



Post-Revolutionary Georgia on the Edge?

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Summary points

- From the Rose Revolution in 2003 to the war with Russia and financial crisis of 2008, Georgia achieved impressive macroeconomic results. Government reforms reduced petty corruption and criminal violence markedly. Rapid progress was made in the delivery of public goods. The investment climate improved.
- President Mikheil Saakashvili has weathered the fallout of the war with Russia. Weak opposition and substantial Western aid have enabled the government to stabilize the economy and consolidate its political position.
- However, positive headline macroeconomic results may not be sustainable and mask persistent concerns regarding poor performance in combating poverty, unemployment and increasing inequality.
- Human rights continue to be a problem. The government cuts corners on democracy and the rule of law. Media freedoms remain constrained. Civil and parliamentary oversight of governmental decisions is limited, and the judicial system is subject to political interference.
- The abuse of state power and enduring poverty and inequality risk alienating the population and increasing social tension. There is therefore reason to question the sustainability of Georgia's economic model and the stability of the post-war political situation.

Introduction

In August 2008, Georgia lost a short but a disastrous war with Russia over South Ossetia and Abkhazia. The two territories under separatist control were occupied by the Russian army, more or less definitively detached from Georgia, and recognized by Russia as independent states. Much of the Georgian army was destroyed. The war also damaged Georgia's relations with its major patrons, the United States and the European Union. Both took the view that the Georgian government bore a significant portion of responsibility for the conflict, and for complicating their own relations with Russia. In their efforts to restart the Russian relationship, Georgia appeared to be a liability.

The war faced Georgia with substantial economic losses, while generating additional demands on the public exchequer. War damage needed to be made good and the government faced the responsibility to feed and house large numbers of displaced persons. These economic effects appeared just as the impact of the global economic crisis began to bite. The government's investment-led growth strategy was jeopardized both by general global economic uncertainty and by the impact of the war on investor confidence.

In political terms, the popular tendency to support the nation and to rally around the leader in a time of crisis allowed President Mikheil Saakashvili to survive Georgia's decisive military defeat. However, in subsequent months opposition challenges grew. By early 2009, many were writing the current government off.

Georgia has done surprisingly well since then. Russia has not followed up to attempt to remove Georgia's government. The other members of the Commonwealth of Independent States (CIS) and the Collective Security Treaty Organization (CSTO) did not endorse Russia's actions and none has joined it in recognizing the sovereignty of the territories that it detached from Georgia. Western countries and organizations donated huge sums to assist Georgia's post-war recovery, especially to accelerate the government's substantial programme of infrastructural modernization. Although the Georgian

economy shrank in 2008–09, it began to recover the following year, despite the global economic downturn.

The opposition, after several months of street demonstrations, melted away amid internecine quarrelling. The government's candidate was elected by a substantial margin in Tbilisi mayoral elections in May 2010, as part of a countrywide sweep of local elections by the ruling United National Movement (UNM). Georgia's parliament has adopted a series of constitutional reforms that lay the basis for the continued political survival and power of the ruling group.

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However, the government's apparent success in post-war stabilization and its striking capacity to survive in such difficult conditions mask a more complex reality. There is substantial reason to question the sustainability of Georgia's economic model and the stability of the post-war political outcome.

This briefing paper explores this theme in two parts: an analysis of economic trends; and a consideration of the country's recent political development. Each part examines first the state's performance in the period 2003–08 and then considers trends since the war.

The Georgian economy¹

Rebuilding the Georgian economy, 2003–08

At the time of the Rose Revolution in 2003, Georgia's economy was crumbling. In the judgment of the World Bank,

¹ Analysis of Georgian economic data can be difficult because many of the statistics are generated in the National Statistics Office, which is not fully independent, creating a risk of motivated bias in the data. The approach taken here is to rely on a balance of international agencies (e.g. the IMF, World Bank and UNDP), which may be sufficient to generate a reasonably accurate picture.

By 2003, reform momentum sputtered to a halt, and Georgia was a near failed state. Political power was increasingly fragmented, corruption and crime were rampant, there were massive arrears in pension payments and teachers' salaries, and infrastructure was in a state of near collapse, with most of the country without power and the road network increasingly deteriorated.²

Major international agencies were reducing their financial commitments to Georgia or, in the case of the International Monetary Fund (IMF), walking away entirely.

The post-revolutionary government embraced these challenges. In the first years after the 2003 revolution, petty corruption was substantially reduced. The government adopted and then enforced a new simplified tax code and tightened up on customs and excise, while clawing considerable amounts of money back from those who had benefited from the previous era's corrupt practices. It also simplified procedures for the establishment of new businesses and for foreign direct investment. International approval of both the revolution and the direction of travel brought significant additional resources into the economy.³ This involved not only the resumption of IMF and therefore World Bank funding, but also substantial growth in funding from the United States and EU/European Bank for Reconstruction and Development (EBRD).

The macroeconomic results were extremely positive. In the years prior to the war, gross domestic product (GDP) increased from \$4 billion in 2003 to \$12.8 billion in 2008. The per capita shift was from \$772 in 2002 to \$2,919 in 2008.⁴ The GDP growth rate rose from 5.5% in 2002 to 12.3% in 2007. State revenue grew from 10.5% of

GDP in 2002 to 25.7% in 2008. The (public) external debt-to-GNI (gross national income) ratio declined dramatically from 54% in 2003 to 22% in 2007. Net foreign direct investment (FDI) rose from \$160.2 million to \$1.75 billion annually in 2007, reflecting both the increasing ease of doing business in Georgia and also growing investor confidence, which pushed inflows up while reducing outflows.⁵

The World Bank summarizes:

Since 2003, Georgia has implemented an impressive array of reforms. These reforms are reflected in the pronounced political, social and economic transformations following the 'Rose Revolution' at the end of 2003. The processes since the start of reforms can be qualified as unique in terms of the speed of reforms, degree of innovations, and extent of institutional restructuring. The reforms are recognized to have noticeably improved the institutional environment, provided a basis for sustained economic growth and human capital accumulation, and increased multifold foreign direct investments.⁶

This conclusion is consistent with the rapid rise of Georgia up the ranks of the World Bank's *Doing Business* index to its current global position of 12th.⁷ The country is singled out for having made more progress than any other reforming economy in the period 2006–10.

Whereas the headline macroeconomic performance looked very good, it was not obviously better than that of Georgia's Southern Caucasian neighbours during the same period (2004–08). Moreover, the headlines have obscured a number of persistent concerns. For example,

² World Bank, *Georgia: Implementation Completion and Results Report – Poverty Reduction Support Operations I-IV* (Washington, DC: World Bank), 23 December 2009), p. 1. Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2010/01/13/000334955_20100113015515/Rendered/PDF/ICR10180Multiple1C0disclosed011111101.pdf. Accessed 30 December 2010.

³ For a full analysis, see S. Neil MacFarlane, 'Georgia and the Political Economy of State-Building', forthcoming in Mats Berdal and Dominik Zaum, eds, *The Political Economy of State-Building* (provisional title).

⁴ In terms of purchasing power parity, this translates into US\$2,960 in 2003 and US\$4,860 in 2008.

⁵ These data are all in current US dollars and are taken from *World Bank Data Indicators*. The longitudinal data are available at <http://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD/countries?page=1>. Accessed 30 December 2010.

