

Georgia 2014



Total: 62.08

Quick facts

Population:	4.47 million
Unemployment rate:	14.6 %
GDP:	16.54 billion \$
GDP growth rate:	4.73 %
GDP per capita:	3700 \$

Political Freedom

Free and Fair Elections : 6.43

Georgia is the freest among the three South Caucasian republics. It recorded from 2012 - 2014 the first parliamentary and presidential democratic transfer of power through peaceful elections since its independence in 1991. Both elections could be described as free and fair, despite minor violations such as abuse of administrative resources or coercion. They were even rarer in the presidential elections. In the report on the parliamentary elections, the OSCE noted that “while freedom of association, assembly and expression were respected overall, instances of harassment and intimidation of party activists marred the campaign”. Beside this, a notable democratic improvement in Georgia was the change from a presidential to a parliamentary political system in 2013. A certain amount of powers was transferred from the president to the prime minister (e.g. the appointment and dismissal of MP`s shaping domestic and foreign policy, etc).

Absence of Unconstitutional Veto Players : 5.83

There are no unconstitutional veto players in Georgia. Still, the Georgian Orthodox Church represents a significant power used to influence political processes in the country. It is especially emphasized on the topics of the position of the LGBT population and of the country's orientation towards EU. According to the Freedom House, the church organized protests against an LGBT rally on the International Day against Homophobia, which gathered together around 20 thousand people. The military and the police forces are under civilian control.

Freedom of Press : 5.3

Georgian press is ranked as partly free. Freedom of the press is guaranteed by the constitution and it has improved since the parliamentary elections in 2012. Changes to the Law on Broadcasting aim to promote diversity, increase transparency and reduce political influence on the media. Especially important was the adoption of “must carry / must offer” rule which put an obligation on cable operators to carry on all television channels. A body responsible for regulation and issuing licenses is the Georgian National Communication Commission, which was often accused of being politicized. Due to media dependence on advertisements there is a lack of journalistic professionalism. Thus, self-censorship is not a rare phenomenon.

Rule of Law

Independence of the Judiciary : 3.92

According to a report by a subsidiary NGO of the Transparency International Georgia as of 2011 there had been done far more in carrying independence-friendly legislation on judiciary than it had to be done to put all those into practice. While legal and other resources necessary for a good quality judiciary were provided by 75%, their use in practice was just 50%. Whereas independence of judiciary was 75% guaranteed by laws, the actual level of independence of courts was estimated at just 25% of the ideal one. Similar or worse case was with their transparency and accountability. Institutional deficiencies still secure executive branch of power a comfortable position vis-a-vis judicial oversight. The Prosecutor's Office is regarded as the most important channel of political influence on the judiciary. The main problem of the criminal justice system is the plea bargain system, which many accuse of lacking transparency and consistency. Judiciary is actually perceived as the most corrupt part of the entire public sector. In its Progress Report 2013, the EU pointed out at a strongly hierarchical organization of the judiciary, which makes it more prone to political pressure. Too severe punishments even for petty crimes lead to 88% criminal cases being resolved through plea bargaining. However, the percentage of acquittals of those who had gone on trial and were convicted in the first instance is too high. Local analysts reckon that such distortions are a contributing factor to more corruption in judiciary as a whole.

Corruption : 4.9

As compared to its Caucasus neighbours, Georgia is the champion in fighting corruption. In the whole world, according to Transparency International's CPI ranking for 2013, it was 55th of 177 countries (score: 49). Albeit being four places down from 2012 (score: 51), it has left several EU countries behind. Several policies and campaigns contributed to that relative success. During the last decade, extensive privatization and deregulation were implemented, further strengthening the anyway present traditional culture of entrepreneurship (unbroken even in Soviet times), of self-reliance and of low citizens' material expectations of the government. That has narrowed opportunities for political corruption, especially for providing special social privileges in exchange for political influence and opportunity to control (and rob) public resources. Additionally, Georgia launched an unprecedented campaign of purging police forces of corrupt officers, which led to massive layoffs and replacement of the old cadre with the freshly trained policepersons with more

integrity. Recently, more refined measures have been taken to increase transparency in public procurement, establish reliable system of asset declaration by politicians and public servants, and fight nepotism in public sector employment – the latter being a complex task in a country with numerous, visible or invisible, traditional social webs. But the situation is still far from rosy. Even all trends are not unambiguously upward. Global Corruption Barometer 2013 shows that citizens perceive judiciary as the most corrupt (51%), well above media (42%), parliamentarians (34%), or the police (26%).

