

GEORGIA



Polity: Presidential-parliamentary democracy

Economy: Mixed capitalist (transitional)

Population: 5,500,000

GNP per capita at PPP \$ (1999): 3,606

Capital: Tbilisi

Ethnic Groups: Georgian (70.1 percent), Armenian (8.1 percent), Russian (6.3 percent), Azeri (6 percent), Ossetian (3 percent), Abkhaz (2 percent), other (5 percent)

Size of private sector as % of GDP (mid-2000): 60

NATIONS IN TRANSIT SCORES

	1997	1998	1999-2000	2001
Democratization	4.70	↑ 4.55	↑↑ 4.00	↓ 4.19
Rule of Law	na	na	4.50	↓ 4.63
Economic Liberalization	4.13	↑ 4.00	↑↑ 3.67	↓ 3.75

KEY ANNUAL INDICATORS

	1994	1995	1996	1997	1998	1999	2000
GDP per capita (\$)	232.0	535.0	838.0	633.0	644.0	517.0	555.0
Real GDP growth (% change)	-11.4	2.4	10.5	10.8	2.9	3.0	2.0
Inflation rate	15,607.0	162.7	39.4	7.1	3.6	19.2	4.1
Exports (\$ millions)	381.0	363.0	417.0	494.0	478.0	477.0	521.0
Imports (\$ millions)	746.0	700.0	768.0	1,052.0	1,164.0	1,018.0	1,105.0
Foreign Direct Investment (\$ millions)	8.0	6.0	54.0	236.0	221.0	60.0	101.0
Unemployment rate	3.6	3.1	2.8	7.5	14.7	14.9	15.1
Life Expectancy (years)	na	na	na	72.5	72.6	72.9	73.0

INTRODUCTION

Georgia's political process since independence has been marred by instability. In the early 1990s, Georgia suffered two ethnic-territorial wars with Ossetian and Abkhazian secessionist groups (both were lost by the central government). The first democratically elected president, Zviad Gam-sakhurdia, was ousted in January 1992 by the military, which accused him of incompetence and autocratic behavior. Competing paramilitary groups exerted considerable power for several years afterwards. Since 1995, mostly due to the skills of President Eduard Shevardnadze, political processes have taken a much more orderly course: a new constitution was adopted, ethnic and civic peace were mainly restored, elections were conducted in a fairly orderly manner, a number of institutional reforms were carried out with reasonable success, and independent media and nongovernmental organizations became an influential political force. However, about fifteen percent of the country's territory is under effective control of Abkhaz and Ossetian secessionist governments, and a final resolution of either conflict is unlikely in the short term. Thus, the future is uncertain for over 200,000 internally displaced persons (IDPs). The political status of Ajaria, an autonomous region that continuously defies general constitutional order without putting forward any separatist claims, continues to be uncertain as well. Numerous electoral violations undermine fairness of the political process, and widespread corruption undermines public trust in both political institutions and law enforcement agencies.

Economic developments have largely paralleled political ones. After a dramatic economic collapse during the period of political turmoil, the government embarked on a comprehensive structural reform program that brought significant achievements beginning in the mid-1990s: the national currency stabilized, inflation was brought under control, the fiscal deficit was reduced, a large-scale privatization program was initiated, and real GDP began to grow. Further economic development is impeded by factors including ongoing corruption, low levels of tax collection, a continued energy crisis, and an inadequate infrastructure system.

Despite the introduction of new democratic legislation in some areas, in the review period negative trends outweighed positive ones. The last parliamentary and presidential elections (in October 1999 and April 2000, respectively) were notable for serious violations that damaged public trust in the electoral process. Scheduled reform of the procuracy was postponed due to open resistance. Public opinion tightened against religious minorities who on several occasions were attacked with impunity by groups of fanatics. The government failed to overcome the fiscal crisis, and no success was achieved in fighting corruption.

DEMOCRATIZATION

Political Process

1997	1998	1999-2000	2001
5.00	4.50	4.00	4.50

In the period under review, political processes in Georgia developed without notable disruptions. However, widespread corruption and an ongoing fiscal crisis contributed to the inefficiency of major public institutions as well as to general disillusionment. Relations with Russia, which maintains several military bases in Georgia, seriously worsened after Vladimir Putin's accession to power. Conflict in neighboring Chechnya led to an influx of refugees and the deterioration of the security situation in Pankisi Gorge, whose indigenous Kisti people are Chechens' kin. Public statements by both government and opposition leaders about the possibility of economically or politically motivated disruptions contribute to a general atmosphere of insecurity.

