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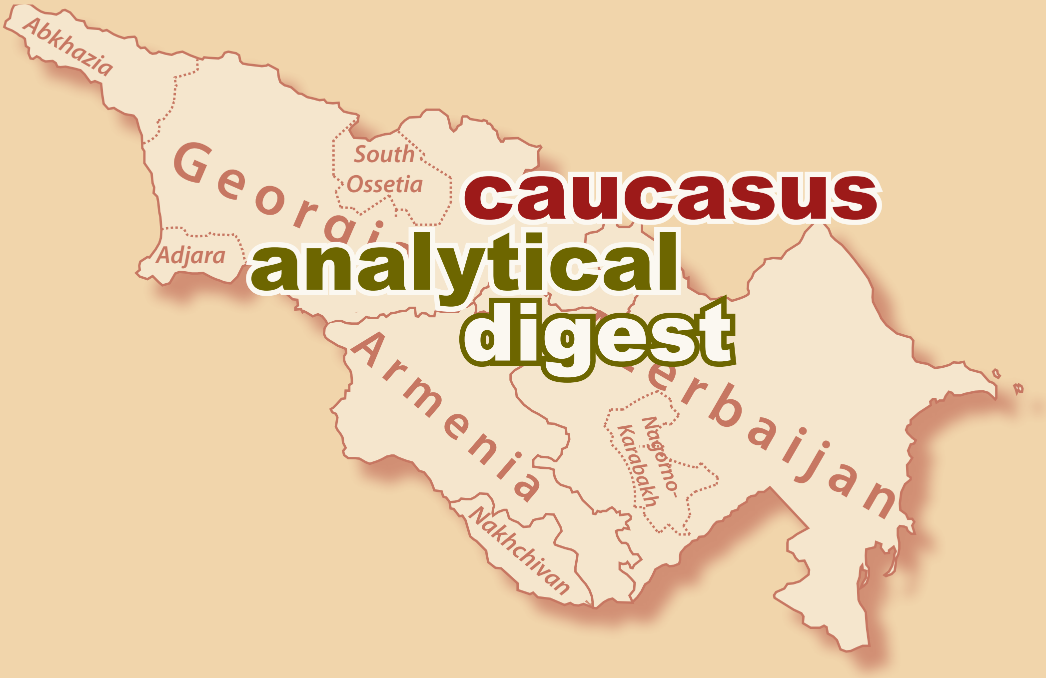

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PENSION REFORM

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The Political Economy of Pension Reform in Armenia

By Zareh Asatryan, Mannheim/Freiburg

Abstract
In this short article, I discuss some of the political economy aspects of the ongoing pension reform in Armenia. The focus is on two opposing forces—taxpayers' quite significant resistance to the reform vis-à-vis government's imperative to reform due to fiscal constraints—that are likely to shape the outcome of the reform. The discussion is centered around a fiscal contract where the government is forced to make democratic concessions in return for the taxpayers' commitment to comply with its new institutions. I argue that this conflict may push Armenia into a virtuous circle of development.

Beginning January 1, 2014, Armenia is implementing a large-scale pension reform. Like many developing and developed countries, Armenia is changing its existing pay-as-you-go pension system—where benefits to the elderly are paid directly out of current taxes and social security contributions—to the World Bank's popular multi-pillar system. Under the new system, young employees will be forced to save an additional amount out of their income, which together with contributions from the state will be managed by private funds until the workers' retirement.

This move can perhaps best be seen as one of the last steps of the radical market-oriented reforms of the transition period. In large part designed by the World Bank's liberal economists, and most prominently applied in Chile in the beginning of the 1980s, the reform is said, among others, to restore financial sustainability, to generate long-run growth, to improve work incentives, and to ensure a fairly carefree life for the elderly. This positive list of benefits can be extended for several more lines, followed by at least as many valid objections and drawbacks, which have been thoroughly discussed and painfully debated in a massive research effort by economists.

