolution, capitalizing on a strong public mandate for change. The new leadership took advantage of this window of opportunity by striking fast and hard against criminal authorities, drastically restructuring the law enforcement system and rebuilding the tax system. Subsequent initiatives have been more focused on fine-tuning and continuously improving the functioning of the new system and minimizing the probability of corrupt deals. Important in this regard have been the considerable amount of innovative solutions and the extensive use of the advantages provided by modern technology.

⁷² Author's interviews with various government officials, Tbilisi, September 8-13, 2011.

⁷³ David Woodruff, *Money Unmade: Barter and the Fate of Russian Capitalism* (Ithaca: Cornell University Press, 1999), 7.

⁷⁴ Quoted in Thomas De Waal, *Georgia's Choices: Charting a Future in Uncertain Times* (Washington, D.C.: Carnegie Endowment for International Peace, 2011), 39.

The results are impressive, especially in a regional perspective. The World Bank Group's Business Environment and Enterprise Performance Survey (BEEPS) showed already in 2005 that the percentage of firms reporting that bribes were frequent had decreased from about 37 percent in 2002 to about 7 percent in 2005. In the most recent BEEPS based on data from 2008, the bribe frequency was approximately 4 percent. This can be compared to an average of 20 percent for the rest of the former Soviet Union and 13 percent for Central and Eastern Europe.⁷⁵ The European Bank of Reconstruction and Development likewise noted in its 2010 *Life in Transition* report that 78 percent of Georgians perceived that corruption had fallen in the last four years, which was the highest among all surveyed countries; Georgians were further the least inclined in the "transition region" to believe that informal payments are used in dealing with the public sector. This report concluded that the corruption perception in Georgia is comparable to the average of Western European countries.⁷⁶ In brief, Georgia has moved from a situation in which corrupt payments in exchange for public services were the norm in society to a situation where they are the exception.

⁷⁵ "Business Environment and Enterprise Performance Survey (BEEPS)," 2002, 2005, 2008. For similar evidence, see Enterprise Surveys (www.enterprisesurveys.org), The World Bank.

⁷⁶ European Bank for Reconstruction and Development, *Life in Transition: After the Crisis* (London: EBRD, 2011), 77.

Anti-Corruption Strategy in Georgia in the Light of the International Consensus

A reader of the literature on policy suggestions for combating corruption immediately comes across statements such as the following: curbing corruption is a long-term process that requires piecemeal changes over time; corruption cannot be fought without the rule of law; a democratic system with free, competitive elections is important for curbing corruption; civil society must be actively involved in the struggle; free media reporting is critical for revealing corrupt practices; and if international donors are to be believed, fighting corruption without an independent anti-corruption agency is hardly worth considering as a serious endeavor. In the following, some factors usually advanced as remedies to corruption will be evaluated in the light of Georgia's experience.

Revolutionary Strategy vs. Gradual Strategy

According to Georgian reformer Vakhtang Lejava, “at first anti-corruption measures were partly used by the new leadership in its fight against the old elite,” but “the subsequent developments have shown that anti-corruption was the cornerstone of the new power.”⁷⁷ Lejava continues:

We did not have a standard anti-corruption strategy. Anti-corruption was an integral part of any reform program in any sector. Before 2003 we had tried a gradual approach for example by creating “non-corrupt havens” in some sectors. This never worked. We understood that we needed a frontal approach. If you do not fight it as an epidemic you cannot fight it successfully. When people interact it spreads like a disease. We dissolved entire institutions and filled them with new staff. This could not have been done without a very strong popular mandate and a united political

⁷⁷ Author's interview with Vakhtang Lejava, Tbilisi, September 9, 2011.

leadership. We had to do it our own way. International organizations were not prepared to take the risks that we felt we must take. They had a much more cautious approach.⁷⁸

The powerful former Minister of Internal Affairs (appointed Prime Minister in summer 2012), Vano Merabishvili, seconds this version by recalling:

We did not listen to the advice of European donors who prepared reforms for us which suggested that we moved slowly, step-by-step. We acted very decisively and in one day discharged 15,000 officials from the Ministry of Internal Affairs.⁷⁹

In its detailed and illuminative account of the reforms in Georgia, the World Bank notes further (at odds with its own official recommendations) that the Georgian government opted for sweeping reforms rather than proceeding incrementally:

Reformers recognized that attacking corruption across many fronts simultaneously was the only way to fight it. They understood that piecemeal reforms would not work, as vested interests would be able to block them. It was essential to adopt a blitzkrieg approach and keep the opposition unbalanced to prevent opponents from resisting them. Policy makers also understood that many of the reforms were interlinked and that success in one area needed success in others. For the anti-corruption reforms in the power sector to succeed, for instance, the state had to improve the availability and reliability of power supply, which required immediate investments in power generation, transmission, and distribution. Public

⁷⁸ Author's interview with Vakhtang Lejava, Tbilisi, September 9, 2011. Another official likewise noted how earlier reforms in some spheres were always conducted for the benefits of some special interests (author's interview with Gela Kvashilava, Tbilisi, September 8, 2011).

⁷⁹ Quoted in Larissa Burakova, *Pochemu u Gruzii poluchilos'* (Moscow: Alpina Business Books, 2011), 71.

resources were scarce, however. Tax collection needed to improve to fund these investments.⁸⁰

To summarize, in a country where corruption is a method for ordering relations among individuals, systemic change can hardly be reduced to an issue of technical adjustment; it must entail breaking out of that system. Adopting a few piecemeal changes will not suffice since corrupt actors will self-correct and adapt their corrupt mechanisms to partial reforms.⁸¹ Still, sweeping reforms that radically challenge the entrenched way of doing things are hardly possible to undertake at any point in time. First of all, at a critical juncture like the Rose Revolution, it seems important that a cohort of new actors, or at least actors prepared to work for change, enter the political arena. Moreover, it is important to quickly seize the opportunity and to steer development onto a new course in order to prevent actors opposing reforms to re-group, block reforms and re-establish status quo. The fact that Georgia's strategy largely has been homemade and did not follow any given prescription (hardly surprising since no such prescription has proven to work) naturally means a trial-and-error process in which mistakes and miscalculations were inevitable. In addition, it must be noted that the bold steps initially taken were backed up by substantial foreign aid. Nonetheless, while external financial assistance probably emboldened the government to push through some drastic institutional restructuring, financial aid alone would not have made any difference had there not been serious political will to actually use these funds for reforming the system.⁸²

⁸⁰ World Bank, *Fighting Corruption in Public Services*, 94.

⁸¹ The case of incomplete customs reform illustrates the indispensability of pushing through reforms all the way. According to former Minister of Finance Kakha Baindurashvili it took seven years until the customs system was cleaned up as: "Until then ... the incompletely reformed system was like an octopus ensnaring everyone in the tentacles of corruption." Quoted in World Bank, *Fighting Corruption in Public Services*, 43.

