

Similar Events, Different Outcomes: Accounting for Diverging Corruption Patterns in Post-Revolution Georgia and Ukraine

By Alexander Kupatadze, Washington

Abstract

The Coloured Revolutions in post-Soviet Eurasia—the 2003 Rose Revolution in Georgia and the 2004 Orange Revolution in Ukraine—followed rigged elections that triggered public discontent. These “revolutions” can also be regarded as declarations of mass frustration with rampant corruption and state capture by criminal groups. Both events involved active youth groups (“Pora” in Ukraine and “Kmara” in Georgia) and resulted in some elite changes. However, the implications for combating corruption have been different. Georgia has made rapid progress and quickly improved on various indices measuring the extent of corruption and rule of law while little, if any change took place in Ukraine in this regard. The failure of the Orange leaders to address corruption was also a significant factor leading to the reversal of the “revolution” and re-installation of Old Guard with the election of Viktor Yanukovich. This article tries to explain why Georgia was relatively successful in fighting petty bribery and what prevented a similar outcome in Ukraine.

Corruption Trends in Georgia and Ukraine

In the immediate aftermath of the Rose Revolution, anti-corruption efforts mainly targeted corrupt officials in the Shevardnadze government and the wealthy business tycoons closely associated with the previous regime. However, to avoid accusations of a one-sided anti-corruption policy, the new authorities also prosecuted some of their own inner circle. According to Georgia’s Justice Ministry in 2003–2010, roughly 1,000 public officials faced charges of corruption, including 6 MPs, 15 deputy ministers and 31 deputy chairpersons of city councils. At the forefront of this effort is new anti-corruption legislation, a zero-tolerance policy, and reforms of key institutions central to combating corruption, such as the police force and prosecutor’s office. General economic liberalization policies have reduced red tape and eliminated many opportunities for bribery. For instance, the government cut the number of taxes from 21 to six and the number of required permits from 600 to 50; property registration, trade regimes and customs procedures have been simplified. Furthermore, reforms have cut the bureaucracy dramatically. The number of public sector employees dropped by almost 50 percent while the salaries of the remaining civil servants increased roughly 15-fold. As a consequence, corruption has been substantially reduced in the sectors where citizens interact with the state most frequently, including registering property, licensing businesses, and tax administration. According to the 2008–9 economic survey of the EBRD, only 14 percent of companies report that they are expected to pay bribes to public officials for “getting things done” compared to 31 percent in Ukraine and 39 percent in Russia. Georgia ranked as the “number one reformer” in the World Bank’s Doing Business Report last year.

On the negative side, the government used the anti-corruption campaign as an excuse for legitimizing its

arbitrary use of state authority and the establishment of an overly centralized police force with excessive and unchecked power. While even government critics agree that petty bribery decreased dramatically, allegations of high-level corruption remain despite fervent denials from government officials. The first major evidence confirming such allegations came with the arrest of ex-Defence Minister Irakli Okruashvili, a former associate of Mikheil Saakashvili who was prosecuted on corruption charges after he made a political comeback in 2007. The investigation into his case revealed the existence of corruption in the highest ranks of the Defence Ministry, including manipulation of state funds for the benefit of “friendly” companies—the very practices that the authorities claimed to have eradicated. Further, without reference to elite-level corruption, it would be impossible to explain how some former high ranking officials emerged as wealthy businessmen, for instance the former minister of one of the so-called power ministries and close friend of Saakashvili now owns official and unofficial stakes in a number of companies that exercise near-monopolies in their respective markets. In short, corruption in Georgia evolved from rampant bribery encompassing all spheres of public life to the more clientelistic system described by Mungiu-Pippidi as the “discretionary distribution of public services by the state to the benefit of particular groups or individuals.” Hence the ruling regime allocates resources in order to generate the loyalty and support it needs to stay in power. This practice is also important in the Ukrainian context where the divisions between regionally based clans can be overcome by the incumbents’ use of corruption to co-opt and accommodate diverging interests and thus maintain political control.

In a similar vein, both governments practice the use of corruption as *compromat*, albeit to different degrees.

Most recently a Georgian businessman was blackmailed by high-ranking law enforcement officials to give testimony that former Prime Minister Zurab Nogaideli, who is now the leader of one of the opposition political parties, accepted a large bribe. In Ukraine, the anti-corruption battle has focused predominantly on the opposition to President Yanukovich.