The last parliamentary and presidential elections strengthened positions of those already in power and are widely seen as a setback for democratic development. Elections to the national parliament took place on October 31, 1999 on a mixed principle: 150 members of parliament (MPs) were elected by party lists and 85 were elected on a majoritarian principle from single-mandate constituencies. The mandate of 12 MPs elected from Abkhazia in 1992 was extended for another four-year term. In all, 33 parties and blocs contested proportional seats, and approximately 3,000 candidates contested majoritarian races. As in all other elections after 1992, self-proclaimed Abkhazian and South Ossetian republics stayed out of the electoral process.

For the first time since 1990, the campaign was fought on a clearly two-party basis. The governing Citizens' Union of Georgia (CUG) was opposed by the four-member Revival bloc, a pragmatic alliance of left- and right-wing parties that rallied around Aslan Abashidze, the leader of Ajarian autonomous republic. Revival was encouraged by relative success in 1998 local elections, and capitalized on popular discontent with economic conditions. Several relatively credible parties promised a "third way": the National-Democratic Alliance, the populist Laborist party, and the bloc Industry Will Save Georgia. The CUG skillfully used Abashidze's image as a "pro-Russian" autocrat to undermine initially significant support for Revival. According to official results, turnout was 67 percent, and the proportional vote was divided among the CUG, which gained 41.75 percent; Revival, 26.58 percent; Industry Will Save Georgia, 7.08 percent; Laborist, 6.59 percent; and National Democrats, 4.45 percent. Only the first three achieved the seven percent threshold to enter parliament. Together with majoritarian MPs, the CUG created a comfortable majority in parliament.

Elections were marred by serious violations. Parties other than Revival had scarce opportunity to campaign in Ajaria (where 95 percent of the vote went to Revival), but

Revival supporters were often harassed outside Ajaria, and election fraud was reported in different areas. Violations in favor of major contestants might have canceled each other out, though, as final results were close to the previous polling data. The Organization for Cooperation and Security in Europe (OSCE) observer mission noted a number of irregularities, but concluded that “Georgian voters were generally able to express their will.” Only 13 of 19 members of the Central Electoral Commission endorsed the final election results, while opposition representatives refused to confirm the fairness of the elections process.

The crushing defeat of Revival ensured that incumbent president Shevardnadze would face no viable challenger in the April 2000 presidential elections. Jumber Patiashvili, a former Communist leader, was his major opponent. According to the official results, the incumbent carried 78.82 percent of the vote, with Patiashvili taking 16.66 percent and four other candidates winning less than one-half percent each. Turnout was reportedly 76 percent. However, the real turnout was evidently much lower than in October, presumably due to the predictability of the election result and voter disillusionment over previous violations. In their assessments of the presidential elections, both OSCE and Council of Europe observers noted serious irregularities, including instances of ballot stuffing, media bias, and a lack of transparency in vote counting and tabulation.

In all other parliamentary and presidential elections since 1990 the turnout was registered at between 65 and 86 percent. In November 1998 local elections the turnout was 41 percent, though it varied considerably from one region to another (98 percent in Ajaria). There are no data on voter participation with regard to gender.

Election legislation in Georgia changes from one election to another, though a mixed system of nationwide party lists and majoritarian representation in parliamentary elections prevails (with the exception of the 1992 elections). The threshold for parliamentary representation was increased from four percent in 1990 to five percent in 1995 and seven percent in 1999 in an effort to encourage larger coalitions. Another significant change is the manner of appointing electoral commissions. From 1990 to 1995, they consisted of political party representatives, which made them relatively balanced but provided opportunities for backroom deals. In accordance with June 1999 amendments to the election law, commission members were appointed by parliament and the president, allowing for ruling party control of commissions at all levels and damaging popular trust in the fairness of the election process. In March 2000, less than three weeks before presidential elections, further amendments to election legislation increased opposition representation on electoral commissions. This move did not sufficiently address the existing concerns, but rather “caused confusion among the election administration and some political parties,” according to the OSCE report.