⁶ World Bank, *Georgia: Poverty Assessment, April 2009*, Report 44400-GE (Washington, DC: World Bank, 2009). Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2009/04/29/000350881_20090429111740/Rendered/PDF/444000ESW0P1071C0Disclosed041281091.pdf. Accessed 2 December 2009.

⁷ World Bank, *Doing Business 2011: Making a Difference for Entrepreneurs* (Washington, DC: World Bank, 2010). Available at <http://www.doingbusiness.org/~media/FDPKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf>. Accessed 9 March 2011.

on the external debt criteria, although the government made significant progress in bringing down the external public and public-guaranteed debt-to-GDP ratio, this was accompanied by rapid growth in privately held external debt. Trade balances displayed some weakness, with the merchandise trade deficit of €1.3 billion in 2005 growing to €3.3 billion in 2008.⁸

The impressive growth in per capita income was accompanied by significant increases in nominal wages from 2004 to 2007, but the United Nations Development Programme (UNDP) noted that, since the nominal wage data cover those in full-time employment, they may not accurately reflect the situation for the population as a whole, not least because there was no significant growth in employment during the period. Unemployment remained quite high: although government figures suggest a rate of 13% in 2007, self-reported unemployment is around 30%. Survey data across 2004–07 suggest a widespread view among respondents that their personal economic circumstances were worsening rather than improving.⁹

Estimation of poverty rates has been complicated by the apparent unavailability of annual national poverty data since 2005. The UNDP estimated in 2008 that 25% of Georgians lived below the \$2 a day line, while the IMF, using World Bank data, suggested there had been an increase in the percentage of those living in absolute poverty from 27% to 31% between 2004 and 2007. Poverty is particularly high in the rural subsistence-farming sector and among youth, suggesting a widening rural/urban gap and a widening age/income gap. Given that rural areas in a number of regions have concentrations of minority populations (e.g. the predominantly Azeri Kvemo-Kartli, or the mainly Armenian Samtskhe-Javakheti), it is reasonable to assume that there is

inequality in income distribution by ethnic group (horizontal inequality) as well. The situation in rural Georgia appears to be decaying as a result of the rapid drop in the agricultural share of GDP (from 26% in 1999 to 10% in 2008).¹⁰ The government has acknowledged that agricultural output and trade are a significant problem requiring prioritization, and it has devoted a considerable amount of infrastructural investment to improving access to markets for regions such as Kakheti, Samtskhe-Javakheti and Kvemo-Kartli. Concerning inequality in general, the UNDP reported that Georgia's Gini coefficient (at 0.404) was the highest in the former Soviet region.¹¹ Georgia's score indicates rising inequality, since the 1996 number was estimated at 0.37.¹²

Georgia's performance in poverty reduction during the pre-war period was aptly summarized by the European Commission in 2008: 'No progress can be reported as regards poverty reduction or social welfare. High poverty levels still represent a serious challenge with one third of the population living below the poverty line.'¹³ More simply, the data indicate that Georgia's growth in 2004–08 was inequitable. Lingering social hardship was one central factor in the political disturbances of November 2007 discussed further below.

These factors make Georgia's sluggish movement in the UNDP's Human Development Index unsurprising. In 1995–2000, under President Eduard Shevardnadze, Georgia's score improved by 0.038. In the next period (2000–05), in which leadership was shared between Saakashvili and Shevardnadze, the improvement was slower: 0.036. In the period of Georgia's economic miracle (2005–10), in which the makers of the Rose Revolution ruled alone, the improvement was still

⁸ Eurostat, citing the World Bank, *World Development Indicators*. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf. Accessed 15 January 2011.

⁹ UNDP, *Georgia Human Development Report 2008: The Reforms and Beyond* (Tbilisi: UNDP, 2008), pp. 33, 34, 37.

¹⁰ Eurostat, citing World Bank, *World Development Indicators*. Available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf. Accessed 15 January 2011.

¹¹ *Ibid.*, p. 34. The Gini coefficient is an index of income inequality. If there were an absolutely equal distribution, the coefficient would be zero. If all income were received by one individual then the value would be 1.

¹² Longitudinal data available in the *CIA Factbook (2010)*, available at <https://www.cia.gov/library/publications/the-world-factbook/fields/2172.html>. Accessed 15 January 2011.

¹³ European Commission, *Implementation of the European Neighbourhood Policy 2007: Georgia Progress Report*, SEC (2008), 393 (3 April 2008), p. 11. Available at http://ec.europa.eu/world/enp/pdf/progress2008/sec08_393_en.pdf. Accessed 2 January 2011.

slower, at 0.017.¹⁴ To be fair, the higher up the index a country goes, the harder it is to progress further. But this measure does indicate that overall improvement in the population's quality of life was negligible after the Rose Revolution, despite the impressive record of economic growth. The Georgian government implicitly acknowledged these issues; Prime Minister Vladimer Gurgenidze noted in 2008:

However, as we enter the second phase of the reforms we need to be forward-looking. The [Human Development] Report reminds us that the objective of these reforms has always been Human Development in the fullest sense. We do not only seek to produce a wealthy society. We want our society to be democratic and participatory, educated, healthy and secure.¹⁵

The economy after the war

Leaving aside the property and infrastructural damage and increasing social burdens from internal displacement mentioned above, the 2008 war presented significant economic challenges. On the positive side, the West responded with a substantial post-conflict aid package of \$4.5 billion (\$1,000 per person). Even so, growth declined from 12.3% in 2007 to 2.3% in 2008 and -3.9% in 2009. According to government estimates, there appears to have been a recovery in 2010.¹⁶ FDI, the major driver of private GDP growth, declined from \$1.75 billion in 2007 to \$658

million in 2009.¹⁷ National Statistics Office data for 2010 suggest continuing deterioration, with January–September totals down 6.6% year on year.¹⁸ The IMF identifies FDI flows as the main current risk factor in the balance of payments.¹⁹

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The rapid influx of funds prevented an otherwise likely financial meltdown and facilitated the re-stabilization of the *lari* after a dramatic run on the currency in late 2008. It also contributed, however, to a potentially disturbing rise in inflation, which was also driven by increases in global commodity prices.²⁰ At the end of 2010, the president reported that inflation was running at 10.6% (annual).²¹ A further rise is likely in early 2011 given likely increases in utility, public transport and bread prices. Since the process is largely price- and not wage-driven,

14 See UNDP, *Worldwide Trends in the Human Development Index, 1970-2010* (New York: UNDP, 2010). Available at <http://hdr.undp.org/en/data/trends/>. Accessed 30 December 2010. The Human Development Measure aggregates data on life expectancy at birth, expected years of schooling, mean years of schooling, gross national income per capita, inequality and poverty.

15 Vladimer Gurgenidze, 'Preface', in UNDP, *Georgia Human Development Report 2008: The Reforms and Beyond* (Tbilisi: UNDP, 2008).

16 'Georgia's GDP Grows 6.6% in H1', *Civil.ge* (21 September 2010). Available at <http://www.civil.ge/eng/article.php?id=22687>. Accessed 3 January 2010. 6.6% represents an annual rate.

17 World Bank Data Indicators.

18 'FDI Down 7.3% in Q3 y/y', *Civil.ge* (14 December 2010). Available at <http://www.civil.ge/eng/article.php?id=22958>. Accessed 3 January 2011.

19 IMF, *Georgia: Seventh and Eighth Reviews under the Standby Arrangement ...*, Country Report No. 11/31 (January 2011), pp. 12, 18–20. Available at <http://www.imf.org/external/pubs/ft/scr/2011/cr1131.pdf>. Accessed 24 February 2011.

