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Continuity and Change: Corruption in Georgia

By Alexander Kupatadze, St Andrews, UK

Abstract:

Georgia has become one of the least corrupt countries in Eastern Europe. The Georgian Dream government has continued to maintain and upgrade public service standards to ensure low levels of bribery in the sectors where state and citizenry interact. However, as in the era of Mikheil Saakashvili's United National Movement (UNM), concerns remain about the particularistic distribution of public resources and various forms of 'legalised corruption'. This article analyses the changes as well as the continuity of practices since the defeat of the UNM government in October 2012.

Policy Changes

The anti-corruption policy of the Georgian Dream (GD) government prioritises long-term planning and engagement with a wider spectrum of stakeholders than did the UNM top political leadership, which combined decisive and quick actions on the ground with concentrated decision-making. Saakashvili's post-Rose Revolution government had low regard for anti-corruption strategy on paper and largely rejected the advice of various international institutions that advocated a slow pace of reform. In contrast, the Georgian Dream government started to work on a long-term strategy straight away and adopted its 2015–16 anti-corruption action plan in April 2015.

Another policy shift is the abandonment of libertarian policies. The new government has adopted a number of new regulations for businesses, including in the construction and food production sectors, which increase monitoring and safety standards, but ultimately also may increase corruption risks.

Despite these changes, the continuation of significant unethical and corrupt practices can be observed since the new government came to office in 2012. Importantly the public exposure of these practices also increased due to a more open and critically-oriented media, particularly Rustavi 2 and Tabula TV, and effective NGOs, such as the Georgian chapter of Transparency International and the Institute for the Development of Freedom of Information (IDFI).

Collusion between Politics and Business

Even though the government made steps to increase the transparency of the public procurement system, numerous cases suggest that collusion between politicians and businessmen, especially at the regional level, undermines and corrupts the process. Companies directly or indirectly owned by high ranking officials often win public procurement contracts, especially through tenders which are exempt from the requirements of open and competitive bidding and which can be implemented through simplified procedures, leaving more room for the discretion of public officials. The media revealed

many such cases in the regions as well as in the capital Tbilisi. For example, in Senaki two companies both linked with the local head of the Georgian Dream political party won public tenders in 2014. In Gori companies owned by the mayor's brother-in-law won a simplified public procurement contract. Ironically the public tender commission did not forget to make a disclaimer about the absence of conflicts of interests.¹ In June 2015 Koba Arabuli, the vice-governor of Mtskheta-Mtianeti region, spoke about the widespread corruption related to public tenders in his region. According to him, much more money is allocated to repair and construction works than is needed. For example, more than 2.5 million GEL was allocated for the construction of the 2.5 km long road in Dusheti while only 100,000 GEL is allocated for similar work in other projects. He alleged that the MPs elected from regional precincts are often involved in these cases and influence the outcomes of public tenders. However later, after attending a meeting of the GD political council, Arabuli retracted his allegations and said that his statement about the MPs was 'misinterpreted.'² In March 2015 the newly appointed Deputy Minister of Infrastructure Nodar Javakhishvili admitted that 'lots of money is made on road construction related to public tenders.' In the majority of these cases the required work is not done properly and public money is pocketed by individuals and companies.

Similar to the UNM era, the companies that often win public tenders also contribute to the coffers of the ruling Georgian Dream coalition. For example, the owners of Nil LTD have transferred more than 120,000 USD to GD after winning public tenders worth three million USD in 2013–14.³ Hence public-private collusion and manipulating the state in private or group interest continues, but before October 2012 the purpose was consolidating political power, rather than private profiteering.

1 <<http://www.trialeti.ge/?menuid=2&id=3506&clang=1>>

2 <<http://www.interpressnews.ge/ge/sazogadoeba/332414-mckhetha-mthianethis-gubernatoris-pirveli-moadgile-tenderebiskanondarghvevith-gamarthvaze-saubrobs.html?ar=A>>

3 <<http://forbes.ge/news/530/gasaocari-demokratia-fulis-tyveobaSi>>

For example, in 2013 Tbilisi Mayor Gigi Ugulava was charged with mispending USD 28.2 million in public funds from the capital city's development fund in 2011–12 by illegally channeling money to the UNM and its activists by creating fictitious jobs (Civil Georgia 2013).

Open abuse of public funds to help a specific political party are less common nowadays because the ruling coalition is funded by a billionaire oligarch. Instead, state capture is more 'privatised'—particular companies or networks are influencing state behaviour to extract private benefit. For example, in 2013 the Culture Ministry and president's office stripped one of the world's oldest gold mines in Sakdrisi of its status as an archaeological site of national importance thereby allowing the RMG company to illegally starting mining operations there. According to the NGO Green Alternative, RMG and its legal predecessors, Madneuli JSC and Quartzite LTD, benefited from illegal political connections under both the UNM and GD governments. In another case, the government tried to establish administrative and legal barriers on the market to give the Georgian Postal Service a privileged position. These kinds of cases raise concerns about state capture by private interests and the related risks of corruption.

