

Georgia 2015



Total: 57.83

Political Freedom

Free and Fair Elections : 6.79

Georgia continues the practice of relatively free and fair elections established in 2012 when the first peaceful and democratic transfer of power since its independence in 1991 took place. Local elections were held in June 2014 and citizens of the 12 cities had opportunity to directly elect their mayors, in 11 of them for the first time. The ruling Georgian Dream movement candidates won in every city, confirming its current dominance. However, they were accused by the opposition parties and few other organizations for abusing of the administrative resources, pressure on opposition candidates to withdraw, harsh rhetoric and the arrest of the campaign manager of the United National Movement, the main opposition party, just before the runoff. Since 2013, Georgia is a constitutional democracy with the unicameral parliament which has 150 seats.

Absence of Unconstitutional Veto Players : 5.83

There are no unconstitutional veto players in Georgia. Although there were some accusations of the corruption by the high-level officials, government is dealing with the corruption effectively. However, former Prime Minister Bidzina Ivanishvili and his influence on the government is subject of speculation in the country. Allegedly, he influenced the changes of some ministers in the government in November 2014. The Georgian Orthodox Church is also perceived to be very influential in shaping public opinion and affecting the country's policy. This is especially emphasized on some sensitive topics such as the position of LGBT population, or education.

Freedom of Press : 5.2

Press freedom has been granted by the constitution in Georgia, but broadcast, print and online media outlets could only partly exercise this right. Media scene is pluralistic and diverse, expressing wide variety of views. Still, reporting is often biased in favor of either the governing or opposition parties. Also, according to the Freedom House, the main regulatory body for broadcasting media, the Georgian National Communications Commission, is often criticized for lack of independence from political elites. Although becoming less common, harassment and intimidation of journalists resumed throughout the year.

Rule of Law

Independence of the Judiciary : 5

There was some progress towards independence of judiciary. Numerous institutional reforms began in 2014 and continued during 2015, including constitutional reshaping of the role of judiciary, increasing the independence and accountability of the Prosecutor's Office and amending the Law on Common Courts so as to secure more objective criteria in selection and appointment of judges. In the area of criminal law, pre-trial detention was shortened, more precise rules introduced into the plea bargaining system and the victims' rights improved. Courts prosecuted and sentenced more former politicians than before. Some complain that those proceedings have so far encompassed almost entirely the officials of the previous government, thus raising suspicion that mere political retribution was on. The problem of impunity of politicians might not be erased that easily. As Human Rights Watch noticed, lack of accountability of law enforcement officers for human rights abuses is still a problem.

Corruption : 5.2

Advancing further during 2014, Georgia has become the least corruption-struck country in the region of Caucasus and Black Sea. Transparency International's Corruption Perception Index 2014 ranked her 50 (of 175 countries), with the score 52 (of 100), ahead even of 7 EU members. Freedom House quoted a local research which found that only 2% of citizens had put corruption among the three main problems of the country. Economic liberalization coupled with bold measures to clean the most vulnerable parts of the public sector has created a sound basis upon which various sophisticated anti-corruption strategies are developed and implemented in cooperation with the EU or international institutions. Since relatively free Georgian media and developed civil society also contribute to the progress, corruption is besieged from many sides. The problems still persist within the political sphere and administration. Proper procedures for transparent appointment of public officials are still lacking. Tender procedures for big infrastructural investments or for public procurement could improve. In future, a disturbing factor could be in that the current government has concentrated on revealing corrupt activities only of the previous, pre-2012 administration, while neglecting the present.

Protection of Human Rights : 5.28

Georgia violates human rights less often than any of her neighbours. Arbitrariness by law enforcement officers - together with poor judicial protection thereof and meager space for civil society's overview of the security sector - is among the biggest problems. Right to privacy is insufficiently protected. Protection of people with disabilities and especially the overall position of sexual minorities raise concerns, mainly due to poor implementation of the laws against discrimination. A lot more could be done for safety and equality of women. Although their participation in high politics is more visible, in local governments nothing has changed in a decade.