20 The 69% rise in the average monthly price of wheat deliveries at Poti Port between August and December 2010 is a good example. The effect on bread and flour prices (an increase of 14% and 12% respectively) is more moderate, because of government sales out of wheat stocks. Georgia's increasing dependence on wheat imports increases its vulnerability to global price movements. See: FAO/EU, *Food Security for Decision-Making: Georgia* (September–December 2010). Available at <http://www.fao.org/docrep/013/am205e/am205e00.pdf>. Accessed 11 March 2011.

21 At the end of the year, the inflation rate had increased to 12.3%, which was the second highest rate in the former Soviet space, with Kyrgyzstan being the highest. Vladimer Papava, 'Foreign and Domestic Factors Behind Georgia's High Inflation Rate', *Georgia Today*, Issue No. 548 (February 2011) pp. 11–17. Available at <http://www.georgiatoday.ge>. Accessed 22 February 2011. Papava attributed the high rate to the National Bank's effort to defend the *lari* in the lead-up to the May 2010 local elections and the subsequent rapid depreciation, and to the government's budgetary policy, in particular its spending on 'construction of monuments, costly concerts, developing Kutaisi as a second capital, a new parliament building, etc.'

the potential social consequences are evident. The poverty rate, meanwhile, increased after the war.²²

Turning to the external balance, a large portion of the post-war aid package was in the form of loans. In addition, in April 2008 the government floated a large Eurobond issue (\$500 million) which matures in 2013. IMF repurchasing obligations reach their maximum in the same year. In 2009, the IMF expected the public debt-to-GDP ratio to peak at 47% of GDP in 2011, dropping to 41% by the end of its projection (2013). The result is a situation in which by 2013 Georgia's public debt service may run to 47% of its export revenue and 100% of its gross international reserves. In its analysis of this situation, the IMF stressed the unsustainability of the current primary balance and the need for substantial reduction in the state budget deficit.²³ Although later IMF assessments take note of improvement,²⁴ Georgia is not out of the woods.

Georgia's projected public debt-to-GDP ratio does not look too bad in comparison with the analogous ratios of, say, Greece, or for that matter the United States. However, in the first instance, Greece is part of a currency zone populated by large states that have a vested interest in stability in Greece and are underwriting that country. Georgia does not have such a security blanket. In the second instance, the dollar is a reserve currency, which makes others more likely to hold it. Moreover, China continues to buy US debt because it would lose substantially if the dollar depreciated significantly and suddenly, or if the difficulty in funding US debt produced a contraction in the American market for Chinese goods. This leverage does not exist for Georgia.

Levels of external indebtedness of Georgian banks have generated further vulnerability in the financial system. In the meantime, after several years of steady growth, remittance income declined in 2009. There is

little prospect it can fill more of the gap in the foreseeable future. In some measure as a result of the continuing interruption of trade with Russia, Georgia's major traditional trading partner, the trade balance remains negative, although there was improvement on the trade deficit in 2009 to €2.4 billion.²⁵

With regard to the public accounts, the budget deficit rose to 9.7% of GDP in 2009, despite a dramatic drop in the defence budget from 1.5 billion *lari* in 2008 to 749 million in 2009. The government is attempting to take the deficit down to 3% by 2013. It is hard to see how this can be done without risk to the economy. As noted, GDP growth has slowed. This reduces the growth in revenue available from taxation unless tax rates are increased. Increasing taxes risks reducing growth.

Another possibility is to reduce expenditure, but where the reductions occur in domestic spending or in the public-sector payroll, this is likely to depress GDP growth as well as to increase unemployment. Monetary policy levers to control inflation, such as higher interest rates, are yet another possibility that would inhibit growth.

The government could also envisage the sale of state assets. The state could receive fairly sizeable infusions of funds by selling the railways and the remaining pipelines under its control (e.g. the gas pipeline linking Russia and Armenia across Georgia), or for that matter the country's timber on public lands.²⁶ Georgia is reportedly considering the sale of its 24% share in Telasi, Tbilisi's electric power company, to INTER-RAO, which already owns the majority of shares.²⁷ However, there are liabilities here as well. These are one-off remedies, not long-term solutions. They are also likely to increase Russia's stake in Georgia's economy. The sale of forests carries substantial domestic political risk as well as potentially undermining the tourism strategy of the government.

22 UN Country Team in Georgia, UNDAF 2011-2015, 'Georgia' (New York: UN, n.d.), p. 13. Available at <http://www.undg.org/docs/11503/UNDAF-WEB-ENG.pdf>. Accessed 18 January 2011.

23 IMF, *Georgia: Third Review under the Standby Arrangement*, IMF Country Report 09-267 (August 2009). Available at <http://www.imf.org/external/pubs/ft/scr/2009/cr09267.pdf>. Accessed 2 December 2009.

24 IMF, *Georgia: Seventh and Eighth Reviews* ..., p. 14. However, the IMF alternative low FDI scenario suggests a continuing rise in the public debt/GDP ratio after 2013.

25 'Trade Relations: Georgia', http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113383.pdf. Accessed 18 January 2011.

26 I am grateful to a former official of the EU for reminding me of this point.

27 See Nino Patsuria, 'Odd Bedfellows? Georgia Asks Russian Energy Giant to Finance Sale of Power Company Shares', *Eurasianet* (17 February 2011). Available at <http://www.eurasianet.org/node/62914>. Accessed 24 February 2011.

The consequences of the squeeze are already clear. Anecdotal evidence suggests that the government is increasing its scrutiny of private businesses and the use of the financial police to extract additional payments from them. These practices raise disturbing questions about the state's attitude towards property rights (see below) and are hardly likely to encourage growth through the reinvestment of profits. They are more likely to generate capital outflow.²⁸ Growing economic stress is evident in Tbilisi in the growing number of beggars in the streets, and also in the proliferation of shuttered businesses and 'For rent' signs on the main streets of the capital. It makes a stark contrast to the growing numbers of large and expensive private vehicles on those same streets.

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What are the political implications? Academic research suggests that there is no obvious and strong correlation between levels of poverty and levels of political unrest. However, it has long been established that relative deprivation is a source of instability.²⁹ That is, if people's situation is radically worse than their expectations of where they should be, they become frustrated and may express those frustrations violently. As William Dobson

put it recently, 'If [a] regime's only legitimacy comes from its economic performance, then the moment prosperity slips, the entire system is vulnerable [...] It is far safer to [...] keep expectations low. Because if you aim to be Singapore and come up short, the costs are high'.³⁰

Deprivation can also arise when people compare their situation to others doing better. A noticeable growth in inequality may also be destabilizing. If growing inequality comes along with disappointed expectations, the effect may be stronger. Both forms of relative deprivation are present and are likely to increase in Georgia. Finally, if minority groups are disproportionately affected, then horizontal inequality is added to the mix.³¹ A September 2009 study found that that annual business turnover and production value per capita in the Armenian minority region Samtskhe-Javakheti and the Azeri-populated Kvemo-Kartli were below national averages and suggested that if the calculation of turnover excluded the ethnic Georgian populations of these regions, the disparity would be even higher.³²

It is generally accepted that transparent democratic systems may be better at containing social tensions arising from economic and social hardship, because people see a possibility of meaningful expression of their concerns through open and representative political processes. This brings us to a discussion of the evolving political situation in Georgia.