In Ukraine the initial success in fighting corruption immediately after the Orange Revolution was undermined by political infighting among the Orange elites and the “pacted” or “negotiated” transition that led to the continued influence of reform spoilers from the *ancien régime*. The government became dysfunctional as a consequence of the continuous political rivalry between President Viktor Yushchenko and Prime Minister Yulia Tymoshenko and the permanent efforts of Kuchma elites to undermine the change. Hence Ukraine lacked any significant anti-corruption reform. The failure to address corruption was one of the factors leading to popular frustration with the Orange leaders, the reversal of the Orange revolution and return of Viktor Yanukovich to power in 2010.

Since Yanukovich’s comeback, he has used “anti-corruption efforts” mainly to target his political competitors. The authorities hired the American law firm of Trout Cacheris to launch an investigation into public expenditures during Tymoshenko’s 2008 tenure as prime minister and produced a report revealing “evidence of the misapplication of state funds and fraud.” Transparency International ridiculed the audit as a “witch hunt” aimed at discrediting the previous government rather than a thorough and independent investigation. The US State Department issued a statement that “while corruption should be pursued, prosecution should not be selective or politically motivated.” These efforts culminated in a number of high-ranking arrests from Tymoshenko’s camp. While there is a high probability that some of the misspending allegations are true, it does not mean that there was no corruption under other Ukrainian governments. Although some acting officials have also been detained on charges of bribery, such as a mid-level official of the Presidential administration and a Deputy Environment Minister, the anti-corruption campaign still disproportionately affects Yanukovich’s political competitors. In the meantime, non-transparent dealings are growing to “unprecedented levels,” according to the *Financial Times*, and corruption remains a national curse. As many as 77 per cent of Ukrainians are strongly or somewhat dissatisfied with Yanukovich’s handling of official corruption, and 91 per cent think that corruption is very or somewhat common, according to a 2010 IEFES survey. Little, if anything has changed for Ukrainian citizens: traffic police, tax authorities and customs remain notoriously corrupt.

Accounting for Diverging Patterns

It is now widely recognised in the academic literature that political leadership is crucial for anti-corruption reform. The political will of a committed leadership is viewed as the key to success for any anti-corruption campaign. Hence Heller asks the most important question: “What motivates elites and leaders to undertake or shy away from the tough anti-corruption reforms?” Several factors are discussed below that arguably explain the varying motivation of the incumbents in Georgia and Ukraine to fight petty bribery.

First, Saakashvili’s project of building a strong state would not tolerate the existence of corruption that undermines the legitimacy of the ruling regime and works to distort the political system. The key element of Saakashvili’s state building project was fighting corruption while Viktor Yushchenko focused on democratization and Viktor Yanukovich is emphasizing the more vague “stability.” Yanukovich’s understanding of stability means centralized power without political squabbles at the top rather than the absence of rent-seeking. Anti-corruption policies were not consistently pursued by the incapable and constrained leadership in post-Orange revolution in Ukraine, while the Yanukovich government has the necessary capacity but lacks the willingness to do so. As Anders Aslund points out, fighting corruption “is not a priority for him [Yanukovich].” The government has indefinitely postponed endorsing an anti-corruption legislative package leading Drago Kos, the head of the Group of European Countries against Corruption (GRECO), to comment that “Ukraine has shown the least will to fight corruption compared with other countries.”

Second, there was a clear understanding among the Georgian leadership that the country, lacking valuable natural resources or large industrial enterprises, was in desperate need of foreign investment that could boost the economy. Attracting investment was a major task for the Saakashvili government and the absence of the added cost of bribery for doing business is frequently pointed out by government officials as a significant element of an investment-friendly environment. Notably, foreign direct investment increased from 340 million USD in 2003 to 1.56 billion in 2008. On the other hand, the oligarchs in Ukraine successfully blocked foreign competition through various informal and illicit means, such as erecting discriminatory bureaucratic barriers. Ukraine, an industrially developed state with a large resource base, produced a group of powerful and super-rich individuals who influence state policies. Oligarchic capital has played less of a role in economically weaker Georgia.

Third, the external environment is crucial. Western actors, such as the EU, brought influence to bear in post-

Soviet Eurasia through conditionality and discourse, for instance by monitoring anti-corruption progress. Successfully implementing recommendations is frequently portrayed as an issue of international prestige. Hence the “pro-Western” leaders are largely concerned with their image as “anti-corruption crusaders.”