Weakness of political parties is a problem. By and large, there are no serious barriers to their creation and activities

(other than in Ajaria). By October 30, 2000, 130 parties were registered. There has been only one case in which a party was denied registration: in 1998, Virk, a group based in an ethnically Armenian-populated region of Javakheti, was deemed to have violated the 1997 Law on Citizens’ Political Associations, which bans the creation of regionally-based parties. Some followers of ousted president Gamsakhurdia consider the acting government illegal and refuse to register their parties. The police often disrupt their rallies and demonstrations and detain or imprison their activists on various charges.

The fact that both major contestants in the 1999 parliamentary elections rallied around central and regional power centers and the personalities of Eduard Shevardnadze and Aslan Abashidze, highlights the fact that parties are very weakly anchored and political processes often revolve around personalities. After the elections, internal divisions within both ruling and opposition groups in parliament became evident. In the fall of 2000, a group of MPs from the CUG faction broke away to create a “New Faction” that, paradoxically, opposes the CUG but claims to support President Shevardnadze. The latter’s personality evidently bears disproportionate weight in Georgian politics: he is considered more important than his party, and major political battles continue among different groups who profess to support him and to prepare for succession when his last term ends in 2005.

Civil Society

1997	1998	1999-2000	2001
4.50	4.25	3.75	4.00

The NGO sector that has grown since 1993 is fairly vibrant and plays an important role in public and political life, but comprises only a small sector of society. In 1997, a new civic code defined two legal forms for noncommercial organizations: foundations (to be registered with the Ministry of Justice) and associations (to be registered with local courts). About 493 foundations were registered by the end of October 2000. The directory issued by the International Telecommunication and Information Center, a Georgian NGO, includes data on 643 organizations. The total number of registered organizations may be estimated at about 2,000 to 2,500, though many of them exist in name only.

The civil code allows NGOs to register fairly easily, though they may face difficulties in some regions. NGOs are not allowed to call for a violent overthrow of a political regime, violate the sovereignty and territorial integrity of the country, propagate war, or incite hatred on ethnic, regional, religious, or social grounds. Only courts have the right to suspend or ban NGO activities for such offences, but so far there have been no legal examples of this. There is no special tax status for NGOs, but the 1996 Law on Grants makes exempts moneys received as grants from all

taxes except income tax. Georgian businesses have no tax incentives to donate for charitable purposes. A group of NGOs is promoting draft legislation that would introduce a legal category for charitable activities and organizations and define a special tax regime for them, as well as for business donors to such organizations. Section Three of the 1999 administrative code is the main tool for NGOs with regard to gathering public information. However, some government bodies are reluctant to comply with the requirements of the code. In 1999, parliament passed in its first reading a bill on procurement, which would allow NGOs contracted by the government to carry out certain functions on a competitive basis. However, the bill did not progress to a second reading.

Most organizations depend on small groups of activists and, with few exceptions, have no effectively developed organizational structure. The best organizations have stable staff and are technically well-equipped. Sociological surveys confirm that only a small portion of society is involved in NGO activities; in a 1997 survey conducted by the Arnold Bergstraesser Institute and the Caucasian Institute for Peace, Democracy, and Development, 1.2 percent of those polled belonged to an NGO. Respectively, public awareness of NGO activities is quite low. According to the Institute for Polling and Marketing, most people, particularly residents outside Tbilisi, have difficulty distinguishing between NGOs and government organizations. NGO membership for the most part includes younger and more educated members of society. Geographically, civil society activism is unevenly distributed. Much more advanced in the capital city, it is dormant in some regions, but happens to be relatively developed in areas like Khashuri, Lanchkuti, and Akhaltsikhe. By sector, NGO activism is more conspicuous in such areas as policy advocacy, legal reform, human rights, conflict resolution, civic education, environmental protection, social problems, health care, humanitarian assistance, youth issues, and women's and ethnic communities' issues. The number of community-based organisations is small but growing in some regions.

Many women are active in, or lead, NGOs, and some 60 groups work on women's issues specifically. Experts estimate the number of active members of these NGOs at about 500, though formal membership is much higher (37 women's organizations surveyed by the International Center for Civic Culture in 1998 reported 27,000 members). The last two years have witnessed a significant increase in number and activism of ethnic community organizations (such as Armenian, Azeri, Kurdish, and other groups). About 60 groups work in this field, and the number of active members is estimated at 400 to 500 people. Formal membership is reportedly about 50,000. Many of these groups are united in a coalition called Multinational Georgia, whose main aim is to encourage minority participation in civic and political life and to influence respective legislation.

