

# Corruption and Its Impact on Emerging Democracies: Georgia

## Recent Report of the Georgian Anti-Corruption Commission

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### Introduction

Corruption in Georgia is the most significant impediment to the establishment of a democratic government and market economy in Georgia. In Transparency International's 1999 Ranking of ninety-nine countries for levels of corruption, Georgia was one of the worst. Its rank at eighty-fourth made it comparable in levels of corruption to Uganda, Pakistan, Kazakstan and Russia. Businesses consistently complain of having to pay "transaction taxes" or bribes to government officials in order to conduct business. A recent study by the World Bank determined that bribes to public officials in Georgia exceed eight percent of the revenues of companies doing business in Georgia which places Georgia dead last in the post communist world. According to another recent World Bank study, nearly eighty percent of surveyed firms doing business in Georgia describe the legal system as corrupt and dishonest.

Bowing to pressure from both inside and outside of Georgia, President Shevardnadze issued a decree in July of this year establishing an anti-corruption commission that was charged with developing a national anti-corruption strategy. An interim report has been issued by the commission and a final strategy will likely not be completed until early next year.

### Interim Anti-Corruption Commission Report

The report was issued in October of this year and sets forth basic principles, key priorities, and a list of eleven measures to be taken pending implementation of the long-term anti-corruption program.

### Background

The Commission states that corruption, which is defined as the "misuse of public power for personal or group profit," has grown in Georgia to the point that it is challenging the normal functioning of public institutions, hampering economic development, diminishing public trust in state institutions, and undermining Georgia's image in the international community. The main reasons for the spread of corruption in Georgia are: the legacy of the communist regime; the weakness of the state; the special role assumed by the power ministries, particularly the police; the weakness of civil society, political parties and political opposition; the continuing economic crisis; and tolerant public attitudes toward corrupt practices by government officials. According to the Commission, there must be a vigorous public debate so that a broad consensus can be developed for an integrated anti-corruption strategy.

### Basic Principles

Although corruption is deeply embedded in the structure of state management and the public consciousness, the experience of various countries shows that concerted efforts by the government and civil society can curb the growth of corrupt influences. The fight against corruption, which must be a top policy priority of the government and based on an adequate institutional framework, is a long-term undertaking.

The strategy should be designed to achieve the following objectives.

A. Break the system of impunity and create an effective system for detecting and punishing corrupt practices. According to the Commission, the only way to do this is to begin the fight against corruption within the law enforcement agencies and the judiciary. Although this activity entails taking significant political risk, the alternative is wide-scale social unrest and eventual political destabilization.

B. Implement preventative measures that address the root causes of corruption, including creating transparency in state institutions, eliminating overlapping responsibilities of state agencies and clarifying ambiguous legislation that creates corrupt opportunities, revoking unnecessary tax privileges, and paying public servants adequate salaries.

C. Develop broad public support for anti-corruption measures and promote public participation in their implementation. The Commission states that this is particularly important because of the political risks presented by taking anti-corruption measures, and notes that there is much public indignation concerning corruption upon which a strategy can be based.

D. Prevent the fight against corruption from becoming a witch-hunt, and guarantee suspects' human rights. Additionally, regulations concerning the activities of civil servants should not be so strict that they hinder effective state management or result in the punishment of basically honest public servants for relatively minor misconduct.

E. Although fighting corruption is a long-term and complicated undertaking, Georgia must also achieve some quick results, particularly with regard to elite corruption.

F. Draw from international experience and coordinate with the efforts of other countries.

### **Key Priorities**

The Commission recommends a number of key priorities for an anti-corruption strategy.

A. Liberalize the business environment by such means as reducing the number of state agencies that supervise business activities and simplifying commercial regulations, eliminating unnecessary barriers to the movement of goods across the country (particularly arbitrary stops by road police), developing a transparent procedure for issuing licenses and permits, and liberalizing tax rates and more strictly enforcing the tax laws.

B. Properly manage state resources by improving the systems of budgeting and state procurement, instituting a system of effective internal audits by independent inspectors general who would answer to the Chamber of Control, ensuring responsible management of state shares on corporations, properly managing the

state's strategic material resources, and establishing an effective mechanism for managing foreign credits and grants.

C. Improve government management by raising the salaries of state employees by increasing budget revenues and reducing the number of state employees, enforcing the law on conflicts of interest and corruption and the administrative code, imposing administrative discipline for official misconduct, and creating civil liability for public officials whose misconduct results in financial harm to the state.

D. Reform the law enforcement agencies by imposing adequate internal and external controls, eliminating unnecessary and duplicative functions of different agencies, reducing extraneous staff, conducting qualifications exams, instituting objective and reasonable criteria for hiring and promotion, computerizing systems operations, and increasing salaries.

E. Reform the justice system by improving the procedure for selecting judges, instituting a training program and modern case management and court administration techniques, and adopting a code of ethics.

F. Develop a truly representative democracy by establishing accurate voter registration lists, amending legislation to improve election procedures, and ensuring transparency in political party and campaign financing.

G. Reform the educational system by enforcing legal requirements for registration of colleges and universities, establishing a central examinations committee, and introducing social responsibility into the school curriculum.

### **Implementing Mechanism**

To facilitate implementation of the anti-corruption program, the Commission recommends that a monitoring and coordinating agency be created, which would elaborate anti-corruption policy and monitor its implementation, conduct educational programs, and promote the cooperation of government agencies that are charged with implementing responsibilities, but which would not have law enforcement powers. This agency should concentrate its efforts upon the reform of the law enforcement system. If this approach does not work, the agency should possibly be given the power to conduct criminal investigations against the "most dangerous elite corrupt activities."

### **Interim Measures**

Finally, pending the implementation of the long-term anti-corruption strategy, the Commission recommends the following measures:

1. The Commission should prepare recommendations for how to effectively enforce the financial disclosure provisions of the Law on Conflicts of Interest and Corruption.
2. The Ministry of Revenues should investigate the sources of income of persons who have recently built houses or bought new cars, enforcing the tax laws as appropriate.
3. By December 1, 2000, a new law on state control of businesses, which would dramatically simplify commercial regulations, should be prepared. In the interim, all government agencies but the Chamber of Control and the Tax Service should be barred from regulating businesses unless they have obtained court authorization.

4. By January 10, 2001, the Chamber of Control should ensure the creation of internal audit functions within state institutions.
5. The Commission should prepare amendments to the criminal code providing for the seizure of unlawfully obtained property.
6. Effective January 2001, all state agencies should publish information about their expenditures. Failure to do so would be grounds for removal from office.
7. There should be a one-year moratorium on timber cutting, except when needed for "local heating."
8. Supervisory councils, whose members would include private citizens, should be established for firms in which the state owns an interest. The Ministry of State property Management would compile a list of such firms and prospective council members by December 20, 2000.
9. Effective October 10, 2000, all fixed traffic police stations on the highways would be abolished. Mobile traffic police should maintain order on roads. Traffic police would not be allowed to check motorists' documents other than driver's licenses and car registration. The Minister of the Interior would implement this procedure subject to a non-governmental monitoring group.
10. Effective October 1, 2000, the validity of auto safety inspection certificates would be extended for one year. Appropriate legislation should be prepared by December 1, 2000.
11. All state agencies should publicly post procedures for complaining about actions of public officials and employees.