Therefore, rather than providing a discussion of the arguments for and against the multi-pillar pension system, which many authors have already covered (see, for example, Holzmann and Stiglitz 2001), in this short piece I concentrate exclusively on some of the political economy aspects of the ongoing reform in Armenia. My aim is to contribute to the public debate by offering some theoretical explanations of the ongoing processes, and, importantly, to show that this reform can have much wider implications for Armenia, its economy, society and institutions, than merely being a sectoral reform in the area of social security. In particular, given the scale of the social implications of the reform, I start by discussing the objective and subjective reasons behind the resistance to the reform. Next, I proceed to explain the government's ability and motivation to reform given the expected resistance. In the last part, I offer several cautious predictions on whether, and in which direction, the status quo might change as a result of this, as I claim, unusual interaction of social and economic forces.

Resistance to Reform: Populism, Backwardness, Lack of Trust or a Poverty Trap?

Similar to many countries, especially ones with high poverty rates, the reform in Armenia was met with a fairly substantial and, as this article goes to print, ongoing opposition. These include: acts of discontent by more or less organized labor groups (since there are essentially no functioning labor unions in Armenia, the protesters are employees of large companies working, for example, in the IT, railroad, energy, mining sectors, etc); an unprecedented coalition against the issue formed by all of the four (otherwise rival) non-governmental parties in the parliament; a ruling by the Constitutional Court to temporarily block the implementation of the mandatory pillar until a final decision is made; and, importantly, protests by a broader social movement of mainly young, educated and well paid employees, in the end being the driving force behind the former three.

This state of affairs is not surprising since the reform (and especially its mandatory pillar) directly affects a sizeable share of the population (especially young people), and is perhaps one of the most radical changes in Armenia's short history of economic reforms, certainly in the area of social security. Briefly, the reform directs that from January 1, 2014, all workers under the age of 40 will have to enter the new system and will have to pay an additional amount of at least 5% of their income. In economic terms, this is a saving that under government regulation, will be privately invested in local and foreign assets and, with certain guarantees and profitability, will be returned to the contributor after retirement. Let us call this the government's view.

In contrast, a wide portion of the population refuses to see it this way and neglects the possible efficiency-enhancing effects brought by the reform. Most often the contributions are essentially viewed simply as additional tax on income by the revenue maximizing "Leviathan" government. Given the country's weak institutions, as well as the prevailing levels of poverty, there is not much faith in the idea of a supposedly improved social and economic situation that will arrive only after decades, nor is there much consideration of more sustainable public finances or higher medium- to long-run investment.

Such resistance to reform has been long recognized by economists. There are several rational and behavioral (both universal) explanations for the population's bias towards the status-quo (for a recent overview, see Heinemann and Grigoriadis 2013). For the former, Fernandez and Rodrik (1991) and Alesina and Drazen (1991) explain resistance by considerable uncertainty—possibly coupled with risk-aversion—regarding the distribution of gains and losses from the reform. Limited or heavily discounted time-horizon is another source of (rational) resistance to reforms which realize their benefits only in the long-run (Werding and Konrad 2012). The rationally ignorant voter's lack of incentives to gather costly information (Downs 1957) is a further source of bias towards keeping the status quo. The recent rise of behavioral economics—that questions mainstream economists' core assumption of rationality—provides further arguments that are due to voters' richer set of behavioral responses rather than merely based on their (narrowly defined) self-interested rationality (e.g. Caplan 2011, Kahneman 2011).

Whether objective or not, this discussion points to the fact that there is an essential gap or asymmetry between the government's and the taxpayers' view. The government wants to help workers save for a better future without having any monetary reward itself (quite the contrary, since the government is subsidizing a share of the mandatory contributions), while the workers essentially see the reform as taxation (or, more strongly, expropriation) of income which is subject to the constraints of what social scientists call the fiscal contract. That is, the taxpayer has no incentives to voluntarily pay the additional "tax" unless there is a bargain, which involves demands of compensation from the state in the form of public goods, such as roads, schools and hospitals, but also semi-public goods such as "voice" (i.e. representation) in the political process.

Motivation to Reform: Fiscal Imperative or Political Kamikaze?

