



NEW ANTI-CORRUPTION GOVERNMENTS: THE CHALLENGE OF DELIVERY

GEORGIA

A CASE STUDY

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Excerpts from a case study prepared for the New Anti-Corruption Governments Meeting Co-organized by the Government of Kenya, TI-Kenya and TI Secretariat held in Nairobi, Kenya, in October 2004.

Georgia

1. Executive summary

This case study attempts to describe the reasons for corruption in Georgia and results achieved by the Georgian government and society in the fight against it. In common with many post-Soviet countries there is a high level of corruption in Georgia. Corruption has impeded development of the state and implementation of market and economic reforms; it has impoverished the population and degraded the government.

President Shevardnadze's government was so unpopular that his only means of retaining power was through corruption and election rigging.

As a result of pressure put on Shevardnadze by international and local non-governmental organisations and the public, he was forced to develop some anti-corruption programmes and to adopt relevant legislation. He continued, however, to apply the same rules of governance, which brought catastrophe to the country. Shevardnadze's resignation and the election of young and experienced politicians was a logical end to this process.

The main directions of the new government's reforms were: the implementation of anti-corruption measures; their enforcement through institutional reforms; and the introduction of open market rules.

The government has taken the following punitive and preventive steps: Note for Dominic—the UN Convention using the term “preventive” measures so I guess we should too.

- The arrest of several former ministers and high-ranking officials and the recovery of hidden and embezzled funds;
- The adoption of legislative changes aimed at suppressing unlawful income derivation, restricting conflicts of interest and applying strict measures of punishment against corrupt offences; and
- The enhancement of transparency and abolition of corrupt institutions.

The government's efforts resulted in unprecedented support from its citizens during the elections. The government also hopes to receive serious support from international donors, who consider the launch of a decisive fight against corruption as a significant argument for the continuation of financial aid to a country. So far it has succeeded in tackling corruption within such traditionally corrupt sectors as the police (policemen are no longer racketeering on the

streets) and tax services (treasury income in the first three quarters of the year has exceeded last year's total results).

It is the policy of Georgia's government to cooperate with international and local organisations for the development and improvement of the government's anti-corruption strategy. Institutionalisation of the work and the implementation of preventative anti-corruption measures will, it is hoped, enable Georgia to continue to succeed in the fight against corruption.

2. Conclusions

2.a. Current overview: achievements and obstacles

The example of present-day Georgia is an important one for the discussion of anti-corruption measures for countries in transition. In spite of considerable efforts on the part of international organisations there is still much to do to combat corruption. Georgia's experience should encourage other nations to take decisive steps.

The wholehearted commitment of the Georgian government in eradicating corruption has been expressed in almost all types of actions implemented on the recommendation of local society and foreign experts. Its attempts at making necessary legislative amendments, arresting well-known corrupt officials, a serious fight against corruption, the introduction of a programme for institutional reforms and large-scale anti-corruption propaganda, etc, should be especially noted.

2.b. Major reforms introduced

- Constitutional changes

The post of prime minister and the cabinet have been introduced.

- Reorganisation of the government executive

The ineffective executive government has been fully reorganised - only two types of institutions remain from the former three types of governmental institutions. The number of governmental institutions has been optimised (the number of ministries has been reduced from 18 to 15) and governance mechanisms have been improved.

- Unlawful and unjustified property

New laws have defined the prosecutor's authority to transfer unlawful and unjustified property to the state under the rule established by the administrative procedures.

- New obligations to prove the origin of officials' property

The Georgian Parliament has approved amendments to the law "*On conflicts of interest and corruption in the civil service*". According to these amendments, a person is not allowed to

occupy a position until he/she submits a property declaration to the Public Officials' Finance and Property Declaration Bureau.

- Amendments and addenda to criminal procedure laws

The law has become stricter in respect to unlawful property and it has been simplified.

- Financial police

A financial police division was established for the detection of economic crimes. Investigation of crimes has been transferred from various agencies to the financial police. Concentration of the functions of detection of economic crimes (e.g. tax evasion, smuggling, etc.) and investigation in a single agency allows a serious opportunity for improving the coordination of the fight against these crimes.