Issues of child brides, or domestic violence, require more attention. There is still gender discrimination at workplace. On the other hand, through new legislation and in practice, children are increasingly well protected against forced labour or militarization. Freedom of thought, assembly and association is reasonably well maintained. In 2014 there was some progress regarding ethnic minority rights, notably in education. But, in spring 2015, the European Commission warned of a trend of rising religious intolerance in Georgia, especially of Islamophobia. Small religious groups complain that Georgian Orthodox Church still enjoys a preferential tax or other status.

Economic Freedom

Security of Property Rights : 0

Private property is not well respected in Greece, a trait similar to other regional economies. Court proceedings are not impartial and connections with political or business elite can influence court decisions. Weak enforcement of contracts poses a serious problem due to the high number of legal procedures involved and to extremely long deadlines. Poor police reliability negatively influences the level of business costs of crime in the country. Procuring real property in Greece for non-nationals is a complicated and expensive process, burdened with various fees and a high transfer tax. In certain fields, a prerequisite for obtaining real property is permission by the local council. The national land register, which could alleviate uncertainties, is under construction. Therefore, weak institutions remain at the core of the problems of property rights in Greece.

Size of Government: Expenditures, Taxes, and Enterprises : 8.05

General public expenditures in Georgia, standing at 29.7% of GDP, are low as compared to most European countries but stand in line with other Commonwealth of Independent States (CIS) countries. A short and relatively mild recession in 2009 was followed by high growth rates, with envisaged growth of 5% of the GDP in 2015, even taken the negative shock of the slowing down of Russian economy. Existing budget deficits are still present, but sustainable. Public deficit is low, standing at 35% of GDP. Low public expenditures allow for low levels of taxation. The 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 pensions to the retirees make the bulk of social transfers. Although large scale privatizations took place, the state still 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 which burden state finance: projected subsidies and grants made up almost 8% of the public revenues in 2014. Partial or full scale privatization of some of those companies should address the 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). Excise duties on tobacco products and alcohol beverages were increased in order to provide fiscal room for pension increases and education wage bill. However, these steps were ad hoc, made as results of political will. More neutral rules

need to be implemented, such as social pensions' regular indexation and limiting of the teachers-to-students ratio.

Regulation of Credit, Labour, and Business : 7.62

The business environment in Georgia is positively oriented towards entrepreneurial activities. Georgia has been twice designated by the World Bank as the reformer of the year among all the similar countries. Good business environment coupled with low taxes was the key to rapid economic development. Starting a business is fast and inexpensive, as well as obtaining a construction permit. Getting electricity is not time consuming, yet it is expensive. Tax procedures are still complicated, although the usage of electronic payments is improving the situation, however long working hours are necessary in order to comply with the complex taxation rules. However, administrative requirements and associated bureaucracy costs, coupled with the still present corruption, pose burden on businesses. 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, while collective bargaining is concentrated mostly in the public sector. However, long mandatory military conscription of 18 months poses significant burden on businesses and citizens alike. There are obstacles to getting a credit by banks for small and medium size (SME) enterprises. However, the establishment of a development financial institution, envisaged by the government, was postponed because there was no definite evidence that this would have improved the situation.

Freedom to Trade Internationally : 8.86

Freedom to trade is mostly respected. Import tariffs are low - 0% for most products, and 5% and 12% for some agriculture and construction products. Bureaucracy procedures regarding import or export are not excessive. However, regulatory trade barriers in the area of standardization of imported goods remain an obstacle to trade, incurring 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 they are at a lower level than expected, even after the lifting of the Russian trade embargo on agriculture products in 2013. Association Agreement with the EU, that was signed in June 2014, provided a broad instrument for further trade liberalization through Deep and Comprehensive Free Trade Area (DCFTA), whose provisional implementation commenced in September 2014.