Given such resistance and no rewards for the government (at least in its public choice view), why is then the government trying to push for the reform? In a speech on February 15, 2014, President Sargsyan announced that over 80% of the population are against the reform, then went further to admit that this can be a major threat to the governing party's popularity rankings, but insisted on the reform nevertheless.

Where is this generosity coming from? I argue that a major factor explaining such "benevolent" behavior is the revenue pressures on the budget. The current pay-as-you-go system, largely being based on the Soviet old-age pension scheme, cannot survive sustainably in the current market conditions. In many countries around the world, two of the most important problems are the demographics of aging and the maturation of the existing schemes. Armenia is not an exception. First, there was an increase in life expectancy from less than 68 in the beginning of the 1990s to almost 75 years today. Second, it is now about the time when post-WWII baby-boomers enter their retirement age.

But other than these universal problems, Armenia has to overcome more fundamental difficulties, largely associated with the fiscal burden of the transition. There are several factors especially affecting the supply side, which seriously question any possibility of sustaining, not to mention, developing, the old pension schemes. First, the labor force was burdened by negative growth rates in the 1990s, limiting the size of the generation that now enters the labor markets. A negative net migration balance of over thirty thousand people annually in the intra-census period of 2002–11 is the second major factor (MPC 2013). Finally, high unemployment rates and a large informal sector shrink the amount of the feeding population further. With around a third of the population below the national poverty line, it seems that something has to be changes in the country's social security programs.

These arguments imply an age dependency ratio of 44% in 2012 down from its peak of 60% in the mid-1990s, and projected to decline further. In other words, for every potential worker in 2012 there were more than two dependents (of ages younger than 15 or older than 64). This estimate is, however, likely to be biased upwards, since it does not count the unemployed (including around half of the workforce busy in the agricultural sector) and also the temporary work migrants. In addition, the global crisis which has hit Armenia badly with an over 14% decline of GDP in 2009 has generated further pressures for post-crisis fiscal consolidation policies. So whereas the pension reform has been high on the political agenda for years, it was finally implemented in 2014, a time when the country has just ended the electoral cycle.

What's Next?

Now the poor fiscal situation described above needs a radical treatment, and the government has selfishly decided to opt for it. The social resistance, however, threatens the implementation and the future sustainability of the reform. Given the interaction of the two conflicting forces, there are four hypothetical equilibria that could emerge: there are two "exits", when either the government reverses the reform at least for some time, or the taxpayers start paying the additional amount without opposition; and two further cases when the reform is implemented, either through force with no consideration of the implied social cost (i.e. the authoritarian case), or the government sticks to the plan by trying to internalize the taxpayers' bias (i.e. the democratic case).

In case of the two exits not happening as well as no violence—indeed three very likely events—the democratic case suggests that the government will have to reconsider the fiscal contract, which implies compensating the losers of the reform at least to a certain degree. Such a situation is not unique to Armenia or to the context. Typically most economic reforms are thought to generate some losers who, for example because of rational and behavioral reasons discussed above, will have incentives to invest into reform-resistance (Rodrik 1996). At the same time, however, the overall pie should increase so that the government is able to make the reforms sustainable by redistributing from those who gain the most to the ones most negatively affected. In economic terms, this should yield to a Pareto improvement, where at least some are made better-off without hurting anyone.

Both in the political economy and policy literature, there is evidence that many (even non-democratic) countries regularly compensate those most affected to ensure sustainability of the reforms (these are not unique to the area of social security only, but also include reforms on trade liberalization, fiscal consolidation, other structural reforms, etc.). Since the imperfect government subject to public-choice constraints has to select the losers, it will at the end most likely pick the special interests involved rather than those really most affected (e.g. Olson 1965). Likewise in Armenia, announcements to increase the salaries of public sector workers by 40–60%, or those of the best teachers by 3–4 times, or special tax breaks for the young are excellent examples of concessions from the state in an attempt to buy political support. The compensation of special interests involved is, however, likely to give rise to favoritism, which obviously is not the first-best solution.

A Window of Opportunity for a Virtuous Circle?