“The West” has been a factor of allure for Georgia and it was widely understood that the rule of law is a prerequisite for conforming to Western and European social and legal standards. Becoming part of the European Union is a clear-cut goal for Georgia and serves as a major “push” and “pull” factor for the country. Further, despite lots of criticism of Saakashvili for adopting Putin-like authoritarian means, Georgia’s leadership is working to build Georgia as an “alternative model of development in the post-Soviet space,” meaning a government marked by low levels of corruption, in contrast with the way Russia functions. The rapprochement with the EU also ranks high on Ukraine’s political agenda, but importantly some parts of the country, especially the East, favor Russia and significant part of Ukraine’s ruling elite view Russia as a more applicable governance model.

This leads to the most important variable: the different political cultures of the ruling elites which accounts for the diverging attitudes toward corruption. Ukraine is now ruled by the so-called “Donetsk clan,” a group of individuals who made their careers in the Donbas, the industrial heartland of the Soviet Union. Like the clans of other industrially developed regions, the post-Soviet practice of securing and developing businesses through informal, and sometimes illicit, deals produced tightly-knit networks of politicians, entrepreneurs and criminals in Donetsk. The Donetsk style of governance is based on authoritarianism and rent-seeking, described by van

Zon, a researcher of Ukrainian politics, as “the merging of political and economic power with total suppression of dissent and unbridled corruption.” In a revealing speech in 2009, Prime Minister Mykola Azarov recounted that when working as finance minister (2002–04 and 2006–07) he told the ministers “Have a conscience. [Steal] 5 per cent and the hell with you because there is no way you can track this money down, but please, don’t steal 50 per cent. Show some conscience.” This clearly shows that governance, as understood by the highest ranking politicians, easily accommodates corruption.

As in Ukraine there is no clear public-private dichotomy in Georgia, however in stark contrast, many members of Saakashvili’s team have a civil society background (for instance Interior Minister Ivane Merabishvili, Secretary of the Security Council Giga Bokeria and Tbilisi Mayor Gigi Ugulava), graduated from Western educational institutions and have a different outlook compared to traditional Soviet cadres. Furthermore, the government succeeded in attracting young educated personnel with competitive salaries. Many of these mid-ranking young bureaucrats in their 20s and 30s are highly motivated, full of new ideas and, most importantly, zealously committed to personal honesty and a belief in institutional integrity.

These and other developments have given birth to the official rhetoric of a “mental” or “cultural” revolution in Georgia. However this societal transformation has not been consolidated yet and remains a long-term perspective. For instance, nepotism is considered a moral obligation among relatives, friends and family rather than an illicit act. Certainly changes in informal institutions take time, and mental transformation cannot be an immediate outcome of any type of revolution.

About the Author:

Alexander Kupatadze is currently the Hoffman Post-Doctoral Fellow in Eurasian Studies at the Institute for European, Russian, and Eurasian Studies of The George Washington University’s Elliott School of International Affairs.

References:

- Aslund, A., 2011. ‘Will Yanukovich oust nation’s top oligarchs?’ *Kyiv Post*, 21 January.
- Azarov M., 2010. Address to the audience, Chamber of Commerce of Ukraine, 16 March 2009 excerpts published in *Kyiv Post*, 13 May 2010.
- Di Poppo, L. 2010. ‘Anti-corruption interventions in Georgia,’ *Global Crime* 11, No. 2: 220–236.
- European Bank for Reconstruction and Development. 2008–9. *Business Environment and Enterprise Performance Survey*.
- Heller N., 2009. ‘Defining and measuring corruption: where have we come from, where are we now and what matters for the future?’ in R. I. Rotberg (ed.) *Corruption, Global Security and World Order* (Brookings Institution Press).
- International Foundation for Electoral Systems, 2010. *Transition and Trepidation: Public Opinion in Ukraine 2010*.
- Mungiu-Pippidi A., 2010. ‘When Europeanization Meets Transformation: Lessons from the Unfinished Eastern European Revolutions’ in V. Bunce, M. McFaul, K. Stoner-Weiss (eds.) *Democracy and Authoritarianism in the Postcommunist World* (Cambridge: Cambridge University Press).
- Transparency International, 2010. Statement in *Kyiv Post*, 15 October, 2010.
- ‘Ukraine: corruption festers.’ 2011. *Financial Times*. 7 February.
- Zon van H., 2007. ‘The Rise of Conglomerates in Ukraine: the Donetsk Case’ in A. E. Fernandez Jilberto and B. Hogenboom (eds.) *Big Business and Economic Development. Conglomerates and Economic Groups in Developing Countries and Transition Economies under Globalisation* (London and New York: Routledge).