Georgia's political development

Political consolidation after the Rose Revolution

The 2003 Rose Revolution had massive legitimacy. This was confirmed in elections in early 2004 for both the presidency and the parliament. These produced huge

28 To the extent that these proceedings involve foreign businessmen, they are likely to discourage inflow as well. For a recent example, Georgia's refusal to accept the decision of a Washington arbitration tribunal to pay \$98 million to two foreign businessmen as compensation for the cancellation of an oil pipeline lease, and the subsequent arrest of the two on charges of attempted bribery, is unlikely to encourage FDI. See 'Georgia: Israeli Bribery Case Puts Spotlight on Court System', *Eurasianet* (11 February 2011). Available at <http://eurasianet.org>. Accessed 22 February 2011.

29 For the classic account, see T.R. Gurr, *Why Men Rebel* (Princeton, NJ: Princeton University Press, 1967), pp. 24 and 22–122.

30 William Dobson, 'Dictatorship for Dummies, Tunisia Edition', *The Washington Post* (23 January 2011).

31 Frances Stewart, *Development and Security*, CRISE Working Paper 3 (Oxford: Queen Elizabeth House, 2004). Available at <http://www.crise.ox.ac.uk/pubs/workingpaper3.pdf>. Accessed December 2010.

32 Jonathan Wheatley, *The Integration of National Minorities in the Samtskhe-Javakheti and Kvemo-Kartli Provinces of Georgia*, ECMI Working Paper No. 44 (Flensburg: European Centre for Minority Issues, September 2009), pp. 8–9. Available at http://www.ecmicaucasus.org/upload/publications/working_paper_44_en.pdf. Accessed 22 February 2011.

pluralities for the new elite and secured their control of both the executive and the legislature. There were significant problems with these electoral processes but there was no question that the overall outcome reflected the wishes of the electorate. Observers noted substantial procedural improvement on previous elections.³³ Electoral success was supplemented by constitutional reform in which substantial power was transferred from the parliament to the presidency, the justification being that the state needed to reform quickly. Saakashvili committed the government to return powers to the legislature after a necessary period of ‘firm executive power’.³⁴

And the government did deliver. The substantial improvement in public accounts and economic growth discussed above was accompanied by great progress in limiting petty corruption, which included the striking early decision to disband the national traffic police and replace it with a modern, smaller, well-paid and less predatory force. This step had both direct and indirect (deterrent) effects in addressing the problem.

The government completed the restoration of reliable electricity and natural gas supply to urban areas after a decade of frequent interruption. It also made rapid progress in the delivery of public goods, by, for example, clearing pension arrears, raising the level of the state pension, and beginning the renovation of public infrastructure. The result, particularly in Tbilisi and other urban areas, was a considerable improvement in the lives of citizens whose homes were heated and lit and whose streets were clean and repaired. Their security in terms of freedom from crime and corrupt practices was greatly increased.³⁵ The government also achieved the peaceful resumption of central authority over the autonomous region of Ajara in April 2004.

As already indicated, the Rose Revolution and the emergence of the new government were greeted enthusiastically in the West. In particular, the US government, or at least President George W. Bush, hailed Georgia as a ‘beacon of liberty’ in the former Soviet space and a harbinger of further democratic change to come in that region. Aid flows swelled accordingly.

Without wishing to diminish the significance of these achievements, several problems emerged quite early. The new leadership was drawn from civil society; its migration into government weakened civil society’s capacity to act as a critic of the state, as did the shift of foreign assistance away from NGOs and towards the government after the revolution.³⁶ The shift in constitutional power in favour of the executive made it difficult for the parliament to be effective in holding the government to account. The considerable majority enjoyed by the governing party stifled the parliament further. By some accounts, the government’s implementation of constitutional change played fast and loose with the constitutional obligations of the state by providing insufficient opportunity for public consultation.³⁷ The reform was adopted by the outgoing Shevardnadze-era parliament. Many of its members may have feared retribution had they not gone along with it. It remains an open question whether the new post-election parliament would have given the same latitude to the president. The assignment to the president of the right to nominate judges and the ten-year term for appointments to the judiciary raised questions about judicial independence. International constraints on the government also diminished; since the West had unconditionally embraced and invested in the government, its ability to criticize was weakened.³⁸

33 See OSCE ODIHR, *Georgia: Extraordinary Presidential Elections 4 January 2004* (Warsaw: Office for Democratic Institutions and Human Rights, 28 February 2004). Available at <http://www.osce.org/odihr/elections/georgia/66645>. Accessed 24 February 2011. See also OSCE ODIHR, *Georgia: Partial Repeat Parliamentary Elections 28 March, 2004*. Available at <http://www.osce.org/odihr/elections/georgia/70115>. Accessed 24 February 2011.

34 International Crisis Group, *Georgia: Securing a Stable Future*, Europe Briefing No. 58 (Tbilisi and Brussels: ICG, 13 December 2010), p. 4.

35 In a Transparency International global study carried out in 2010, 78% of Georgian respondents answered that corruption in the country had decreased in the past three years, while 77% of the respondents considered the government’s struggle against corruption to be effective. See Transparency International, *Global Corruption Barometer 2010 Report* (9 December 2010). Available at http://www.transparency.org/policy_research/surveys_indices/gcb/2010/results. Accessed 15 January 2011.

36 See the contribution by Lincoln Mitchell in Christopher Walker, Lincoln Mitchell and Nikolas Gvosdev, ‘The Rose Revolution, Four Years Later’, *The National Interest Online* (13 December 2007), p. 89.

37 Human Rights Watch, *Agenda for Reform: Human Rights Priorities after the Georgian Revolution: A Human Rights Watch Briefing Paper* (24 February 2004). Available at http://www.hrw.org/legacy/english/docs/2004/02/24/georgi7650_txt.htm#P94_13793. Accessed 6 January 2010.

38 On this point, see Lincoln Mitchell, ‘No Way to Treat Our Friends’, *The Washington Quarterly*, Vol. 32, No. 1 (January 2009), pp. 28, 30.

The post-revolution increase in public revenue was accompanied by the expropriation of assets from many of those deemed to have been beneficiaries of corruption. The Council of Europe commented in February 2004 that the 'struggle against corruption should not exceed the rule of law'.³⁹ The money seized went to unaudited off-budget accounts, raising questions of fiscal transparency – to the chagrin, not least, of the IMF Georgia office.⁴⁰ The government also faced allegations of abuse of detainees by police and prison officials as part of a new plea-bargaining process. Property rights were an early problem as flats granted to individuals by the previous government were summarily repossessed. This was followed by the seizure and demolition of unlicensed buildings.⁴¹

Georgia's human rights ombudsman, Sozar Subari, reported a steady rise in citizen complaints about human rights abuse (most involving criminal cases in the courts) in 2004–06, and in April 2008 the authorities received a petition signed by 40,000 people requesting an end to pressure on judges to produce guilty verdicts.⁴² The ombudsman also expressed serious concern over the authorities' handling of the murder of banker Sandro Girgvliani in January 2006, noting the possible implication of officials of the Interior Ministry in the crime, and suggesting that 'within the Interior Ministry there is a punitive group that stands above the law and that can liquidate any given individual if doing so is considered expedient'.⁴³ This charge has never been proven, but it is striking that it was brought by the principal public official overseeing human rights, and it raises concerns about the politicization of parts of the police.