Depending on the degree of resistance, such attempts to literally buy political support may or may not be enough. Note, however, that the extra amount of at least 5% of income to be raised—or an additional increase in the total tax burden by at least one fifth—is quite substantial. Again, since the taxpayer (rightfully or not) sees the pension contributions essentially as a tax on income, she will in return require the provision of more public goods in an amount likely to be proportional to the taxed revenue, that is by a fifth. But since this "tax" does not generate extra budgetary revenue, the government might be forced to compensate the fiscal contract by alternative means, such as through democratic concessions in the form of more representation, higher accountability, less corruption, or broadly speaking, better institutions. So I argue that in the case of the exits as well as violence not happening, there is a real opportunity of starting a virtuous circle of development.

This proposition is perhaps new to the context of pension reforms and certainly so to the case of Armenia, but it is well grounded in the literature on taxation and state-building (for a recent survey, see Bräutigam, Fjedstad and Moore 2008, Besley and Persson 2011). Joseph Schumpeter once famously quoted that taxes not only helped create the state, they helped to form it. Scholars often cite historical episodes of wars from the Glorious Revolution of 1688 to the war for independence in the US and the Napoleonic wars later in the 18th and 19th centuries to support such claims. Since wars are expensive, states need to facilitate extra fiscal capacity to finance these needs. However, for the people to comply with the new institutions, governments are forced to make democratic concessions based on the fiscal contract. In early modern Europe, for example, representative government first came about when monarchs were forced to give up some of their authority to legislative institutions in exchange for the ability to raise new taxes (see, for example, Tilly 1985, Acemoglu and Robinson 2012). In more contemporary economics, both theoretical works and empirical tests generally confirm the hypothesis that democracies exchange taxes for representation (see, for example, Boix 2001, Ross 2004, Besley and Persson 2009, etc.).

To sum up and to conclude, the idea of the virtuous circle is both quite simple and fairly plausible. On one side, the revenue imperative stimulates institution-building by the government. In our context, in the need to create more fiscal capacity (because of demographic trends, transition, financial crisis, etc.) the Armenian government has an incentive to reform the obviously unsustainable pay-as-you-go pension system in favor of creating more sustainable institutions of redistribution and, more generally, stronger state-capacity. On the other hand, raising more revenue gives rise to the need of re-bargaining over the fiscal contract. This need grants incentives, or, to put it more strongly, imperatives, to the government for cooperation and compromise with the ongoing social pressures in exchange for the ability to effectively enforce the new contract. Hence the virtuous circle, which may in the end improve state-capacity and advance institutions of representative democracy.

Information about the author and references are overleaf.

About the Author

Zareh Asatryan is a PhD candidate at the University of Freiburg and a researcher at the Centre for European Economic Research (ZEW) in Mannheim. His main fields of research interest are related to topics in political economy, public finance and development.

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The Georgian Dream of Pension Reforms

By Alexi Gugushvili, Bremen

Abstract
Although old-age benefits help to alleviate poverty in Georgia, the system does not satisfy its main stakeholders. Retirees believe that pensions are unfair and inadequate, while experts and governmental officials realize the growing burden of benefits for the country's public finances. The past experience of pension (non) reforms suggest that changes are sensitive to the government's capacity to reform, the fiscal health of the economy, political stability and the ideological preferences of the ruling elites. The transfer of power through parliamentary and presidential elections in 2012–2013 opened an opportunity for reforming the pension system based on broad public consensus and economic sustainability.

Why Do Pensions Matter?
The recent parliamentary and presidential elections marked the democratic transfer of power in Georgia—something unique for countries in the South Caucasus. Nonetheless, being a regional leader in democratic development by no means is associated with advances in the social welfare system. If Armenia and Azerbaijan have already worked out and started to implement reforms of their inherited pension provisions, Georgia is once again initiating a reform of its welfare state. As retirees in Georgia represent the largest and most politically active demographic group, the pension system is often used to attract votes during elections. The outgoing government was explicitly criticized for developing the existing pension system in close connection with the country's electoral calendar and the goodwill of certain political leaders.