There have been several programs aimed specifically at NGO development in Georgia. The Horizonti Foundation

(which has grown out of a Georgian branch of ISAR, a U.S.-based NGO) has for several years conducted training programs on NGO management issues in Tbilisi and other regions throughout the country, and publishes a monthly newsletter in Georgian, Russian, and English on various issues of concern to NGOs. It and other organizations have published advisory materials for NGOs in the Georgian and Russian languages.

Membership dues constitute only a small portion of NGO income. Grants from Western foundations constitute the main source of financial support. Based on research by the Horizonti foundation in 1997, volunteerism is not common in Georgian society. Some NGOs use incomes from their own businesses to support their activities. Support from Georgian business is negligible. The Cartu Foundation, established in late 1997 by a financial-industrial group of the same name, was the first notable exception, but others did not follow this lead, and the foundation soon ceased to exist. In 1999, legislation aimed at committing public funds for a foundation supporting civil society was discussed in parliament, but was dropped due to an ongoing fiscal crisis.

While there have been several attempts to create large associations of NGOs, none of them has been successful. Most leading NGOs resist such initiatives for fear of becoming involved in political manipulations. Ad hoc coalitions aimed at influencing legislation or organizing public campaigns have proven more effective. NGOs often exercise their right to participate in sittings of parliamentary committees, and in some cases they are successful in blocking or encouraging legislation. For example, the third section of the administrative code, which is an effective equivalent of the Freedom of Information Act, was enacted mainly due to the activism of the NGO and journalistic communities. The Georgian Young Lawyers' Association and the Institute of Liberty are especially notable for taking active part in legislative activities.

Parliament, and particularly its pro-reform leadership, has been quite open to cooperation with NGOs since 1995 and has considered them an important political and intellectual resource. This cooperation has produced a number of laws aimed at democratic reform, and after the 1999 elections some NGO activists found themselves in parliament. The president's chancellery also cooperates with NGOs, and a new unit was created in the fall of 2000 to develop this cooperation. In some cases, agencies involve NGOs in the process of drafting policy documents. In particular, the Ministries of Environmental Protection, Justice, State Property Management, Health and Social Security, Education, Foreign Affairs, and Defense, as well as the public defender's office and others have a record of cooperation with NGOs. However, many agencies – most notably law enforcement and most regional and local governments – tend to resist working with NGOs. Media coverage of NGO activities is sympathetic for the most part. Some newspapers, however (such as *Alia*, *Akhali Taoba*) prefer to look for hidden political alliances between NGOs and political groups. Some

media are more critical of Western liberal values, such as *Literaturuli Sakartvelo* newspaper, and are sharply critical of NGOs as harbingers of Western influence.

The trade union movement traditionally has been weak in Georgia. Descendants of the Soviet-era unions formally exist but do not play any role, and until recently there have been no serious attempts to create viable independent unions. According to a poll conducted by the Arnold Bergstraesser Institute and the Caucasian Institute for Peace, Democracy, and Development in 1997, only 1.6 percent of respondents claim to be union members. The only recent and notable exception is *Solidaroba* (Solidarity), a school-teachers' union that was formally established in May 2000 in Kutaisi, the second largest city in Georgia. By November 2000, its membership had reached 2,500, including school-teachers in several districts around Kutaisi, but it plans to establish itself as a national union. While it has faced harassment by the local government, it has developed much better cooperation with the Ministry of Education.

Farmers' groups and small business associations are weakly developed. Large businesses defend their interests much more effectively. While much of this is done through backroom and usually corrupt deals, some interest groups organize themselves as public associations. The Industrialists' Union has been the most successful and conspicuous of them; it developed into the Industry Will Save Georgia electoral bloc that managed to place third in the 1999 elections. Other important organized interest groups include the Large Taxpayers' Union, the Bankers' Association, the Union of Petrol Importers, and the Union of the Disabled.

Independent Media

1997	1998	1999-2000	2001
4.50	4.25	3.75	3.50

Georgia's media are free from censorship. However, the government maintains control over some strategic outlets, while most independent media lack professionalism, credibility, and financial viability.