It is not surprising that a new government composed of enthusiastic and politically inexperienced people as

a result of the revolutionary overthrow of their predecessors should display haste and a less than complete commitment to the rule of law. They knew where they wanted to go and wanted to get there quickly.

One might have expected that time in office would have tempered their élan. However, the period from 2005 to 2007 was marked on the political side by growing evidence of human rights violations, the cutting of corners on democratic process, and the gradual growth of constraint on free media. The government's growth in confidence was accompanied by increasing ambition and by the frequently arbitrary exercise of power. Some analysts argue, moreover, that the government became increasingly remote, failing to communicate with citizens and focusing on public relations rather than transparent communication and consultation.⁴⁴ As Christopher Walker put it: 'The country's executive dominated the political landscape and displayed an increasing unwillingness to engage political opposition and civil society.'⁴⁵

These concerns, coupled with underlying economic ones, contributed to mass demonstrations in November 2007 in Tbilisi, ostensibly provoked by a government decision to postpone parliamentary elections from the spring to the autumn of 2008. Ironically, several days after the Secretary-General of the Council of Europe said that the expression of public opposition was a measure of robust debate within democracy,⁴⁶ the government dispersed the demonstration using water cannon, rubber bullets and tear gas. The Health Minister reported that 250 people were hospitalized as a result. The government declared a state of emergency and attacked and closed Tbilisi's principal opposition television station, *Imedi*. Georgia's

39 Council of Europe Secretary General Walter Schwimmer, as cited in 'Georgia: Critics Say Police Violence, Media Intimidation on the Rise', *Radio Free Europe/Radio Liberty (RFE/RL)* (20 February 2004). Available at <http://www.rferl.org/content/article/1051615.html>. Accessed 6 January 2011.

40 V. Papava, 'The "Rosy" Mistakes of the IMF and World Bank in Georgia', *Problems of Economic Transition*, Vol. 52 (2009), No. 7, pp. 46, 47.

41 Salome Asatiani, 'Georgia: Failure to Communicate Dogged Saakashvili's First Term', *RFE/RL* (25 December 2007). Available at <http://www.rferl.org/content/article/1079297.html>. Accessed 10 January 2011.

42 'Opposition Steps Up Criticism, Amid Ombudsman's Report', *Civil.ge* (25 May 2007). Available at <http://www.civil.ge/eng/article.php?id=15174&search=subari>. Accessed 18 January 2011.

43 As cited in Liz Fuller, 'Ombudsman Slams "Authoritarian Rule" in Georgia, Founds New Movement', *RFE/RL* (1 October 2008). Available at <http://www.rferl.org/articleprintview/1293020.html>. Accessed 15 September 2009.

44 Asatiani, 'Georgia: Failure to Communicate'.

45 In Walker et al., 'The Rose Revolution, Four Years Later', p. 3.

46 Terry Davis, as cited in 'Thousands Rally against Government in Georgia', *RFE/RL* (4 November 2007). Available at <http://www.rferl.org/content/article/1079075.html>. Accessed 6 January 2011.

ombudsman commented: ‘This was an absolute abuse of power [... T]oday from a beacon of democracy Georgia turned into a country where human rights are not protected even on an elementary level.’⁴⁷

‘The results of the elections showed that Saakashvili remained the most popular politician in Georgia, possibly because much of the electorate lacked confidence in his opponents. Subsequently, many elected opposition representatives decided not to participate in the parliament’

President Saakashvili and his supporters blamed Russia for the disturbances, labelling opposition leaders ‘traitors’. He also stressed that the use of force was well within the bounds of European practice in the face of civil disorder.⁴⁸ Whether the attack was justified in the first place was a different matter. Human Rights Watch, for example, branded it a ‘complete abuse of the use of force’ and reasserted the rights of people to demonstrate peacefully. It soon became clear that the incident could not easily be dismissed, not least because it appeared to jeopardize Georgia’s drive for a Membership Action Plan with NATO.⁴⁹

In November 2007, Saakashvili called early presidential elections for 5 January 2008 and resigned in the

interim. This decision had two advantages for him: it made him appear responsive to domestic and international criticism, and the short lead time made it difficult for the opposition to organize an effective campaign or for international organizations to set up an effective monitoring mechanism. Saakashvili’s fortunes were enhanced by the sting operation against one of his principal opponents, Badri Patarkatsishvili, the founder and part-owner of *Imedi* television, at the end of 2007.⁵⁰

President Saakashvili was re-elected in January 2008 with 52% of the vote, in an outcome broadly endorsed by the Organization for Security and Cooperation in Europe (OSCE) and the United States as more or less consistent with international standards. It is an open question, however, whether he would have passed the 50% threshold for avoiding a runoff without electoral irregularities that were noted. The presidential election was followed by elections to parliament in May 2008, in which the ruling party took 60% of the vote. External observers again noted violations, but the OSCE and the US State Department concluded that the process showed a distinct improvement on the January poll.⁵¹ Despite irregularities, the results of the elections showed that Saakashvili remained the most popular politician in Georgia, possibly because much of the electorate lacked confidence in his opponents. Subsequently, many elected opposition representatives decided not to participate in the parliament.

Political development after the war

The August war provoked a gathering around the flag and the president in the face of Russian aggression. As Ghia Nodia noted: ‘The opposition is in a difficult position. It is very difficult to situate oneself in opposition to the government whilst the Russian leaders publicly

47 Salome Asatiani, ‘Georgia: The End of Rosy Democratic Outlook?’, *RFE/RL* (7 November 2007). Available at <http://www.rferl.org/content/article/1079095.html>. Accessed 6 January 2011. Mr Subari was allegedly among those beaten by police in the suppression of the demonstration.

48 Ibid.

49 The Secretary-General of NATO noted that: ‘The imposition of emergency rule and the closure of media outlets in Georgia ... are of particular concern and not in line with Euro-Atlantic values.’ ‘Statement by the Secretary-General on the Situation in Georgia’ (8 November 2007). Available at <http://www.nato.int/docu/pr/2007/p07-114e.html>. Accessed 6 January 2010. Similar points on the state of emergency and on media restrictions were made by American, EU and OSCE representatives.

50 Salome Asatiani and Daisy Sindelar, ‘Georgia: Opposition “Godfather” Rattles Presidential Election’, *RFE/RL* (4 January 2008). Available at <http://www.rferl.org/content/article/1079319.html>. Accessed 2 January 2011. Patarkatsishvili died of a heart attack in England in February 2008.

51 However, the 2009 US State Department human rights report on Georgia noted that ‘observers concluded [that the parliamentary elections] were uneven and incomplete in their adherence to international standards’. See State Department, ‘2009 Human Rights Report: Georgia’, p. 1. Available at <http://www.state.gov/g/drl/rls/hrrprt/2009/eur/136032.htm>. Accessed 21 February 2011.

say they expect the “wise” Georgian people to remove its current leadership.⁵² However, in due course the opposition renewed its attacks on the government and was strengthened by the defection of a number of key government figures, including the former speaker of the parliament, Nino Burjanadze, the former ambassador to Moscow, Erosi Kitsmarishvili, the former ambassador to the United Nations, Irakli Alasania, and the former ombudsman Sozar Subari.