⁸² The history of foreign aid is littered with cases of political leaders stealing money while very little are used for the intended purposes.

Broad Institutional Reform vs. Independent Anti-Corruption Agency

Successful elimination of corruption in some often cited cases, like Botswana, Singapore and Hong Kong, tend to be ascribed to anti-corruption watchdogs. Consequently, much focus in the anti-corruption debate is placed on the details of these watchdogs themselves. However, as leading corruption expert Daniel Kaufmann argues, this narrow focus on anti-corruption agencies misses out on the impact that fundamental reforms in the broader political, economic and social environment have had in these and other success cases.⁸³ Indeed, in Georgia, corruption was fought without an anti-corruption agency since the new government abolished the anti-corruption coordinating council that Shevardnadze had installed in 2001 with no effect on curbing corruption. In a skeptical account of the new government's fight against corruption back in 2007, Londa Esadze noted that the leadership did not adhere to standard advice:

The anti-corruption reforms that have been advocated by Transparency International (TI) and the Organization for Economic Cooperation and Development (OECD) as necessary for change have not been implemented. ... TI called for a restructured anti-corruption commission, with powers of investigation, which would report to parliament. TI also urged the new administration to implement the National Anti-Corruption Program. In addition, the OECD, in its special recommendations for Georgia, called on the government to strengthen the existing Anti-Corruption Coordination Council and to establish a Specialized Anti-Corruption Agency with a mandate to detect, investigate, and prosecute corruption offenses, including those committed by high-level officials. Instead, in 2004 the newly elected government eliminated the existing Anti-Corruption Coordinating Council. The specialized Anti-Corruption Agency has still not been established, and currently there is no institution to coordinate and monitor the anti-corruption strategy of the country.⁸⁴

⁸³ Daniel Kaufmann, "Revisiting Anti-Corruption Strategies: Tilt Towards Incentive-Driven Approaches?" in *Controlling Corruption*. Edited by Robert Williams and Alan Doig. (Cheltenham, UK: Edward Elgar, 2000), 36.

⁸⁴ Londa Esadze, "Georgia's Rose Revolution: People's Anti-Corruption Revolution?" In *Organized Crime and Corruption in Georgia*. Edited by Louise Shelley, Erik R. Scott and Anthony Latta. (London: Routledge, 2007), 113.

The government defended its strategy by arguing that the merits of an anti-corruption agency were questionable when the whole state was plagued by corruption.

The wisdom apparently present among the Georgian leadership is that the corrupt order in Georgia was much more systemic than being just a cancer in one place of the political body that could be removed by surgical methods. It was the lifeblood of the whole state, a method of rule, and, as such, amputation simply would not help. The words of Georgian reformer Konstantine Vardzelashvili capture the mindset of the government:

We knew what we did not want to have and we understood well the reasons that made the previous system fail. Our strategy was not to reform the public service but to build from scratch. Limited bureaucracy and simplified procedures were at the core of our approach.⁸⁵

The anti-corruption component has been an integrated, if not pivotal, part of any reforms conducted since the Rose Revolution. Profound reforms in sectors such as taxes, infrastructure, law enforcement, education, health care, economic development and investment have both been possible due to the strong focus on corruption control, but equally important the reduction in corruption owes to these broader institutional reforms.

As for the overarching institutional framework for curbing corruption, the president approved an anti-corruption strategy in June 2005. The strategy covered issues such as: enhancement of transparency in the public administration; finance of political parties; support to the creation of a competitive business environment; reform of law enforcement bodies; improvement of business legislation and involvement of the community in anti-corruption activities. A few months later, the government followed up the Anti-Corruption Strategy with an Implementation Plan overseen by the State Ministry for Reform Coordination, which became the major

⁸⁵ Quoted in Richard Bennet, "Delivering on the Hope of the Rose Revolution: Public Sector Reform in Georgia 2004-2009," *Innovations for Successful Societies*, December 2011.

coordinating and supervising agency in the process. In the beginning of 2006, an anti-corruption action plan was first adopted by Presidential Decree and then in August-September 2006, different public agencies submitted anti-corruption strategies to the minister of reform coordination. In this context, the results of the decentralized strategy produced uneven results: very quick and far-reaching improvements were made in some sectors while much more modest progress was made in others, since the success of reforms was highly dependent on the willingness and capacities of individual ministers. In the beginning of 2009, there was a major update of the anti-corruption strategy and the anti-corruption action plan. The government set up a new body – the Interagency Coordinating Council for Combating Corruption – led by Minister of Justice Zurab Adeishvili and made up of senior officials from the executive branch, the legislature and the judiciary as well as several representatives from civil society organizations. The agency’s major task was to produce a new anti-corruption strategy and action plan more in line with the new situation.

So why is an independent anti-corruption agency insufficient in a context like Georgia in 2004? In an insightful analysis of anti-corruption agencies in a number of countries, Patrick Meagher argues that while these agencies may have their merits in addressing corrupt sectors within what is otherwise a functional and non-corrupt system, they are often unable to cure thoroughly corrupt systems. “Successful ACAs [anti-corruption agencies] do seem to operate in environments characterized by effective laws, procedures, courts, and financial system governance – and ACAs are not successful in the absence of these factors.”⁸⁶ In a country as corrupt as Georgia at the time of the Rose Revolution, all these factors were, of course, missing. Moreover, addressing broader issues such as economic, social and public sector restructuring are beyond the sphere of influence of anti-corruption agencies as these are fundamental political matters requiring the leadership of political bodies.

Rather than relying on an independent anti-corruption agency to break out of corruption in the first place, the appropriate time to introduce such an agency

⁸⁶ Patrick Meagher, “Anti-corruption Agencies: Rhetoric Versus Reality,” *The Journal of Policy Reform* 8, no. 1 (2005): 69-103, quote p. 98.

would be right now, when the general system has been revamped and the problem no longer is systemic, but remain in some more isolated spheres, as will be discussed later on. Establishing an independent anti-corruption agency with a clearly specified and targeted mandate would be a useful tool for effectively monitoring and investigate corruption in areas that the existing institutional structure is incapable of doing. Such an agency would neither need to be very big nor costly, just consisting of a smaller team of well-trained and well-paid professionals whose autonomous mandate and powers need to be fully backed by the government in order to shelter them from intimidation by powerful actors with privileges to protect.

