

By Daria Vaisman

Though Georgian President Mikhail Saakashvili counts controversial Turkish reformer Kemal Ataturk as a role model, his presidency more closely resembles that of a leader from Georgia's northern neighbor: Catherine the Great, the "enlightened despot" who famously shoved Russia into the 18th century with a combination of "legislomania" and liberal reforms borrowed from Europe.

Georgia too has become a case study for the impact of a strong leader on a weak state. Whether a dominant executive power is necessary to quickly reform a dying and corrupt government or presages authoritarianism is a topic frequently debated in Tbilisi.

Yet no one here doubts that Georgia is better off now than when Saakashvili took over in 2003. During that year's Rose Revolution, when Saakashvili replaced Eduard Shevardnadze, Georgia was a failed state, ranking alongside Bangladesh and Nigeria as one of the most corrupt in the world. Its largest export was scrap metal.

Today, Georgia has become the darling of international organizations and a key component of an increasingly Russophobic U.S. policy—a happy position that is as much the result of geopolitics than successful reform at home. According to a recent World Bank report, Georgia is this year's transitional—country success story, having slashed corruption more than any other country in Europe and Central Asia. Its GDP continues to grow at a respectable 7 to 8 percent despite a Russian ban on Georgian wine and water—its largest exports—and a worryingly high inflation rate.

Perceptions have changed along with the numbers. "Corruption is not the rule anymore: You're no longer expected to be corrupt," said Georgian political scientist Gia Nodia. Police who once shook down drivers on invented offenses now drive amiably by in new cars. Smart students, previously unable to get into universities because they couldn't afford the bribes, now choose their school by taking a standardized test. Businesses that once hid revenue to avoid paying taxes now pay regularly, allowing the Finance Ministry to draft longer-term budgets. Corrupt officials have been fired and replaced, unused infrastructure privatized, dilapidated streets repaved, and shops and cafes established in the city's center. Not surprisingly, tourism is at its highest level since Georgia's independence in 1992.

So why are so many Georgians complaining? To begin with, life is more expensive. Disposable income has dropped despite a slight increase in salaries because of a much higher increase in the price of consumer goods. More than half of the population outside Tbilisi lives under the poverty line (defined by the World Bank as US\$2 a day, roughly equivalent to three lari), and up to a third of the population in Tbilisi is unemployed.

Another explanation is the normal letdown following the euphoria of the revolution. According to the 2004 Transparency International Global Corruption Barometer, 60 percent of Georgians expected corruption to decrease during the next three years—the biggest positive change in corruption perceptions worldwide. Only 38

percent said they believed the same one year later, a 22 percent drop. But a comparison of which institutions Georgians consider corrupt may indicate positive change. The police force, ranked Georgia's most corrupt institution in 2004, dropped in 2005 to 9th place out of 15. The Tax Administration, ranked the second most corrupt institution in 2004, placed fourth the following year.

Both the Interior and Finance ministries (police and taxes) were completely overhauled by the Georgian government during 2004 and 2005, demonstrating the government's ability to rout sector-specific corruption—or at least create that impression. The remaining problems are most obvious in the health sector and judiciary, neither of which have been subjected to systemic reform. However, the educational system has been successful in turning a bribe-riddled university entrance process into a merit-based one.

However, the elite, well-educated “NGO class”—the intellectual core of Shevardnadze-era Georgia that worked closely with Saakashvili during the revolution—worry that the government is reforming haphazardly without developing institutions that will last beyond Saakashvili's tenure. They also fear that the additional powers granted the executive branch by the legislature has eroded the political system's checks and balances.

The government argues it is taking necessary steps to keep reforms moving at the proper clip. A feeling pervades that time is limited, fueled in many ways by the perception that Russia is waiting in the wings to countermand Georgia's success, as it did with Ukraine.

Nodia refers to the current style of government as “authoritarian modernization lite,” or what would have happened if Ataturk or Catherine the Great were regularly monitored by the European Union and NATO (which Georgia very much hopes to join). The World Bank stated it more succinctly in a 2006 anti-corruption report: “Strong leadership yields results.”

The divide between the government and the “NGO class” is widening. Dato Darchiashvili, head of the Open Society Institute's Georgia office, calls it a “polarization from within.” Being tagged “pro-government” by a member of the NGO crowd is tantamount to an attack, surprising because most influential government officials started their careers at NGOs.

But with a couple of exceptions, particularly regarding human rights, the disgruntled NGO heads I spoke with criticized the government's style—sweeping, quick, and done behind closed doors—rather than its reforms. Tamuna Karosanidze, head of Transparency International Georgia, complains that NGOs and outside experts are not consulted in the drafting of new legislation. Zurab Burduli, executive director of the Georgian Young Lawyers Association (GYLA), says the Parliament now functions as a glorified notary. Republican Party opposition leader Tina Khidasheli points out that the criminal procedures code introduced by the current government changed 28 times. Laws are changed to fit a precedent, she said, rather than precedents set to form law. One bank in Georgia lists “government actions that are not predictable” under their force majeure clause, usually reserved for “acts of God” such as floods and earthquakes.

Saakashvili is often called a PR president, but it is “one-sided PR,” said Burduli. Shows, festivals and fireworks displays that function more as bread and circuses than public forums. Burduli claimed that of a special 60 million lari (US\$3.5 million) presidential fund, only 4,000 lari (US\$2,300) went to its intended source: The rest went to PR events. When the government was criticized for the fund, it introduced a law in 2006 eliminating any mention of the fund’s purpose from the budget.

Ramishvili said he thinks the NGOs are the problem. “The government is working at a supersonic speed and civil society is still working at a Shevardnadze speed,” he said. As for the opposition, “they just boycott everything. Democracy can’t function in that mode.”

Regarding corruption, however, even the most vehement opposition figure concedes that today’s Georgia is a dramatic improvement over its former self. The biggest change is that, by all accounts, the constant low-level bribes demanded for every basic function from getting a passport to driving a car has stopped.

Following implementation of the 2004 tax code, which replaced a progressive income tax with a flat tax of 12% and simplified tax administration, the percentage of firms reporting frequent bribery of tax officials fell from 44 to 11 percent between 2002 and 2005 in a World Bank survey-by far the most significant drop of any country. Collection rates have also improved considerably to include roughly 60% of the population.

Though low-level corruption is down, uncorroborated stories persist of higher “elite corruption,” such as kickbacks for procurement and privatization deals. Khidasheli said she has seen procurement contracts issued directly to government officials’ relatives. There is no doubt that kickbacks occur, as do all forms of corruption, but as American Chamber of Commerce president Fady Asly said, the difference between Georgia now and Georgia then is the difference between Nigeria and France. “Effects are king,” said Nodia. And so, for now, is Saakashvili.