Deprived (or self-deprived) of the capacity to operate within legislative structures, and reflecting widespread disapproval of government performance,⁵³ the opposition mounted a street campaign in the spring and summer of 2009 in an attempt to force the resignation of President Saakashvili and his government. In contrast to the disturbances in November 2007, the government did not interfere substantially in the demonstrations, which continued into the summer before eventually melting away. The extremism and impracticality of many opposition leaders, and the mutual recrimination among them, did little to enhance their credibility among the population. As one commentator put it later, ‘only rarely do the opponents of those in power remember that they should be criticizing the government and not their own colleagues’.⁵⁴

The first electoral test for post-war Georgia was the nationwide local elections in May 2010. The ruling party swept to victory in all local council and mayoral races. In Tbilisi itself the government candidate secured 55% of the vote, with the most successful opposition candidate receiving 19%. The OSCE observer mission judged the elections to have showed ‘evident progress’ towards conforming to Georgia’s OSCE and Council of Europe commitments.⁵⁵

Later in the year the government moved to amend the constitution in October 2010, ostensibly to shift

power away from the presidency and towards the government and legislature. It also acted to rekindle meaningful dialogue with the opposition on media reform, in order to provide greater access to national electronic media and to enhance the transparency of ownership of private outlets such as *Imedi*, and has begun a consultation on electoral reform.

In summary, in the post-war period, the challenge from the opposition was largely defused. This was accompanied by a series of ostensibly democratizing reforms that seemingly opened the way to a more transparent government in which power is more effectively shared between the executive and the legislature, and in which the political process is both fairer and more accountable. It will take time to see how far these processes go and how much difference they make in correcting deficiencies in Georgia’s political institutions and practices. But Saakashvili’s success in reconsolidating and stabilizing his position after the war is quite clear.

Once again, the devil is in the detail. Returning to the local elections, the Tbilisi mayoral ballot produced an absolute majority of votes for the government candidate. This suggests wide popular support for the United National Movement and the authorities. However, these data need to be unpacked. A majority of 55% of voters in Tbilisi mayoral election means that 45% voted against government candidates or spoiled their ballots. That sounds rather close. Moreover, it would be interesting to explore how many of the 55% voting for the incumbent in the Tbilisi election did so because the opposition’s failure to produce a single candidate made it clear that no challenger would win, and that this failure made the opposition unattractive anyway. Finally, turnout in the election was reported at 49% nationally and 47% in

52 REP Roundtable Summary, ‘Where Does Georgia Go From Here?’ (16 September 2008) (London: Chatham House, 2008).

53 Polling of popular attitudes may produce unreliable results, reflecting who commissioned the poll in the first place, what their interests may be, and the framing of questions. However, in a comparative study of public approval across the CIS, Georgian responses to the question ‘Do you approve or disapprove of the job performance of the leadership of this country?’ yielded an approval rate of 21%, compared with 62% in Armenia and 77% in Azerbaijan. Julie Ray and Neli Esipova, ‘Approval Ratings in Ukraine, Russia Highlight Differences’, Gallup (31 July 2009). Available at <http://www.gallup.com/poll/121976/Approval-Ratings-Ukraine-Russia-Highlight-Differences.aspx>.

54 Ekaterina Kotrikadze, ‘Georgia Greets 2011 at a Grand Scale’, *Ekho Moskvj*, 30 December 2010.

55 However, the OSCE mission report noted numerous shortcomings concerning the election’s legal framework, the unlevel playing field on finance and media coverage, and in vote counting and reporting. See OSCE ODIHR, *Georgia Municipal Elections, 30 May 2010: OSCE/ODIHR Election Observation Mission Report* (Warsaw: ODIHR, 13 September 2010).

Tbilisi.⁵⁶ In other words, the majority of the electorate chose not to vote at all. All we know about that group is that it saw no reason to do so. The obvious point with regard to the Tbilisi result is that the winner got the support of around 27% of the eligible voters.

The constitutional reform also deserves a closer look. It envisages a shift of power away from the presidency and towards the government and the legislature. It was pushed through quite quickly in mid-2010. In the view of many in the opposition, the reform proceeded in an environment where access to national media for opponents of the government was constrained, and with insufficient public consultation and debate. The International Crisis Group wondered what the hurry was, given that the amendments do not take effect until December 2013.⁵⁷ The adopting body, moreover, is massively dominated by the ruling party. There was also a widely held view that the real winner in the amendment is the prime minister, rather than the legislature. This is connected to a suspicion that when President Saakashvili steps down in 2013, he may take up the post of prime minister.⁵⁸

Georgia requested an opinion from the Venice Commission (the European Commission for Democracy through Law) as part of the amending process. The commission took a positive view of many aspects of the reform, but had reservations about the difficulty of removing a prime minister through no-confidence motions (with multiple votes required and the involvement of the president in accepting or rejecting a new

prime minister), and also the limits on the parliament's budget powers. It concluded that more could be done to increase the powers of the legislature to oversee the activities of the government.⁵⁹ The counterpoint to this criticism is that the instability of the party system in Georgia might make frequent crises likely if the procedures for removal of the government were too easy.⁶⁰

The Venice Commission also raised concerns about the method of appointing judges and its implications for judicial independence. While endorsing the principle of lifetime appointment, it was uncomfortable with the stipulation that new judges were to be proposed by the president, considering that it drew the independence of the judiciary into question. This discomfort was reinforced by the establishment of a three-year probationary period for new judges.⁶¹

The commission's concern over the independence of the judiciary is widely shared.⁶² As one observer put it, 'the least independent sector of politics is the courts. In cases that are remotely political, there are no decisions that go against the government.'⁶³ That the acquittal rate in the Tbilisi city court is 0.04% is not reassuring.⁶⁴ Nor is the steep rise in the prison population from 6,100 in 2003 to 21,000 in 2009.

Much court business these days involves financial cases. Anecdotal reports suggest an increasing amount of harassment by the financial police of wealthier citizens, who then buy their way out of detention in plea-bargaining arrangements. The number of plea bargains in Tbilisi rose from 932 cases in 2005 to 9,073 (almost 60% of cases) in 2009.⁶⁵ Given the near absence of acquittal as

56 Central Election Commission, cited in International Republican Institute, 'Georgia Post-Election Watch: May 2010 Local Elections' (Tbilisi: IRI, 7 July 2010). Available at <http://www.iri.org/news-events-press-center/news/georgia-post-election-watch-may-2010-local-elections>. Accessed 15 January 2010.

57 ICG, *Georgia*, p. 5. On the other hand, over 20 televised public consultations on the amendments had been held throughout Georgia in the months leading up to the adoption. European Commission for Democracy through Law (Venice Commission), *Final Opinion of the Draft Constitutional Law on Amendments to the Constitution of Georgia* (Venice: Venice Commission, 15–16 October 2010), paragraph 16.

58 See 'Experts Point to More Flaws in Georgian Constitutional Amendments', *RFE/RL* (31 August 2010). Available at <http://www.rferl.org/articleprintview/2144431.html>. Accessed 15 January 2011.

59 Venice Commission, *Final Opinion*, paragraph 111.

60 Ghia Nodia, 'Georgia Gets a More Democratic Constitution, Though the Process Is Not Perfect', *Radio Free Europe/Radio Liberty* (19 October 2010). Available at <http://www.refr.org/articleprintview/2195251.html>.

61 Venice Commission, *Final Opinion*, paragraphs 87–89.

62 See Freedom House, *Freedom in the World: Georgia* (2009) (New York: Freedom House, 2009) Available at <http://www.freedomhouse.org/template.cfm?page=22&year=2009&country=7612>. Accessed 18 January 2011; UN Country Team, UNDAF 2011–2015, p. 14; and Transparency International Georgia, *Plea Bargaining in Georgia: Negotiated Justice* (Tbilisi: TI-Georgia, 2010), pp. 3, 25.