More importantly, the 'Zedelashvili-Jankarashvili clan,' the group of former government and GD officials who are close relatives of Prime Minister Garibashvili, is widely believed to influence policies and various state institutions for the sake of private benefit. The network has a significant degree of control in a number of key government ministries, including the Ministry of the Interior and the Ministry of Infrastructure. The latter grants most of the lucrative public contracts, while the former fights against corruption [at least that was its task before the summer of 2015, when the Ministry of Security was established to handle this function]. Unsurprisingly the companies owned by the key actors of this network, as the case of Serpatine LTD suggests, have been widely reported to disproportionately benefit from public procurement contracts.⁴ Unfortunately some of these corrupt practices go beyond the 'revolving door' phenomenon because, apart from leveraging networks for illicit benefit, there have been illegal takeovers of businesses and forcing competitors to give up market share through blackmail and the use of the criminal justice system.

So far, the GD government's anti-corruption efforts have mainly focused on members of the Saakashvili government. This selective justice exacerbates perceptions of politically-motivated prosecutions because since Octo-

ber 2012 there has not been a single high-profile corruption prosecution among the ranks of the GD government. The current situation stands in contrast to the prosecution of 6 members of Parliament and 15 acting deputy ministers from 2004 to 2010. The GD leadership often prefers to deal with corruption cases quietly, without much public discussion. In the case of scandals related to the Zedelashvili-Jankarashvili clan, the GD political leadership decided to cut its influence by sacking its key members from government positions rather than going through the due legal process of examining and investigating the publicly available evidence of corruption.

Nepotism and Bonuses

Payment of large bonuses to high ranking officials is another form of 'legalised corruption' that has been perpetuated. The practice resembles political clientelism because there are no criteria for determining and awarding excellence in public office, so decisions are mainly based on discretion. The bonus payments made by the heads of these institutions disproportionately benefit the leadership of the ministries and departments in a manner that resembles a patron's distribution of resources to his own clientele rather than incentivising performance. In certain instances the spending for bonuses increased after the change of government. For example, in Tbilisi more than 18.2 million Georgian Lari have been spent for bonuses in 2014 compared to 7.2 million GEL in 2012. However, in other regions, such as the Achara Autonomous Republic, the overall value of similar payments has been decreasing. In July 2015 the government passed a decree to regulate the system of bonuses in the public sector. However the decree just provided the definition and stipulated the conditions under which bonuses can be granted without providing specific criteria for determining what constitutes 'outstanding performance.' As a consequence of the government's new regulations, in many public institutions the old system has been kept intact, but the terminology changed—bonuses are now referred as 'lagniappes' or 'inducements.'

Nepotism is perceived to be on the rise. The 2013 public opinion poll administered by the Caucasus Research Resource Center showed that 30 percent of the respondents think 'connections' is most important factor in getting a good job, up from 19 percent in a similar survey conducted in 2011. Perceptions about the importance of connections have likely increased for several reasons: more exposure of nepotistic practices by the media and NGOs; public statements of high-ranking officials, including former Prime Minister Ivanishvili and his successor Garibashvili describing nepotism as an acceptable practice; and, perhaps most importantly, a growing con-

⁴ <<http://www.netgazeti.ge/GE/105/News/38556/>>; <<http://pirve.liradio.ge/?newsid=19613>>

sensus among observers that the cases of nepotism have genuinely increased. Nowadays nepotism plays a decisive role in hiring as well as promoting public employees. However one needs to acknowledge that the practices vary from institution to institution and some ministries do better than the others, as one recent study found.⁵

Conclusion

Overall Georgia is stuck somewhere between *neo-patri-monialism*, namely a particularistic governance regime

with the state captured by private interests and a distribution of resources that benefits privileged individuals, and *ethical universalism*, under which there is an impartial governance regime based on the norms of fairness and citizen equality and the state remains autonomous from private interests (Mungiu-Pippidi 2013).

About the Author

Dr Alexander Kupatadze is a lecturer at the School of International Relations, St Andrews University since 2014. Previously he held postdoctoral positions at George Washington University (2010–11), Oxford University (2012–13) and Princeton University (2013–14). He is also an affiliate fellow at the Extralegal Governance Institute, Oxford University, and a member of the Global Initiative against Transnational Organised Crime.⁵

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⁵ <https://gipa.ge/uploads/files/kvleva_sajaro%20samsaxuri.pdf>

DOCUMENTATION

The Countries of the South Caucasus in International Corruption-Related Rankings

Corruption Perceptions Index

Prepared by: Transparency International

Established: 1995

Frequency: Annual

The data refer to the previous 24 months.

Covered countries: at present 175

URL: <<http://www.transparency.org>>

Brief Description:

The Corruption Perceptions Index is a composite index that draws on multiple expert opinion surveys that poll perceptions of public sector corruption in countries around the world. It originally scored countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption. Since 2012 countries are scored from 0 (highly corrupt) to 100 (very clean). To ensure comparability the previous data were subsequently multiplied by the factor 10.