Political Competition, Democracy and the Rule of Law

Since the collapse of the Soviet Union a debate has lingered regarding whether parliamentary or presidential systems are preferable in post-communist countries. In the literature, post-communist presidential systems are normally seen as more hospitable to corruption. As this system represents “a continuation of the arbitrary rule by the Party apparatus, it is naturally subject to few checks and balances and more inclined to corruption, and therefore it is also likely to be less democratic”.⁸⁷ A parliamentary system, on the other hand, induces greater competition in the system, which enhances the prospects for effectively limiting corruption in comparison to a presidential system, in which the winner usually faces fewer constraints in monopolizing corruption. Thus, increased political competition is important in order to impair rent seeking and corruption.⁸⁸ The problem with this idea is that it rests on the notion of corruption as a violation against universal rules as defined from the perspective of largely non-corrupt countries, hence if competition expands, corruption will decrease. But, in a country such as Georgia prior to the Rose Revolution, in which corruption was the dominant norm in society, competition also meant competition in corruption.

⁸⁷ Åslund. *How Capitalism was Built*, 229.

⁸⁸ Chris O'Dwyer, *Runaway State-Building: Patronage Politics and Democratic Development* (Baltimore: Johns Hopkins University Press, 2006); Anna Grzymala-Busse, *Rebuilding Leviathan: Party Competition and State Exploitation in Post-Communist Democracies* (Cambridge: Cambridge University Press, 2007).

The revolutions in Kyrgyzstan in 2005 and 2010, respectively, make this point perfectly clear. In both occasions, government corruption and nepotism were major sources of indignation against the incumbent leaders. However, neither in 2005 nor in 2010 did the former opposition, now turned rulers, use their newly won powers to tackle these issues. On the contrary, the competition over corrupt revenues intensified with adverse effects on that country's political, social and economic fabric. Equally illustrative are the developments in Ukraine after its Orange Revolution. The post-revolutionary path of development in Ukraine was even greeted with more enthusiasm and greater optimism than the Georgian choice of path. Why? The simple reason is that contrary to Georgia, Ukraine adopted a constitution with increased parliamentary powers.⁸⁹ That this resulted in uncontrolled competition in corruption among the elite factions and total political stalemate was perceived to be less of a problem.

The relationship between democracy and corruption is more complicated than the assumption that the more democratic a state is, the less corrupt it also is. While statistical studies show that there is a positive relationship between long established democracies and low levels of corruption,⁹⁰ this does not mean that the introduction of free elections necessarily helps in curbing corruption, as is often believed. This assumption stems from the belief that citizens (voters) will hold politicians accountable for corrupt behavior through the electoral mechanism. In reality, however, this straightforward positive effect of democracy on curbing corruption is mixed as it has been documented that corrupt politicians often stand good chances for reelection.⁹¹ Moreover, corruptions indices reveal that several democratic states are ranked as more corrupt than some authoritarian states.

Enhanced political competition and democratization have clearly not been any force in curbing corruption in Georgia. Georgia's ranking in democracy indices has remained the same since the Rose Revolution (in 2003 Freedom

⁸⁹ See for example Anders Åslund and Michael McFaul, eds. *Revolution in Orange: The Origins of Ukraine's Democratic Breakthrough* (Washington, D.C.: Carnegie Endowment for International Peace, 2006).

⁹⁰ Daniel Treisman, "The Causes of Corruption: A Cross National Study," *Journal of Public Economics* 76, no. 3 (2000): 399-457.

⁹¹ Jan Teorell, "Corruption as an Institution: Rethinking the Nature and Origins of the Grabbing Hand," *QoG Working Paper Series* 2007: 5, November 2007.

House score was 4.83, in 2011 it was 4.86).⁹² Presidential powers strengthened while parliamentary powers weakened, and the judiciary's independent powers remain limited;⁹³ most of this will nevertheless be reversed after 2013 following amendments to the constitution that foresee a more balanced division of powers between the presidency and the parliament.

Given the dramatic changes that have occurred in Georgia in other aspects of the political system, this clearly manifests that a focus on a country's political system through the one-dimensional spectrum of democracy-authoritarianism is insufficient for understanding state behavior as well as for serving as a predictor of the degree of corruption. It is obvious that many of the decisions made in Georgia since the Rose Revolution would have been untenable in a dispersed pluralistic political system. While the reforms have had dramatic impact on reducing corruption and enabled the government to build a state that is capable of administering and providing basic public goods and services, improvements in the development of a pluralistic political system, or the establishment of an independent legal system, are less tangible. This may not be very surprising. As pointed out by two scholars, "western policy and academic circles have yet to devise ways to reverse state capture through means that would conform to due process requirements."⁹⁴ Moreover, as noted above, democracy and low level of corruption are not synonymous and, therefore, the critique against Georgia's democratic shortcomings raised by several international and domestic organizations does not necessarily pertain to the issue of corruption.

Free Media and an Active Civil Society

While Georgia's relatively free media under Shevardnadze helped exposing corruption to the public and therefore can be said to have played an important role in raising the awareness about corruption and provide a focal

⁹² Freedom House, "Georgia", in *Nations in Transit 2011* (New York: Freedom House, 2011), 215, available at www.freedomhouse.org/sites/default/files/inline_images/NIT-2011-Georgia.pdf.

⁹³ Vladimer Papava, "Anatomical Pathology of Georgia's Rose Revolution," *Current Politics and Economics of the Caucasus Region* 2, no. 1 (2009): 1-18; Stephen F. Jones, "The Rose Revolution: A Revolution without Revolutionaries?" *Cambridge Review of International Affairs* 19, no. 1 (2006): 33-48.

⁹⁴ Cornell and Nilsson, "Georgian Politics since the August 2008 War," 253.

point that the political opposition and ordinary people could rally around,⁹⁵ free media played little part in the actual curbing of corruption since the revolution. As noted by Freedom House and others, media freedom in Georgia has scarcely progressed since the Rose Revolution.⁹⁶ On the other hand, state-controlled media played a role in communicating the government's attempts to curb corruption. As the World Bank writes, communications were used strategically by the government, as media broadcasted high-profile arrests of corrupt officials: "Using media in this way spread the word that corruption was no longer tolerated, changing people's views about what was accepted."⁹⁷ Later on, the government also paid increasing attention to more concretely communicate the actual reform programs and their results to the public.⁹⁸

It is also widely believed that the strength of civil society is a factor influencing political will to fight corruption. In Georgia, many of the reformers that came to power indeed had their background in civil society and brought alternative ideas and visions to power. Since then civil society has not been strengthened, however, in part because large chunks of it was incorporated into the government. In a developing country like Georgia civil society is relatively small and weak and, therefore, its capacity to aid the fight against corruption cannot be compared to its potential within corrupt democratic systems where its presence in public life is well established.⁹⁹ Thus, in a context of relatively weak civil society, it is unrealistic to believe that those actors with weak powers would be able to make a critical difference in the fight against corruption. That said, its further strengthening is important at the current stage of development, when the state has already taken several crucial steps in a modernizing direction.

⁹⁵ Scott, "Georgia's Anti-Corruption Revolution," 17-36.