63 Charles Fairbanks, 'Georgia's Soviet Legacy', *Journal of Democracy*, Vol. 21, No. 1 (January 2010), p. 147.

64 'Acquittal Rate 0.04% in Tbilisi City Court', *Civil.ge* (23 December 2010). Available at <http://www.civil.ge/eng/article.php?id=22986&search=acquittal>. Accessed 15 January 2011.

65 TI-Georgia, *Plea Bargaining in Georgia*, p. 11.

an outcome, this is not surprising. Although the success of plea bargaining may be reassuring on efficiency grounds, Transparency International (TI) Georgia notes concern that plea-bargaining arrangements reduce the independence of judges and strengthen the position of the prosecution, and suggests that putting the process more or less completely into the hands of the prosecutor in a system in which the chances of acquittal are near zero raises questions of fairness.⁶⁶ Georgia gets credit for its successful struggle against petty corruption for personal gain. But, from the perspective of those targeted by state authorities seeking to appropriate large sums of money, the current situation may seem little better than the previous era of corruption. In the meantime, some lawyers report difficulties in locating and speaking to people held in pre-trial detention, and suggest that there are numerous informal detention facilities.⁶⁷ In addition to reported difficulty over the simple right to access one's attorney, human rights abuses of detainees continue.⁶⁸

Finally, with regard to the media, the gradual constriction on freedom of expression prior to the war continued in its aftermath. The two national private television stations are now reliably controlled by the government, which uses uneven media access to its own advantage in electoral contests.⁶⁹ The issue of media ownership continues to lack transparency. Opposition television outlets operate in Tbilisi, but have difficulty in securing nationwide distribution. The government has responded to opposition complaints by expanding access to the public broadcaster. But the field is far from level. A good recent example was TV coverage of the suppression of a hunger strike by war veterans in Tbilisi on 3 January 2011. The incident received no significant coverage on the principal television stations as it was happening. When asked

about this, Georgian Public Broadcasting stated that it had had no video footage.⁷⁰ Given that the demonstration occurred a couple of hundred metres from its headquarters, this seems rather surprising. Recent newspaper comment has also noted the sidelining of coverage of mass evictions of displaced people from public buildings.⁷¹

‘The two national private television stations are now reliably controlled by the government, which uses uneven media access to its own advantage in electoral contests.’

The potentially serious consequences of excessive government influence on the media were starkly delineated in March 2010 when *Imedi* TV ran a ‘simulation’ of a new Russian attack on Georgia, the formation of a Russian-supported government comprising leaders of the opposition, and the reported assassination of President Saakashvili. The bulletin was introduced by a disclaimer noting that this was not a real story, but went on without a caption to that effect, so people tuning in after the disclaimer would have perceived the broadcast as depicting real events. This caused considerable distress to viewers. A recorded telephone conversation surfaced suggesting that the president was directly involved, although its origin remains obscure, and its authenticity is contested by *Imedi*.⁷² Given the degree of state influence over *Imedi* and the close connection

66 Ibid., pp. 16, 17, 23. See also Penal Reform International, *Assessment of Penal Legislation in Georgia* (Tbilisi: PRI, 2009), pp. 5–6. Available at http://www.pri.ge/docs/assessment_of_penal_legislation_in_georgia_final.pdf. Accessed 15 January 2011.

67 Interviews, Tbilisi, autumn 2010.

68 In October 2009, the newly appointed ombudsman for Georgia characterized the human rights situation in the country as ‘grave’. *Civil.ge*, ‘New Public Defender Submits Human Rights Report to MPs’ (31 October 2009). Available at <http://www.civil.ge/eng/article.php?id=21628&search>. Accessed 27 January 2011.

69 The preliminary report of the OSCE observers on the May 2010 local elections noted ‘a lack of balance in the prime time news coverage, of political subjects and candidates on most monitored television channels. Only the Georgian public broadcaster’s First Channel has offered its viewers a more balanced picture of the campaign. The very high price of paid political advertising on main nationwide television channels has limited candidates’ possibilities to campaign in the media.’ OSCE/ODIHR Elections Observation Mission, *Interim Report No. 2* (21 May 2010), p. 1. Available at <http://www.osce.org/odihr/elections/georgia/68099>. Accessed 15 January 2011.

70 See ‘Major TV Stations Ignore Breakup of Hunger Strike’, *Civil.ge* (4 January 2011). Available at <http://www.civil.ge/eng/article.php?id=23011>. Accessed 15 January 2011.

71 See Eka Kvesitadze, in *24 Saati* (24 January 2011), pp. 1, 3. The writer suggested that these media outlets were ‘trying to disregard [the evictions] to the extent they can’.

72 *Civil.ge*, ‘Phone Tape Adds New Twist to Fake TV Report’ (16 March 2010). Available at <http://www.civil.ge/eng/article.php?id=22088>. Accessed 15 January 2011.

between its head and the president, it is unlikely that the government did not know of the broadcast beforehand. The inclusion of comments by EU diplomats from the broadcaster's archives provoked considerable irritation in the embassies of major donor states.

Freedom House's 'Nations in Transit' indices of democratization in 29 Central European and Eurasian countries provide a good summary of Georgian political development since the revolution in 2003.⁷³ On a scale of 1 (worst) to 7 (best), Georgia came in at 4.83 in 2003 (the year of the revolution), peaked at 4.96 in 2005, dropped to 4.79 in 2008, and rose to 4.93 in 2009, where it stayed in 2010. In short, on this measure there has been very little cumulative progress in democratization since 2003. Areas pulling Georgia's score down include civil society, the media and the judiciary.

Leaving metrics aside, there are deeper issues. One is transparency. For example, when TI Georgia sought full records of plea bargaining from the court system, its request was denied. The actual contribution of fines from plea bargains to the state is not specified in the state budget. The ownership of key assets such as the InguriGES hydroelectric facility is unknown. The ownership of key media players such as *Imedi* is also unknown. Details on state budget spending remain extremely hard to obtain, limiting the parliament's capacity for effective scrutiny.⁷⁴ Public disclosure regarding the business activities of relatives of senior elected and unelected officials is weak, fuelling suspicion of side deals. Officials in international organizations working in Tbilisi wonder exactly how the \$4.5 billion assistance package was spent.

The transparency gap is compounded by an accountability gap. The parliament is not in a position to ensure the accountability of government. The constitutional reform does not change that. The courts lack the requisite independence to fill this role. The broadcast media remain weak because of substantial government influence over

television, the most widely consumed form of media. Newspapers are more diverse, but are seldom read.

Non-transparent and weakly accountable government creates space for arbitrary state behaviour, of which there are many examples. Early on, the post-revolution Minister of the Economy, Kakha Bendukidze, dismantled Georgia's food safety agency by firing the staff. Licences related to food safety were eliminated. Legislation to create a new food safety agency was passed in 2005, but most new inspectors were then fired. Those few inspectors remaining had no training, no authority to conduct investigations and no budget. The European Stability Initiative (ESI) commented: 'De facto, Georgia became the only place in Europe without any food safety system at all. All of this was a matter of pride for Bendukidze, as he proudly told the *Financial Times* that it was the job of the market to regulate food producers.'⁷⁵ When Russia embargoed trade with Georgia in 2006, causing a collapse of wine export, President Saakashvili asked leading businesses to purchase grapes to sustain Georgia's wine-growing region of Kakheti. This was followed by complaints from businesses that they were being forced to take a quota. The legal basis of this alleged coercion is obscure.