Pensions arguably have been the most salient aspect of Georgian public and social policies since independence. Most present-day beneficiaries are individuals who experienced transitional turmoil in their 40s and 50s. The dramatic economic decline limited their opportunities to secure streams of income through public or private means. The Soviet savings of thousands evaporated, while employment opportunities were scarce. It is quite rational that pensioners, most of whom have worked and contributed to the socialist pay-as-you-go system, are frustrated not to get back adequate benefits. In turn, accelerated demographic ageing makes even current flat-rate pensions unsustainable in the long run. Except for a small share of libertarians, who think that individuals themselves are in the best position to secure their retirement income, the majority of stakeholders agree on the inevitability of systemic pension reforms.

Despite being unfair and unsustainable, the existing system is still the major instrument of poverty reduction in the country. All Georgian citizens are granted the right to receive pension benefits any time after the age of sixty for women and sixty-five for men. Pensions constitute the largest social spending item in the state budget, accounting for about 15% of public expenditure and four per cent of GDP in 2012. According to the World Bank's 2009 calculations, under the scenario of no pension benefits, the poverty rate (based on the subsistence minimum) would increase from 24% to 33%. It was also projected that the increase in pensions up to 150 GEL in November 2013 would decrease the national poverty rate by about 6 percentage points.

Previous Attempts at Systemic Reform[1]
There have been several consecutive attempts at systemic pension reforms in Georgia. In the second half of the 1990s, implementation of the bottom-up reform initiative devised by the Ministry of Labor and Social Security was problematic mainly because the government was still engaged in broader political and economic reforms and the pension system itself was corrupt and poorly administrated, while social taxes were high and tax administration extremely inefficient. When the fiscal problems intensified in the beginning of the 2000s, the government became interested in gaining political dividends through the top-down reform initiative mediated by the World Bank. However, these reform plans were abandoned due to the fundamental political changes related to the "Rose Revolution."

After 2004, the new government did not exploit the post-election "honeymoon" of high political legitimacy and a sound fiscal standing to conduct systemic pension reform. State priority shifted from a universal pension system to the development of a universal means-tested social assistance program and presented the general tax reduction trend as a component of broader pension reforms, successfully blocking parliamentary attempts to introduce mandatory pension savings. After the dual 2008 crisis, the government still preferred to regularly increase the flat-rate pension as a way to win the votes of pensioners, thereby contributing to the transformation of pension expectations into pension liabilities, which

1 For a more detailed review of pension reforms in Georgia please consult Gugushvili (2012).

not only assumed the sustainable provision of benefits but also their ever-increasing nature.

As a result of increased foreign financial aid in 2008–09, some international agencies became stronger drivers behind pension reform as the donors obliged the Georgian government to engage more proactively in paradigmatic pension reforms. Nevertheless, the libertarian group was arguably responsible for preventing the further evolution of this initiative. On the revenue side, the pension system was also affected by changes to the tax code when the personified social insurance contributions were abolished and a common social tax was introduced. The main credit attributed to the National Movement is that the minimum, flat-rate pension increased eightfold in nominal terms in 2004–2012, from 14 GEL to 110 GEL, but in real teams this growth was much more modest.

Towards a European Social Space?

By the time of the scheduled parliamentary elections in October 2012, the main political rival of the ruling National Movement—the Georgian Dream Coalition put forward systemic pension reform plans. In its election manifesto, along with introducing universal health insurance, improving the targeted social assistance scheme and developing social services, pension reform was one of the main components of the reshuffling in the broader social security system. Although the declared ideological basis of the welfare reforms was in line with the outgoing government—establishing a social security system based on individual responsibilities—the main difference in the outlined plans was much stronger governmental involvement, particularly in the first years of reform.

Unlike the previous attempts, the Georgian Dream more vividly presented the reformed pension system as a facilitator of economic growth though accumulating the working population's retirement savings which would be further used as much needed investment in different areas of the economy. One of the main listed problems was that pension spending had come directly from the state budget with the potential of undermining the stability of the state finances in the long-run. Indeed, the clear message in the proposal was the introduction of a mandatory saving component of workers contributions into their individualized accounts. At the same time, those people who would not have sufficient contributions would qualify for social pensions.