⁹⁶ Freedom House, *Nations in Transit 2011*, 215; Freedom House, *Freedom of the Press 2004-II*. Indeed, Georgia's ranks declined from 54 in 2004 to 60 in 2009, before improving in 2012 to 52, a level slightly better than that at the time of the Rose Revolution.

⁹⁷ World Bank, *Fighting Corruption in Public Services*, 99.

⁹⁸ *Ibid.*, 99-100.

⁹⁹ Derick W. Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts: An Analytical Framework," *Public Administration and Development* 20, no. 3 (2000): 246.

Areas Where Further Reforms Are Needed

As touched upon in the previous section, high public expectations for reforms following the Rose Revolution in combination with the decisiveness of the new political leadership were critical in achieving quick results and building a momentum for reforms that may otherwise have been very difficult to push through. That many reforms did not follow due process in the ambition to meet these public demands is hardly surprising considering the particularities of a post-revolutionary political setting. However, closing in on the ten-year anniversary of the Rose Revolution, reforms can no longer proceed like in the first years after the revolution. While it is the case that the government increasingly has been more careful in planning, executing and communicating reforms, there are still a number of areas which are sources of future concern. Addressing these problems requires an approach that is different from the measures that were applied to bring down corruption and improving governance in many areas of the state in the first place. In particular, the challenges ahead require greater institutionalization of reforms, and greater transparency and accountability at the top level.

The Question of Elite Corruption

While there is consensus even among the government's most fervent critics that everyday corruption has been effectively eliminated, a critique that systematically comes up is that elite corruption has not been addressed. While government representatives vigorously deny the existence of elite corruption, critics claim that the political-business nexus is much more sophisticated and discrete than previously and insist that different economic monopolies are supported by political patrons at the highest level.¹⁰⁰ In the opinion of Papava, one of the government's strongest critics:

¹⁰⁰ Papava, "Anatomical Pathology of Georgia's Rose Revolution," 1-18. One such practice was the extra-budgetary funds created immediately after the Rose Revolution. Since these funds were not part of the government budget and lacked financial

After the Rose Revolution the government can be evaluated in two ways: there has been a successful fight against petty corruption, but at the same time new instruments have been created for elite officials. Corruption has modernized. High-level officials no longer need to take bribes. They control businesses through family members. These businesses pay their taxes, but are winners of public procurement contracts and providers of public goods and services.¹⁰¹

Transparency International's Georgia branch suggests the same regarding the ownership of large businesses: "Once you get above a certain level, you always seem to end up in Cyprus or a P.O. box in the Bahamas."¹⁰² That said, these allegations have rarely been backed up by concrete evidence, and the lack of public information and transparency regarding this issue makes it very difficult to prove the matter one way or the other. Government representatives, in particular, support their view by arguing that in other post-Soviet countries it is normally possible to spend just a week in the country in order to get a rough picture of which elite official controls which businesses, while in Georgia this is not possible.¹⁰³ What is clear, however, is that there are few, if any, cases of ostentatious living on the part of the high echelons of the government – in contrast to the mansions that leading ministers built during Shevardnadze's tenure.

There are a few cases that have been used by both the government and its critics to advance their respective sides on the matter. In 2007, two former high-level officials, Irakli Okruashvili, former Minister of Defense, and Mikheil Kareli, who had been governor of the Shida Kartli region, were accused of massive embezzlement while holding public office. As De Waal notes, "this raises the question of whether their alleged financial misdemeanors would or could have been exposed if they had managed to stay

transparency it has been noted that it is impossible to know how much money was transferred to these accounts as well as how it was spent.

¹⁰¹ Author's interview with Vladimer Papava, Tbilisi, September 7, 2011.

¹⁰² Quoted in De Waal, *Georgia's Choices*, 26.

¹⁰³ Author's interview with Vakhtang Lejava, Tbilisi, September 9, 2011.

in office.”¹⁰⁴ One expert notes that it is peculiar that law enforcement agencies did nothing to investigate these activities while Okruashvili was serving as minister, although there were many allegations and reporting about his activities.¹⁰⁵ Government representatives, on the other hand, claim that Okruashvili’s defection in the first case was linked to ongoing investigations on corruption against him while still in office. A few other previous top officials, including former Prime Minister Zurab Nogaideli, ex-speaker of parliament Nino Burjanadze, and former Minister of Defense David Kezerashvili have also been linked with corruption charges since leaving office. There are two possible explanations for this. On the one hand, it is quite natural that these allegations emerge only after these individuals leave their offices since they are able to use political power to conceal their corrupt activities while in office, something that is common in all post-Soviet states. On the other hand, there is the possibility that high-level officials are allowed certain freedoms as long as they remain loyal. From this perspective, counter-corruption could be selectively used for political purposes. What all this, then, boils down to is whether these individuals are representative for what is going on at the elite level in general, or represent a few bad apples? All that can be said with some degree of certainty on the matter is that given the absence of transparency and accountability at the highest echelons of power, the perception of top officials’ impunity will continue to linger among oppositionists, observers and the general public. A local expert on corruption provided a telling illustration:

In the latest Transparency International ranking Georgia is on par with Italy. Does this mean that the situation is the same? No, and let me tell you why. In Italy, Prime Minister Berlusconi was taken to the court against his will. This cannot be thought of in Georgia. No one will open a criminal case and take a top official to court.¹⁰⁶

¹⁰⁴ Ibid. Also Transparency International Georgia, *Georgia National Integrity System Assessment* (Tbilisi: Transparency International Georgia, 2011), 25.

¹⁰⁵ Author’s interview with Alexandre Kukhianidze, Tbilisi, September 15, 2011.

¹⁰⁶ Author’s interview with Georgian expert on corruption, Tbilisi, September 15, 2011.

Strengthening judicial independence therefore appears a necessary precondition for successfully convincing society that courts are willing to take on politically sensitive issues. In this context, some experts argue that while judges are no longer corrupt in the sense that they are taking bribes, and court functioning has improved in civil cases, problems remain in administrative, criminal and economic cases. Public trust towards the judiciary is still lacking and, according to some experts, to be a successful lawyer equals being a skillful negotiator of plea bargains with the government.¹⁰⁷

With all this said, it should be emphasized, as Christian Timm does, that “even if the criticism is correct, that only petty corruption has been abolished and grand corruption still remains a serious problem, the evidence however suggest that ... the former system of corruption pyramids could be overcome.”¹⁰⁸ And it is exactly the pyramid nature that has made political and administrative corruption so intertwined in the post-Soviet era and therefore so distorting for ordinary citizens. In this context, the inclination on the part of existing research to separate between high-level political corruption and low-level administrative corruption, and see them as unrelated,¹⁰⁹ is seriously flawed and does not reflect the reality in the pyramid systems of corruption that we find in post-Soviet states. Corruption at the high level cannot be understood in isolation from the low level; both levels are linked by corruption on the intermediate levels of the state hierarchy. Superior officials demand entry fees in exchange for positions on lower levels as well as the continuous supply of proceeds in order to maintain these positions. Consequently, different levels of the state in Georgia prior to the Rose Revolution essentially operated out of the same dynamics of investing in the public sector, expecting unofficial reimbursement.¹¹⁰ To

¹⁰⁷ Author’s interviews with representative of Georgian Young Lawyers Union, Tbilisi, September 12, 2011 and foreign experts, Tbilisi, September 13 and 14, 2011.