“The level of public disbelief of government statements is high ... The state is seen as distant and arbitrary, unpredictable and often vaguely threatening”

Anecdotal reports from late January 2011 provide another example. Tbilisi restaurant owners were reportedly called to a meeting with the tax police, who

73 The democracy score is a composite of ratings on electoral process, civil society, independent media, national and local governance, judicial framework and independence, and corruption. See David Aphrasidze, 'Georgia', in Freedom House, *Nations in Transit 2010* (New York: Freedom House, 2009). Available at <http://freedomhouse.eu/images/Reports/NIT-2010-Georgia-final.pdf>. Accessed 2 February 2011.

74 See Molly Corso, 'Georgia: 2011 Budget Is Big on Bucks, Small on Public Details', *Eurasianet* (20 October 2010). Available at <http://www.eurasianet.org/node/62604>. Accessed 26 February 2011.

75 European Stability Initiative (ESI), 'Nothing to Lose' (April 2010). Available at http://www.esiweb.org/index.php?lang=en&id=322&debate_ID=3&slide_ID=13. Accessed 7 February 2011.

told them that the performing of Russian songs was now prohibited, and would attract substantial fines.⁷⁶ The legal basis for the role of the Finance Ministry in regulating the language of entertainment in restaurants is also obscure. Most recently, the breaking up of the war veterans' demonstration in January 2011, mentioned above, was a police action deemed illegal by Georgia's current human rights ombudsman.⁷⁷

The lack of transparency and accountability fuels considerable distrust in the population. In 2008, a plurality (45%) of respondents to a Gallup poll on the honesty of elections said they were not honest.⁷⁸ Suspicion of insider dealing on contracts and in the disposition of public property is widespread. The reaction of residents to the digging up of all the pavements in Vake, a district near the centre of Tbilisi, is a case in point. Local residents were asked over several weeks why this was happening, and the general response was that someone close to the government was making money out of it.⁷⁹ Nobody had any evidence this was true; it was just assumed. In politics, it is often the perception that counts more than the reality.

Distrust is frequently accompanied by derision, as when President Saakashvili reportedly stopped by to open a café in a state school in central Tbilisi in 2010. The immediate reaction was to underline how ridiculous this was: how would the pupils pay for the food at commercial rates and why would the government be more interested in the café than in repairing the school itself?

Doubts about the government are aggravated by the seeming randomness of much government behaviour, not least in the area of the government's cabinet appointments. The appointment of an Education Minister whose previous experience was in criminal justice and prisons is a case in point.⁸⁰ Or as one commentator noted: 'When the Minister of Agriculture

talks about developing agriculture through the export of frog legs, developing crocodile farms in west Georgia, and bringing South African farmers to the country, a few simple questions come to mind – has he got any idea about agriculture?'⁸¹

The government itself sometimes undermines its own measures to enhance accountability and trust. For example, the sensible decision to create a tax ombudsman was immediately called into question by the appointment of a principal adviser of the prime minister to the post. The point is not whether this person would do a good job; it is that his association with the government raises questions about his impartiality.

The level of public disbelief of government statements is high. That reflects not only the general level of disillusion, but also the high level of hype in these statements, which encourages the population to reject what is said out of hand. The state is seen as distant and arbitrary, unpredictable and often vaguely threatening. There is also considerable frustration with the opposition; few believe it to be a viable alternative to the status quo.

Conclusion

The building of a functioning state and a rapidly growing economy in Georgia after 2003 is impressive. Economic performance since the war has been better than expected. This reflects the substantial post-war external assistance to the country, but also the government's improvements in economic governance since the Rose Revolution. The Saakashvili government did a very impressive job of stabilizing the political situation in Georgia after the war. It defanged the opposition and has relatively unopposed control over the territory remaining in government hands. There seems little prospect of effective opposition emerging in the period prior to parliamentary and presidential elections in 2012 and 2013. The government has

76 Email correspondence, February 2011. This is also reported in 'When the Music's Over: Georgian Authorities Said to Ban Russian Songs' (2 February 2011), *RT: Question More*. Available at <http://rt.com/news/georgia-restaurants-russian-music/>. Accessed 6 February 2011.

77 'Public Defender: 'Arrest of Protestors Was Illegal'', *Civil.ge* (4 January 2011). Available at <http://www.civil.ge/eng/article.php?id=23015&search=ombudsman>. Accessed 6 January 2011.

78 34% responded that elections were honest. Neli Esipova and Gocha Tskitishvili, 'Georgia Rallies Highlight Frustration with Elections, Media', Gallup (9 April 2008). Available at <http://www.gallup.com/poll/117385/georgia-rallies-highlight-frustration-elections-media.aspx>. Accessed 15 January 2010.

79 Interviews, September–October 2010.

80 The minister in question has taken to installing CCTV cameras in school classrooms to monitor performance and attendance.

81 Papava, 'Foreign and Domestic Factors Behind Georgia's High Inflation Rate', p. 2.

also engineered a constitutional reform that will facilitate its retention of power after these elections, in the event that the president (who cannot run for another presidential term) decides to run for the post of prime minister.

Nevertheless, serious risks remain. Economic growth has occurred without substantial improvements in unemployment and poverty rates. The rural/urban economic gap is wide and probably increasing. General economic inequality is high and also probably increasing. Inflation is uncomfortably high for a country that is growing comparatively slowly. It has a particularly strong impact on the price of basic necessities, and hence is felt directly and painfully by lower-income segments of the population. Trade deficits remain a serious problem. Economic opportunities are scarce and may fuel an already sizeable emigration, particularly among the skilled. Foreign assistance is likely to drop off significantly at the end of the post-war package, and will be replaced by debt repayment. The FDI white horse has not come to the rescue.

Georgia remains pretty quiet. But the evolving economic and political situation is disquieting. Despite the winter weather, small-scale protests persist, such as those by the veterans at the beginning of 2011 and the contemporaneous scuffles over the eviction of displaced people from public buildings.⁸² The failure properly to address the difficult situation of long-term internally displaced persons has been flagged as a significant source of potential social tension.⁸³ Disillusionment with 'politics as usual' is widespread, amid considerable distrust of, and alienation from, the state and its 'authoritarian hue'.⁸⁴ There is a strong possibility of economic difficulties ahead, which may deepen the people's distance from, and hostility towards, the government. It is true that the 'organized' opposition is weak. However, as the recent events in Tunisia, Egypt, Bahrain and Libya have again revealed, where underlying conditions for revolt are present and strong, random incidents and demonstration effects can trigger sudden, substantial and sometimes violent change.

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⁸² On these evictions, see 'Two Jailed in IDP Eviction Scuffle', *Civil.ge* (20 January 2011). Available at <http://www.civil.ge/eng/article.php?id=23065>. Accessed 24 January 2011.

⁸³ Ghia Nodia, in REP Roundtable Summary, 'Where Does Georgia Go From Here?', p. 3.

⁸⁴ Ghia Nodia, 'Why Is Georgia So Quiet About Tunisia's Revolution?', *RFE/RL* (26 January 2011). Available at <http://www.rferl.org/articleprintview/2286879.html>. Accessed 29 January 2011.