Nonetheless, the most basic proposal was the equalization of pension benefits to the official subsistence minimum in the country. The declared goal of introducing the unified public and private pension schemes would mirror the European pension systems, which, according to the Georgian Dream Coalition, would allow the country to become a part of the European social space. The new system would be based on three universally acclaimed principles such as fairness, solidarity, and security. The proposed pension system implied a strong role for the private pension funds where the amount of pension benefits would depend on the length and amount of contribution. In turn, the state was projected to play an important regulatory function in order to maintain the stability of the system.

Recent Steps and Criticism

Shortly after the new government took office in late 2012, work on the pension reform started in cooperation with the World Bank. The government announced that it had created a Working Group to facilitate the reform process and collaboration between various public agencies. In addition, the Pension Office was established at the Ministry of Finance—the key institution for handling the fiscal implications of reforms. The government also promised to present a concrete action plan and road map in the near future. However, the first step taken by the government was to increase pensions up to 125 GEL in April 2013 and up to 150 GEL from September 2013. The latter affected about 681,000 retirees, while social benefit outlays reached 146 million GEL only for September 2013. For the first time in independent Georgia, the lowest pensions became higher than the official subsistence minimum (145 GEL). Furthermore, pension benefits are expected to be indexed in line with the growing cost of living.

A more important announcement related to pensions was made in November 2013, when the ruling coalition declared the introduction of a mandatory funded pensions system over the next several years, starting from 2014. The pension reform would include the introduction of a mandatory funded component, based on contributions, and social pensions targeted at individuals with no personal savings. The funding system claims to provide a decent retirement for the elderly. As was outlined in the election manifesto, the government program put pension reform in the context of stimulating savings. The supporters argued that macroeconomic outcomes of reforms are at the center of the proposal. The fiscal effect was described as a key beneficial aspect of the reform because the government would only cover the socially vulnerable retirees. Three required pillars were mentioned as being important for the reform's success: the institutions reducing the risks associated with pension funds, developed financial markets, and strong regulatory institutions.

The proposals have met with criticism mostly from the members of the previous government and a small group of experts. They described the proposed pension reform as a potential financial pyramid where people would contribute to mandatory pension funds but in the end the government would determine the size of retirement benefits. Parallels were drawn with the collapse of the Soviet pension scheme when pensioners lost their contributions. The reforms would be targeted to the people under 45 who would have time to accumulate contributions in the system, but the critics questioned the uncertainty related to the behavior of future governments in Georgia that would take decisions related to pension benefits. Furthermore, the government failed to communicate many decisive aspects of the pension reforms, such as if pension schemes will be defined-benefit or defined-contribution, how mandatory contributions will be collected, what will be the role of voluntary contributions, will there be one state or several private pension funds to choose from, and how government will guarantee the security of pension savings.

Lessons Learnt

There are some lessons which can be drawn from the past pension reform initiatives in Georgia and apply them to the ongoing reform process. First of all, the available evidence suggests that many key agencies, experts and the broader public did not possess information on up-to-date pension developments in the country. In addition to having a comprehensive debate on pension policy through sound research practices and consultation, it is more important to have direct and open communication with the broader public on the objective requirements of the pension system. The reform process itself should be developed by a genuine cross-section of public officials, business leaders, trade union representatives and other interested parties—a practice which never happened in the period 1991–2013.

It is also important to see pensions in a positive light, as an opportunity rather than a cost, or a problem. It appears that most of the parties—pubic officials, international agencies, private sector—agree that changes are required. The major thing which has been missing in past years is a willingness to invest political capital into comprehensive pension reform. The parliamentary and presidential elections in 2012–2013 marked a formal transfer of power to a new government and weakened the positions of those who have resisted comprehensive changes in the pension system, mainly based on their ideological convictions rather than on hard evidence. A more balanced distribution of political power opens new opportunities for sustainable, paradigmatic pension reforms.