¹⁰⁸ Christian Timm, “Neopatrimonialism by Default: State Politics and Domination in Georgia after the Rose Revolution,” Paper presented at the workshop Neopatrimonialism in Various World Regions, August 23 2010, GIGA German Institute of Global and Area Studies, Hamburg, 5.

¹⁰⁹ For an early critique, see Robert Wade, “The System of Administrative and Political Corruption: Canal Irrigation in South India,” *Journal of Development Studies* 18, no. 3 (1982): 287-328.

¹¹⁰ Cf. Engvall, *The State as Investment Market*.

summarize, since ordinary corruption at lower levels has been eradicated in Georgia, the pyramid of corruption, at least in its monetary variant, has also been broken.

Elite corruption in Georgia today, to the extent that it exists, is therefore something very different than sitting at the top of the state hierarchy and influencing how public goods and privileges are sold or distributed. The type of corruption that allegedly remains at the higher level is thus much more disentangled from society as a whole and less extortive.

In this context, two issues seem to stand out. The first relates to infringements by elites on property rights, which according to Transparency International's analysis are generally secure as long as there is no specific government interest in the property.¹¹¹ A foreign business representative voiced the following concerns, often communicated by business sector experts:

If you are a businessman and keep your nose clean and stay out of politics, Georgia is a good place to do business. Opening and closing businesses are easy, you can employ people as you want to, and taxes are low. If you become very big and interact with the government by bidding on public contracts or expand to sectors controlled by one of the big business guys that is when you get problems. You need to be sensitive and avoid attracting attention. As long as you are a regular guy, the security of property rights is generally fine.¹¹²

It should be noted that there is no consensus as to whether pressure on business interests is primarily linked to extracting private economic gain or more associated with attempts to politically regulate and control the business sector. Either way, it creates distrust and fear on behalf of private entrepreneurs.

Another sphere that appears to lack integrity against improper wielding of influence is the system of public procurement, where persistent allegations of insider deals and collusion continue to exist. These allegations were

¹¹¹ Transparency International, *Georgia National Integrity System Assessment*, 179.

¹¹² Author's interview with foreign business representative, Tbilisi, September 14, 2011.

supported in 2010 when, within a short period of time, two deputy ministers and a former deputy minister were implicated in corrupt public procurement deals.¹¹³ However, as Transparency International notes, a possible improvement is discernible in this regard following the introduction of an electronic, transparent procurement system in 2011.¹¹⁴ It must also be emphasized that the public procurement system represents a somewhat special case. The reason for this is that in contrast to most other markets which are of a continuous nature, we are here dealing with a discontinuous market; contracts are awarded on an irregular basis and the stakes are high since these contracts often are lucrative. This is not only the case in Georgia, but the public procurement system is also vulnerable to undue influence in for example otherwise relatively non-corrupt Western countries.

In sum, while the high level of political monopoly in the first few years enabled the government to push through crucial reforms very quickly, the very same concentration of political power in the hands of a narrow group of politicians are increasingly turning into a cause for concern. The major challenge for the Georgian government is the perception of lingering partiality and favoritism at the highest political level. Several of the aspects raised as sources for concern by international and domestic NGOs, including central political interference, political unaccountability, judicial dependency and the use of other state bodies, like the tax service or recently the Chamber of Control, against oppositionists indicate that there is still work to be done. Still, the arbitrary use of power reflects a situation common in all countries that straddle the boundaries between authoritarian and democratic rule.

In Between New Public Management and Clientelism

Following the Rose Revolution, a struggle erupted within the new government regarding which civil service model should replace the perverted variant of the outdated Soviet bureaucratic model that had remained under

¹¹³ Transparency International, *Georgia National Integrity System Assessment*, 25.

¹¹⁴ "Georgia Slightly Improves Standing in TI Corruption Index," *Civil Georgia*, December 1, 2011, available at www.civil.ge/eng/_print.php?id=24215. Yet, a representative from Transparency International Georgia expressed concern that the e-procurement is user unfriendly and that the government believes that it is simply enough to publish the data while doing little to check the accuracy of the information provided (author's interview, Tbilisi, September 13, 2011).

Shevardnadze.¹¹⁵ One side, prominently led by Prime Minister Zurab Zhvania and supported by Kartos Kipliani, the head of the new Civil Service Bureau, recommended the more traditional West European model associated with Max Weber's modern legal-rational bureaucracy. It is a system based on the separation of responsibilities and specialization in offices; it is governed and coordinated through general rules and a hierarchy of superiors and subordinates. Staffing is based on merit and qualifications for work, and continuity is ensured by a distinct career system.¹¹⁶ The other faction, forcefully led by Kakha Bendukidze, a business tycoon and at the time newly appointed Minister of Economy, feared that such a model would simply allow continued bureaucratic dominance with adverse effects on economic activity. Instead, guided by libertarian ideas, he and his team advocated the much more business-oriented model of civil service that is commonly referred to as New Public Management (NPM). In sharp contrast to Weber's rigid bureaucracy which was modeled on the organization of the Prussian army, the NPM model is inspired by the world of business and gained prominence in the Anglo-American world in the 1980s and 1990s, with New Zealand as the pioneering country. This latter faction won the struggle and rather than a career-based model of public sector employment, a contract-based model has been chosen. Georgia's NPM system rests on four main pillars: 1) autonomous powers of managers to decide how to run agencies; 2) explicit targets and measures of performance; 3) flexibility of recruitment policy; and 4) the role and size of the state is reduced as public functions is contracted out to the private sector.¹¹⁷

The government strongly believes that the private sector, with its competitiveness, is more effective in supplying the services demanded by the

¹¹⁵ The following section draws heavily on Michael Bennet's excellent detailed chronology of public sector reforms in Georgia since the Rose Revolution (Bennet, "Delivering on the Hope of the Rose Revolution").

¹¹⁶ Max Weber, *Economy and Society* (Berkeley, CA: University of Berkeley Press, 1978), 956-1005.