Protection of Human Rights : 5.03

Besides joining the group of electoral democracies, Georgia saw improvement in the field of human rights in 2013, according to Freedom House findings. In the 2014 report, it was classified as a “partly free” country. Religious freedom is well preserved for the majority Georgian Orthodox Church and for those minority religions that are considered as “traditional”. The two exceptions to this climate of religious tolerance are newer small religious movements and Copt immigrants, who both face problems or even violent attacks by extremists. The latter often attack also the participants of LGBT events, in spite of the legal provisions that forbid discrimination and sanction hate crimes on the basis of sexual orientation. Other NGOs have a favourable ground, especially after the change of government in 2012/2013. Similar space is provided to trade unions, who successfully lobbied out a change of labour legislation so as to protect employees from unjustified layoffs. Domestic violence has become a crime, yet a lot more has to be done to adequately apply the law. The EU Progress Report 2013 also noted that much had to be done for more equality of women, who were generally under-represented in public life. As for torture in custody or prison, it had been frequent, but since media had revealed some of the cases in early 2013 there were improvements. Changes are also needed in protecting ethnic minorities and minority languages. Overall, Georgia has better score in the field of human rights than any of its neighbours.

Economic Freedom

Security of Property Rights : 5.99

The integrity of legal system in Georgia is low. Judicial independence is weak and the political elite and vested interests groups can influence court decisions. Courts can also be partial and selective in their proceedings, benefiting the side that has better political or business connections. Property rights are often infringed and not well respected. The process of registering property (especially land), although usually quick and free, can be ignored by the authorities. Foreign natural persons have restricted rights to possession of land, although legal entities do not face this discrimination. Enforcing contracts can be a lengthy process associated with high costs. Overall reliability of the police is low, and businesses bear significant crime costs. The military is connected to the political life and the wider social structures.

Size of Government: Expenditures, Taxes, and Enterprises : 7.85

General public expenditures in Georgia are low compared to most European countries, standing at 29.6% of GDP. Good economic performance lead to the fact that Georgian economy experienced

only a short and mild recession in 2009 with high growth rates after it. Low budget deficits are still present, but the medium gross debt of 35% of GDP coupled with robust growth make them sustainable in the long run. Low public expenditures. Low public expenditures allow for low levels of taxation. The Georgian tax system relies on flat taxes: 20% for income tax and 15% for corporate taxes. The tax wedge on labour is low, due to abolishing of social security contributions in 2008 which were as high as 31% of the gross wage in the year 2000. Social transfers are low, and mostly comprising of the social pensions to the retirees. Although large scale privatizations took place, the state owns companies across the country, in utility services but also in agriculture and industry. These companies do not perform well in the market and receive direct or indirect subsidies. Partial or full privatization of some of these companies should address this issue, having in mind the example of the state railways (passenger system and infrastructure are operated by the state company while the freight is provided by licensed private companies).

Regulation of Credit, Labour, and Business : 7.97

The business environment in Georgia is positively inclined towards entrepreneurial activities. Since 2004 reforms conducted reforms have improved the business climate significantly, and twice has Georgia been designated as the reformer of the year among all countries by the World Bank. This coupled with low taxes has led to increasing economic activities in the country. Starting a business is fast and inexpensive, as well as obtaining a construction permit. Getting electricity is quick but expensive. Tax procedures are still complicated although the usage of electronic payments is improving. However, administrative requirements and associated bureaucracy costs for running daily operations are high. This is a suitable environment for corruptive activities, although the overall rate of corruption has been significantly decreased recently. Licensing restrictions are still prevalent in some areas. Labour regulation is overall flexible, the minimum wage is very low since its level hasn't been increased for almost two decades. Severance payments are low and equal for all workers regardless of their years of tenure. Collective bargaining is concentrated mostly in the public sector.

Freedom to Trade Internationally : 8.86

Freedom to trade is mostly respected. Since 2000, Georgia has been a member of the World Trade Organization (WTO) which boosted trade liberalization. Further reforms significantly lowered the import tariff to 0% for most product and 5% and 12% for agriculture and construction products. Bureaucracy procedures regarding import or export are low. However, regulatory trade barriers in the area of standardization of imported goods remain an obstacle to trade, inducing high costs. Main trade partners of Georgia are countries from the region, such as Azerbaijan, Armenia, Turkey and Ukraine, followed by the EU countries and China. Trade connections with the Russian Federation exist but are at a lower level than expected, even with the lifting of the Russian trade embargo on agriculture products in 2013.