The review of earlier initiatives also suggests that the successful implementation of pension reforms was hindered by the government's incapacity to reform, fiscal problems, political instability and the ideological preferences of the public officials. However, all these factors could play in favor of successful reforms over the next few years. The Georgian public administration has made remarkable improvements since 2004, the country gradually moves towards a stable democratic political regime, the economy shows signs of recovery after the post-election uncertainty, while the government's public policy priorities come closer to the European model of social-democracy. In short, there are greater chances than ever that systemic pension reforms will finally take place in Georgia.

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CHRONICLE

From 19 December 2013 to 23 March 2014

19 December 2013	The twenty sixth round of international Geneva talks is held with the participants agreeing to continue working on a joint statement on the non-use of force
20 December 2013	Russian Foreign Minister Sergei Lavrov says that "legal issues," in particular related to the absence of diplomatic ties with Georgia, need to be removed before lifting visa requirements for Georgian citizens travelling to Russia
22 December 2013	The Tbilisi city court rules to suspend the directly elected mayor of the Georgian capital Gigi Ugulava from office after he is charged with misspending public funds
23 December 2013	The Armenian parliament ratifies a natural gas agreement that gives the Russian Gazprom company that already owns 80 percent of the ArmRosgazprom Armenian–Russian joint venture, the remaining 20 percent, amid protests
30 December 2013	Georgian chief prosecutor Otar Partskhaladze resigns less than six weeks after taking office after becoming embroiled in allegations of having a past criminal record in Germany
1 January 2013	The Georgian State Ministry for Reintegration is renamed into State Ministry for Reconciliation and Civic Equality in a move that Tbilisi officials say will help engagement with the breakaway regions of Abkhazia and South Ossetia
4 January 2014	Russia pledges over 180 million dollars to the breakaway regions of Abkhazia and South Ossetia in 2014–2016 through a decree signed by Prime Minister Dmitry Medvedev with the financial aid to be provided via the Russian Ministry of Construction
14 January 2014	Hungary becomes the twelfth country to recognize Georgia's neutral travel documents designed for residents of the breakaway regions of Abkhazia and South Ossetia
16 January 2014	Georgian Prime Minister Irakli Garibashvili says that Russia lacks the levers to deter the country's signing of an Association Agreement with the European Union although provocations are expected
20 January 2014	Georgian President Giorgi Margvelashvili meets with his Turkish counterpart Abdullah Gül and Prime Minister Recep Tayyip Erdoğan during a visit to Turkey that includes meetings with representatives of the Georgian diaspora
30 January 2014	Czech President Milos Zeman says during Armenian President Serzh Sarkisian's official visit to Prague that the mass killings of Armenians during the Ottoman empire amounted to a "genocide"
3 February 2014	Azerbaijani parliament speaker Oqtay Asadov calls on religious clerics to perform prayers in Azeri and not in Arabic to make it easier for people to fully understand the prayer
4 February 2014	European Council President Herman Van Rompuy says that one of the EU's main objectives is the signing of an Association Agreement with Georgia before the end of the year following talks with Georgian Prime Minister Irakli Garibashvili
5 February 2014	EU Enlargement Commissioner Stefan Füle says that Russian pressure on the EU's Eastern neighbors is unacceptable and it should not interfere in Georgia's and Moldova's efforts to sign Association Agreements with the EU later this year
10 February 2014	Georgian President Giorgi Margvelashvili says he will "thoroughly" consider recent remarks by Russian President Vladimir Putin indicating a willingness to sit down for talks
10 February 2014	Azerbaijani foreign minister Elmar Mammadyarov says during a visit to Iraq that Baku is open to shipping Iraqi natural gas to Europe via Azerbaijan's pipeline network
10 February 2014	Up to 17 Georgian prison inmates in the Georgian western province of Imereti are hospitalized after harming themselves in protest at what they call abusive prison conditions
16 February 2014	About 1,000 people gather in downtown Baku to protest against the government's offer of what they see as too low housing compensation for the destruction of homes as a part of an urban renewal plan
17 February 2014	Former Georgian Prime Minister Vano Merabishvili is sentenced to five years in prison on charges of abuse of office, bribery of voters and inefficient use of budget funds
18 February 2014	The Azeri investigative journalist Khadija Ismayilova is summoned for questioning as a witness by the Department for Grave Crimes in Baku in an investigation into the leaking of state secrets