¹¹⁷ See the website of the Civil Service Bureau, available at <http://www.csb.gov.ge/en/reform-in-civil-service>. For a general discussion of the components of NPM, see Christopher Hood, "Exploring Variations in Public Management Reform in the 1990s," in *Civil Service Systems in Comparative Perspective*. Edited by Hans Bekke, Theo Toonen and James L. Perry (Bloomington: Indiana University Press, 1996), 268-287.

citizenry. According to the head of the Civil Service Bureau, the future vision is to involve the private sector as much as possible in the execution of public services: “Take the example of issuing identification cards, which is today handled by the civil registry and financed by the state budget. But why should it have any incentives to improve if it already has a monopoly on this service?”¹¹⁸ But the plans do not stop there. In the draft civil service code developed by the Civil Service Bureau, the logic is proposed to expand one step further by introducing contractualism within the public sector and a future separation of the civil service into political and executive offices. If this initiative is legislated, political offices will be responsible for making policy decisions and separated from the executive offices, which will be independently managed by an Executive Director. In this new structure, change in the political component of the civil service, i.e. a change of ministers, will not affect the Executive Director of a state agency. The Executive Director will have full autonomy in deciding the hiring of staff within the agency. The main principle of accountability will be that of a contract between authorized state officials and the Executive Director. Considerable inspiration for this vision of government by contract is derived from the experience of New Zealand.¹¹⁹

Still, as of now the lack of a clear distinction between the policy process and public administration¹²⁰ remains a weak spot in the Georgian bureaucratic system. As observed by Transparency International Georgia,

¹¹⁸ Author’s interview with Irakli Kotetishvili, Director of Civil Service Bureau, Tbilisi, September 9, 2011.

¹¹⁹ Ibid; Civil Service Bureau, *Effective and Transparent Governance in Georgia*, Tbilisi: Civil Service Bureau, 2010, 14-17.

¹²⁰ Historical experiences demonstrate that a clear separation between politicians and civil servants has been effective in curbing corruption. A professional cadre of civil servants is important for improving the efficiency of the public administration. For corruption control, however, recent research has demonstrated that the main feature of bureaucratic control of corruption is that the interests of bureaucrats and politicians are clearly separated, i.e. the former are recruited on a meritocratic basis creating a professional bureaucracy shielded from political influence (Carl Dahlström, Victor Lapuente and Jan Teorell, “The Merit of Meritocratization: Politics, Bureaucracy, and the Institutional Deterrents of Corruption,” *Political Research Quarterly* 65, no. 3 (2012), 656-668).

The civil service lacks independence because of the influence ministers can exert in hiring, promoting and, particularly, firing civil servants. While there are some legal hurdles to arbitrary dismissal, they are rarely put into practice. It is still commonplace for new ministers to demand significant changes in staffing, even among fairly junior staff. The main problem behind this continuing weakness is a conviction within the Georgian government that flexibility in the civil service is more important than independence, security or long-term professional development.¹²¹

It has further been noted that many ministries still have an *ad hoc* composition and lack clear formal job descriptions, hiring procedures, and effective mechanisms for performance evaluation. Because President Saakashvili has made a habit of frequently rotating ministers and directors of state agencies, there has been a loss of institutional memory throughout the state hierarchy, as new officials bring in new staff – typically their preferred staffers in their previous jobs – to work under them.¹²² Consequently, long-term procedures and planning have suffered. Moreover, as a result of the considerable powers in the hands of ministers and heads of agencies, there is little in terms of central standardized practices across different public bodies, and the performance tends to be uneven and largely dependent on the will and skills of different individual politicians and directors. While some ministries, notably the Ministry of Justice and perhaps also the Ministry of Economy, are said to be developing toward technocratic, competent organizations, some other are far less developed.¹²³ Recruitment procedures can therefore be dramatically different across sectors, with some characterized by transparent and competitive hiring procedures while others choose to never advertise publicly about vacancies. In this regard, the contract-based model of civil service has not sufficiently managed to provide

¹²¹ Transparency International Georgia, “Monitoring Georgia’s Anti-Corruption Commitments,” 2010, available at http://transparency.ge/sites/default/files/post_attachments/ENP_TI_Georgia.pdf.

¹²² Bennet, “Delivering on the Hope of the Rose Revolution”. As Bennet further notes, other countries using the principles of NPM had chief executive officers and boards of directors, but in Georgia agencies were run without board oversight.

¹²³ Author’s interview with George Welton, Executive Director, American Chamber of Commerce, Tbilisi, September 14, 2011.

the basis for a permanent core of civil servants, as the short-term character of the contracts reduces incentives for long-term employment.¹²⁴

Some observers see constant turnover in political and administrative offices, weak institutionalization and the lack of clear procedures for accountability as reflecting a more conscious political strategy of creating and maintaining political power and, therefore, is inherent to the new system. From this perspective, legislative changes, organizational restructuring and other formal institutional changes provide a façade of modernization for what essentially is a neopatrimonial mode of domination based on particularistic rewards. On the basis of a micro-level study of center-periphery relations since the Rose Revolution, Timm arrives at the following verdict:

Rotation and other forms of central arbitrarily [sic] interference ... are vital means for the Georgian government to keep generating uncertainty and have become the vital element to compensate for the lost corruption pyramids. As a long-term side-effect ... the permanent rotation of officials inevitably undermines the reform aim of a modern and professionalized administration and jeopardizes the so far made achievements.¹²⁵

Thus, according to Timm and some other scholars, Georgia has yet to move away from a neopatrimonial order to a modern form of institutionalized civil service. While providing informal payments for bureaucratic posts is no longer the issue, civil service recruitment is predominantly based on more subtle forms of personal connections and loyalty at the expense of meritocracy.¹²⁶ As long as these features remain and the civil service is subject to the arbitrary powers of politicians, there will always be the risk that, for example, the tax inspector is used for political purposes to harass the troublesome businessman, or that administrative resources are mobilized in

¹²⁴ For a good overview of major weaknesses in the civil service, see Transparency International, "Georgia's National Integrity System Assessment," 75-91.

¹²⁵ Timm, "Neopatrimonialism by Default," 13.

¹²⁶ Timm's main argument is thus that multiple outcomes are possible under neopatrimonial constraints.

support of the ruling party during times of elections.¹²⁷ At the same time, as long as bureaucrats are directly dependent on superior ministers and directors for their career security, they will have no incentive to control the activities of superiors – which would amount to biting the hand that feeds them.