- Changes in taxation and budgetary procedures

The Georgian law “*Of amendments and addenda to the law ‘On the Georgian budgetary system’*” approved on 24 February 2004 has defined new procedures for budget preparation, consideration and adoption.

- Changes to the suppression of unlawful income legalisation

The Georgian Parliament ratified the Strasbourg Convention of 8 November 1990 on Laundering, search, seizure and confiscation of the proceeds from crime on February 17 2004. On 25 February 2004 the Georgian Parliament approved the law of Georgia “*On facilitation of oppression of unlawful income legalization*”.

- Measures implemented for ensuring adequate remuneration for civil servants

The government is providing transitional salary increases through two funds, the UNDP-administered Governance Reform Programme and the government administered Development and Reform Fund. Both are managed with full transparency and are supported by the Open Society Institute, UNDP, and major private donors.

- Introduction of patrol police

The division of traffic police has been abolished at the Ministry. Its functions, and ordinary police duties, have been transferred to the patrol police, which was created this summer and initially only covering Tbilisi. Staff reduction aims to mitigate corruption pressure and increase the transparency of police activity.

- Measures implemented for the restoration of legality

Since the appointment of a new Prosecutor-General in January 2004 criminal proceedings have been initiated against more than 20 important people.

2.c. Opposition to reforms

The reforms and the fight against corruption have opponents: clans and “elites” who benefited from corruption could not accept these developments. Such people believe only in corrupt “businesses”.

This case study has discussed two examples of opposition to the reforms: the Adjarian Autonomous Republic, and, at the central level, the Ministry of Education, which has initiated radical reform of the state educational system. In both cases people involved in corrupt activities were driving forces in opposition.

2.d. Main success factors, main reform drivers

The main success factors of the reforms are as follows:

- Clear demand from the population to eradicate corrupt practices and to improve the quality of the government activities;
- An unprecedented level of trust in the government from its citizens;
- Governmental leaders’ desire to launch a decisive fight against corruption, and to reduce its incidence through the implementation of radical, institutional and preventative reforms; and
- Financial and ideological support of international organisations.

2.e. Current challenges

At the moment the Georgian government is working towards perfecting its anti-corruption strategy. Conceptual documents and projects have been already been developed for the continuation of reforms. For instance, a draft tax code is one of the most topical issues at the moment, with the government hoping to adopt it by the end of November.

2.f. Other conclusions and lessons learned

Implemented policy deserves a positive assessment. Assessments made by independent sources have been presented above. According to these assessments, support of the population to reforms is rapidly increasing. The majority of the obligations assumed by the new government, which refer to the improvement of the functions of state institutions and structural changes, are being fulfilled.

These can be evaluated as successful reforms, and the catalysts for these were the public demand of the Georgian people and the political will of the new government.

2.g. Recommendations

It is worth noting certain points about the achieved success. Against the background of the success indicated above, it is difficult to begin a discussion of its problems and to make critical remarks. However, that does not mean all measures already put into practice or to be implemented in the future by the government must not be assessed critically.

Despite the government's efforts, the following topics are being actively discussed by society:

- The slow pace of decentralisation and the extreme power of the central government (the main concerns are financial administration and the police);
- Tax administration became rigorous in one direction only: - taxpayers' rights have been restricted and the rights of inspections have been increased significantly;
- Monopolisation of the political system and the excess of the executive government's authority in comparison with other branches of government, possibly enabling the government make quick decisions, but providing no support for pluralism.

An aspect of governmental officials' wages should also be raised here. It should be noted that only a certain number of officials receive increased salaries. If officials' salaries exceed a real market level, it is possible that new corrupt elements will appear (such as the corrupt 'selling' of high-salaried jobs).

The government should give serious attention to the institutional reform of the civil service to ensure accountability and efficiency in this sector.

The government should also establish clear rules and regulations for openness and transparency. One of the best solutions for this is the creation of e-governance through websites, the obligatory publication of all legal acts and everyday reports of activities on the Internet and public access for ordinary members of the public.

The government should establish new financial responsibility acts, requiring that government and its agencies adhere to strict and clear rules of planning, budgeting, execution, monitoring and accounting for the resources spent by them.