24 February 2014	Georgian Prime Minister Irakli Garibashvili meets with US President Barack Obama and Vice President Joe Biden in Washington. They urge Garibashvili to work with civil society and the country's political leaders to advance democracy and the rule of law, while thanking Georgia for being a reliable partner in global and regional issues
24 February 2014	Russian Prime Minister Dmitry Medvedev and Armenian Prime Minister Tigran Sarkisian meet in the Black Sea resort of Sochi to discuss bilateral ties including Armenia's roadmap to join the Russia-led customs union
27 February 2014	Georgian President Giorgi Margvelashvili starts an official two-days visit to Armenia and meets with his counterpart Serzh Sarkisian before holding talks with the head of the Armenian Apostolic Church, Catholicos Garegin II
27 February 2014	Georgian former Prime Minister Vano Merabishvili receives another jail sentence of four and a half years after being found guilty of exceeding his powers while dispersing protesters in 2011
27 February 2014	A French court rules not to extradite former Georgian Defense Minister David Kezerashvili who is suspected of money laundering and illegal property sales in Georgia
28 February 2014	Former Georgian warlord Emzar Kvitsiani is arrested on landing at Tbilisi airport after having served as governor in the Kodori Gorge in Western Georgia in the 1990s under former Georgian President Eduard Shevardnadze
1 March 2014	Armenian Deputy Foreign Minister Shavarsh Kocharian says that Armenia is ready to do the preparatory work to join the Russia-led customs unions which also includes Kazakhstan and Belarus within weeks
4 March 2014	EU Enlargement Commissioner Stefan Füle meets with Georgian Foreign Minister Maia Panjikidze on a visit to Tbilisi and expresses continued support for the country's efforts to build closer ties with the European Union
7 March 2014	The chief of the Azerbaijani parliament's Committee for Security and Defense, Ziyafat Asgarov, says that Azerbaijan is considering amendments to strengthen its antiterrorism laws that would increase penalties for involvement in "international terrorism, financing of terrorism, organizing, planning, and preparing terrorist attacks, intentionally stirring panic among the people, and using media outlets, the Internet, and social networks" for extremist purposes
14 March 2014	Romanian Prime Minister Victor Ponta visits Georgia following a visit to Moldova and says the EU should do "a lot more" for the two countries and Romania is the best advocate of Georgia and Moldova within the Union
17 March 2014	The leaders in the breakaway regions of Abkhazia and South Ossetia recognize the referendum for independence in Crimea
17 March 2014	A court in Azerbaijan sentences Ilqar Mammadov, head of the Republican Alternative movement and Tofiq Yaqublu, deputy head of the Musavat Party, respectively to seven and five years in prison for charges related to mass disturbances during riots in the town of Ismayilli in January 2013
21 March 2014	The Georgian leadership hails the EU's decision to sign the Association Agreement in June instead of August 2014 and congratulates Ukraine on signing the political part of the Association Agreement
21 March 2014	A forensic pathologist is arrested in Georgia on suspicion of negligence in his examination of the bodies of former Prime Minister Zurab Zhvania and his friend Raul Usupov, both found dead in 2005 after they were apparently killed by carbon monoxide poisoning leaking from a faulty gas heater
22 March 2014	The prosecutor's office in Georgia summons former President Mikheil Saakashvili for questioning as a witness in criminal investigations related to ten cases including a possible probe into the death of former Prime Minister Zurab Zhvania in 2005
23 March 2013	The US Department of State says that it is concerned by the decision of prosecutors in Georgia to summon former President Mikheil Saakashvili for questioning as it "raises legitimate concerns about political retribution"

Compiled by Lili Di Puppo

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ABOUT THE CAUCASUS ANALYTICAL DIGEST

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