To summarize, in the Georgian context, the relationship between politicians and bureaucrats is not just characterized by a strong degree of politicization, but also reflects the high degree of reliance on personalities in the fight against corruption – and the perception that success largely owes to a strongly committed and united elite able to quickly react to the challenges presented without having to confront bureaucratic hurdles. Thus, the present status of Georgia's anti-corruption reforms highlights the delicate question of whether to rely on personalities or whether to de-personalize rule and entrust governance to an institutional foundation. So far, the trust in the new system's ability to handle the situation on its own, without the need for a high degree of flexibility among politicians, is still not there. Indeed, one gets the impression that if the current leadership is not empowered with extensive powers, the achievements can still be reversed. As one high level government official stated,

The political unity among the people at the top is very strong. This is very important at the time and allows for quick decision-making. Diversity will break the state down. ... We have not yet reached the point where the reforms are irreversible. They need to be institutionalized and sustainable.¹²⁸

However, both government officials and experts note that bringing wholesale corruption back in would probably be difficult or even politically suicidal since citizens have gotten used to a non-corrupt service delivery system and remember the old system with resentment. Nonetheless, it is in

¹²⁷ Author's interview with foreign business executive, Tbilisi, September 13, 2011. On the use of administrative resources during elections, see OSCE/ODIHR, *Georgia: Parliamentary Elections 21 May 2008*, OSCE/ODIHR Election Observation Mission Final Report; Transparency International Georgia, *The Use of Administrative Resources for Election Campaign: 2010 Local Self-Government Elections Final Report* (Tbilisi: Transparency International Georgia, 2010).

¹²⁸ Author's interview with Tornike Turmanidze, Tbilisi, September 6, 2011.

this context – of whether the achievements are likely to outlive the incumbent government – that Georgia’s democratic deficit becomes especially critical. David Lee, General Director of Georgia’s biggest phone company, Magticom, offered the following perceptive account:

The biggest barrier to democracy is that the politicians currently in power may not have any roots to the opposition. If they would fall from power they will have to leave the country. There is no incentive for them to leave the government and to give up power. Therefore, there is a fear that the government will do everything in their power to redistribute and keep control over what they have. This includes stopping the formation of true opposition politicians. This is not just the case in Georgia. No one has really worked out this issue [succession] in post-Soviet countries. To my mind, this problem would be resolved if Georgia became an EU member.¹²⁹

Applying this to the future anti-corruption work, it is difficult to exaggerate the importance of normalizing the relationship between the government and the opposition in the sense that they at least start talking to each other. This would help reduce distrust towards the government and its initiatives. Involving the opposition in a dialogue about the future of reform would potentially have the additional benefit of making the continued efforts in building an effective non-corrupt political system subject to a cooperative enterprise in which more actors than a small circle of people currently in power are shareholders. This will depend on the political will both on the side of the government and the opposition.

¹²⁹ Author’s interview with David Lee, General Director Magticom, Tbilisi, September 13, 2011.

Conclusion: Lessons to Learn from Georgia

What can we learn from the Georgian experience? First of all, it shows that endemic corruption as a method of governance, tying together the state internally as well as defining its interaction with the citizenry, is not inevitable. It is possible to break out of this situation. The developments in Georgia underline the conventional wisdom that a strong and determined political leadership is a precondition for a successful fight against corruption.¹³⁰ Rather than a certain institutional logic, the Georgian case testifies to the indispensability of both a political will to initiate the fight against corruption, and then the will to sustain the battle over time. Indeed, if seen from the perspective of the arsenal that international organizations promote in order to curb corruption, Georgia probably had roughly as much in place in terms of democratic accountability, media freedom and anti-corruption organs, under Shevardnadze as today. The outstanding difference is the existence of a clear political will. Much research has shown that in thoroughly corrupt societies, corruption can hardly be fought from the bottom. And the few success stories that exist, like Hong Kong and Singapore, underline the need of a strong and determined political leadership.¹³¹ In addition, Georgian reformers came to power on an anti-corruption platform and the will to initiate anti-corruption measures has come from within the elite, and not been imposed by outside actors. Partly due to this fact, the profound reforms undertaken in Georgia have been largely homegrown, reflecting a strong belief in what needed to be done in order to succeed.

Besides a strong and determined leadership, there must also be a popular mandate for initiating these policies in the first place, since they require drastic measures that radically alters status quo in society. The window of

¹³⁰ Brinkerhoff, "Assessing Political Will for Anti-Corruption Efforts," 239-252.

¹³¹ Eric Uslaner, *Corruption, Inequality, and the Rule of Law: The Bulging Pocket Makes the Easy Life* (Cambridge: Cambridge University Press, 2008).

opportunity to pursue these often controversial policies is very short, though, and the longer leaders wait in the wake of dramatic upheavals such as revolutions, the harder it is to change course and direct development onto a new path. In this context, those who argue that reforms need to be carefully tailored and long-planned before being introduced neglect the fact that the room for radical changes rarely lasts very long and the importance of grasping the opportunity presenting itself at a critical juncture of time.

Regarding the more concrete lessons that can be learned from the Georgian experience, it is difficult to avoid the conclusion that something more revolutionary than the conventional gradualist anti-corruption strategies promoted by the major international organizations involved in the anti-corruption industry is required in order to break out of a situation where activities normally qualified as corrupt lie at the heart of political organization.¹³² As political scientist Larry Diamond argues,

... endemic corruption is not some flaw that can be corrected with a technical fix or a political push. It is the way that the system works, and it is deeply embedded in the norms and expectations of political and social life. Reducing it to less destructive levels – and keeping it there – requires revolutionary changes in institutions.¹³³

The gradual approach to anti-corruption work focusing on increasing the costs of corrupt behavior within the existing system appears to be ineffective for the purpose of significantly reduce corruption in a situation when it is endemic.¹³⁴ Increasing the cost of violating rules does not reflect the magnitude of the problem in societies where these “violations” are the rules

¹³² This argument has been launched by Bo Rothstein. See his *The Quality of Government*, Chapter 5. However, Rothstein refers to an indirect “big bang” approach while the strategy in Georgia appears to have targeted corruption in a more direct manner.

¹³³ Larry Diamond, “A Quarter-Century of Promoting Democracy,” *Journal of Democracy* 18, no. 4 (2007): 119.

¹³⁴ Cf. Jon S.T. Quah, “Combatting Corruption in Singapore: What Can Be Learned,” *Journal of Contingencies and Crisis Management* 9, no. 1 (2001): 29-35.

of the game. In the words of Eric Uslaner, corruption is simply too “sticky”¹³⁵ a phenomenon to be fought by incremental measures. Inserting a few institutions for controlling corruption – whether the Swedish “export” institution of Ombudsman’s office, an anti-corruption agency or an independent Drug Control Agency as tried in Central Asia – have not produced tangible results in thoroughly corrupt systems as they themselves have either been tangled up in the corrupt environment or isolated islands unable to produce any change in the general system.¹³⁶ International advisors seem to have taken little notice of this. Their recommendations continue to be promoted unabated although the developments on the ground provide little support for the efficiency of these strategies. Rather than blaming the failures of anti-corruption programs on bad policies, lack of political will or various technicalities in the measures adopted, it may be time to ponder whether the simple fact is that the strategy employed is not up to the task.

The common denominator in those contemporary countries that have succeeded in curbing corruption is that they have managed to tear down the old system and replace it by new rules and norms of behavior that decisively parted with the past. Take the most outstanding post-communist success story – Estonia – which belonged to the Soviet Union for nearly half a century and is now the twenty-sixth least corrupt country in the world according to Transparency International.¹³⁷ Estonia’s quick success was not the outcome of any specific anti-corruption measures, but a profound reform of the state apparatus and the political, economic and social institutions.¹³⁸

Even in a historical context, this revolutionary approach holds relevance. Consider the case of Sweden, since long considered to be one of the least corrupt countries in the world, leading some observers to believe in the existence of certain cultural values shielding Sweden against corruption.¹³⁹ However, as Rothstein has demonstrated, contrary to the perception of Sweden as immune to corruption, Sweden was until as late as the mid-

¹³⁵ Uslaner, *Corruption, Inequality, and the Rule of Law*.

¹³⁶ Mungiu-Pippidi, “Corruption: Diagnosis and Treatment”; Rothstein, *The Quality of Government*.

¹³⁷ Transparency International, “Global Corruption Barometer 2010”.

¹³⁸ Åslund, *How Capitalism was Built*, 254-255.

¹³⁹ In particular, this refers to variants of Max Weber’s analysis of the protestant ethics.

nineteenth century by present standards corrupt: a special civil servants system enabled public officials and military officers to buy and sell paid positions in a manner reminiscent of a feudal right to public positions; the educational system had sunk in a swamp of favoritism and privileged connections with the consequence that those graduates seeking entrance to the civil service did not possess the skills required for work.¹⁴⁰ The majority of the broad based political and legal reforms that made Sweden move away from corruption, like in Georgia, took place under a concerted period of time. As Rothstein argues,

... one can clearly characterize this period as a nonincremental, indirect “big bang” change. Not just a few, but almost all major political, social, and economic formal institutions were transformed during a relatively short period, with the 1860s as the central decade.¹⁴¹

This said, Georgian reforms have, as noted earlier, not been equally successful in managing to bring about wholesale “big bang” change across the board and some areas of governance remain vulnerable to undue political influence and favoritism.

The Georgian strategy has further been a mix of punishment and prevention. Existing international advice emphasizes the supremacy of developing preventive mechanism and warning countries from relying too heavily on sanctions. However, as Rasma Karklins notes, “without prosecution there cannot be real prevention, because there no longer is any risk in engaging in corrupt acts. The key to an effective anti-corruption strategy is to use sanctions not as an end, but as a means of deterrence by creating an effective level of credibility that sanctions will be forthcoming. If the risk of sanctions is real, the calculus of corruption changes accordingly, and then,

¹⁴⁰ Rothstein, *The Quality of Government*, 111-113. Admittedly, corruption in Sweden in the early 19th century was not as systemic as in Georgia before the Rose Revolution. It should also be noted that the Swedish strategy was following due process and did not include the kind of extra-legal means that initially featured strongly in Georgia.

¹⁴¹ *Ibid*, 117.

paradoxically, fewer actual sanctions are needed.”¹⁴² This reflection corresponds well with the Georgian strategy. At first, sanctions were heavily imposed targeting the old elite and corrupt officials on lower levels. But over time, the burden of sanctioning has given way to creating a system in which the opportunities for corrupt deals are minimized. The extent to which the preventive strategy has incorporated modern technological solutions is especially striking.

Encouragingly, Georgia’s experience suggests that corruption cannot be dismissed as a cultural phenomenon. Although it had deep roots in the Soviet system, it was given new impetus after independence. An excessive bureaucratic system and a patron-client system of governance turned corruption into the rules of the game under the Shevardnadze government. And the president himself contributed strongly in trying to cultivate the idea of “corrupt” and “clientelistic” practices as intrinsic to the Georgian mind and parts of its cultural traits.¹⁴³ In brief, it was convenient to excuse corruption with reference to culture and the mentality of people. According to Lejava, before the revolution people did not believe that the situation could change since corruption was so present in their everyday lives. However, “Georgia has shown that it is possible to fight corruption successfully. You cannot discount anti-corruption because of culture or mentality.”¹⁴⁴ The same verdict was passed by the *Economist* in an article entitled ‘Georgia’s mental revolution.’¹⁴⁵ In short, the widely spread idea that corruption is culturally related and therefore will take generations to change has not held up in Georgia. The level of change and speed of reform have been remarkable. It further appears that Georgia’s success has inspired some other post-Soviet countries to renew their anti-corruption efforts. Reformers within the new government in Kyrgyzstan are frequently debating which building blocks of the Georgian anti-corruption approach that can be incorporated into their own declared fight against corruption.

Although corruption may take some peculiar forms based on cultural traits, much more fruitful than cultural explanations for understanding the

¹⁴² Karklins, *The System Made Me Do It*, 161.

¹⁴³ Author’s interviews with government officials, Tbilisi, September 2011.

¹⁴⁴ Author’s interview with Vakhtang Lejava, Tbilisi, September 9, 2011.

¹⁴⁵ “Georgia’s Mental Revolution,” *The Economist*, August 19, 2010.

dynamics of corruption in Georgia is a model based on the beliefs and expectations about how others will act. In this sense, corruption represents what Pranab Bardhan labels a “frequency-dependent” phenomenon. The more people that are expected to be corrupt, the less reason there is for an individual not to engage in corrupt activities.¹⁴⁶ Thus, the critical, and difficult, task is to bring down the perceived frequency of corruption in society to the point when most people believe that they would have nothing to lose from refraining from taking part in the corrupt game. This is where Georgian reformers indeed have succeeded in altering the mindset among the population, from a situation where corruption is the rule to a situation where it is the exception.

To conclude, corruption can be controlled, but it requires rigorous and comprehensive reforms that challenge the old order and makes way for a new system. In this sense, curbing corruption cannot be reduced to a question of democracy or autocracy, or the form of government, i.e. whether it is a more competitive parliamentary system or a more monopolistic presidential system. The determining factor is whether there is a strong political will to build a new system that breaks up the existing institutions and challenge the interests of the old elite and the entrenched ways of doing things. This is what has been done in Georgia, and while the process of reform has yet to be completed, the overall improvements are nonetheless impressive, especially in a post-Soviet perspective.

¹⁴⁶ Pranab Bardhan, “Corruption and Development: A Review of the Issues,” *Journal of Economic Literature* 35, no. 3 (1997): 1331. Or, as William Miller shows, people living in post-communist societies generally condemn corruption as morally wrong, but they succumb to the corrupt environment. In other words, it is the environment that needs to be changed rather than the moral foundations of society (Miller, “Corruption and Corruptibility,” *World Development* 34, no. 2 (2006): 371-380.

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