Television is the major source of information for the vast majority of the population. Both national channels are state-controlled and give preference to official points of view. While competition from independent TV companies has forced state TV to make its programming more balanced in the last two years, it is still far from editorially independent. In Tbilisi, viewers have enjoyed much greater choice since 1997, when *Rustavi-2*, the first powerful independent TV station, survived government attempts to close it down. *Rustavi-2* attracts higher ratings than official TV and, according to early 2000 data, carries about 55 to 65 percent of the national advertising market. Seven other independent TV stations compete for the TV market in the capital, but unless supported by powerful business or political interests, they are hardly financially viable. In summer 2000,

control over *Iberia TV* went to the Batumi-based *Omega* cigarette distribution network. *Sakartvelos Khma* is seen to represent the views of *Aslan Abashidze*, an Ajarian regional leader, while *Kavkasioni* leans toward opposition views.

There are a number of TV stations outside the capital that try to maintain their independence but struggle financially. In 1996 five of them created the Television Network of Georgia (TNG), and membership eventually increased to 18. Due to disagreements between *Rustavi-2* and regional stations, TNG broke up in 1999 but in January 2000, a 10-member United Television Network (UTN) was created in its place to pool advertising revenues for small regional stations.

Whether or not state domination of television outside Tbilisi will be broken may depend on the results of a tender for the use of a broadcasting frequency that had been occupied by the Russian ORT. A decision by the National Regulatory Commission for Communication (NRCC) is pending. The creation of the NRCC in May 2000 was considered a major step in ensuring fair competition in broadcast media, though it is still too early to assess its success or failure.

A number of independent radio stations broadcast on AM and FM frequencies, but most of their programming consists of music. State radio is still strong outside Tbilisi. The investment of the American company *Metromedia* in the Georgian-language *Fortuna* and Russian-language *Era* radio stations appeared to be successful in 1998 and 1999. Of late, the popularity of *Radio 105*, which carries political satire rather than musical programming, has increased considerably.

Though all print media are formally private, descendants of erstwhile Communist newspapers, such as the Georgian-language *Sakartvelos Respublika* and the Russian-language *Svobodnaya Gruzija*, receive government subsidies, have editors appointed by the president, and serve as official propaganda outlets. Since government agencies are obliged to subscribe to *Sakartvelos Respublika*, its circulation reaches 6,000 to 7,000. However, the market is dominated by independent newspapers. Major dailies include *Alia* (circulation approximately 8,000 to 9,000 copies), *Akhali Taoba* (7,000), and *Resonansi* (3,000). *Kviris Palitra* is a popular weekly digest (35,000), followed by a tabloid, *Asaval-Dasavali* (23,000). The tabloid weekly magazine *Sarke* circulates about 18,000 copies. Small newspapers outside the capital struggle to maintain both financial viability and independence. Grants received from foreign foundations give newspapers some temporary relief. The circulation as well as the quality of print media have deteriorated, particularly during the last few years. Competition from newly-emergent independent television as well as waning interest in politics may be among the explanations for this negative trend.

Six major information agencies compete on the market. One of them, *Sakinpormi*, is government-controlled and also serves as the president's press center. Apart from government subsidies, it enjoys privileged access to official information. *Gea*, *Iprinda*, and *Prime News* are mostly ori-

ented towards Georgian-language information markets, while Black Sea Press and Caucasus Press cater mostly to international organizations and embassies in Georgia.

Both state and private agencies are active in the distribution market, and the distribution share of private agencies is increasing. PGS Ltd. (Press Distribution Service), established by four independent newspapers (*Alia*, *Akhali Taoba*, *Resonansi*, and *Shvidi Dghe*) in 1996, is the largest distributor in Tbilisi (some 50 percent of the market). The state agency Sakpresa dominates distribution outside Tbilisi, but the private Presinfo has gained a foothold there as well.

While direct government interference in the activities of media does not take place, Georgia's dire economic situation makes media vulnerable to influence through financial pressure. Major independent newspapers have been known to publish stories commissioned by rivaling clans who provide indispensable revenues for them.

Apart from constitutional provisions that stipulate freedom of speech, major laws that regulate media activities include the Law on Press and Other Mass Media (enacted in 1991 but amended several times) and civil, administrative, and criminal codes. The Law on Press and Other Mass Media stipulates that "activities of a mass media outlet may be banned or suspended if it repeatedly violates the law thus contributing to crime, endangering national security, territorial integrity, or public order."

Antidefamation clauses in Georgian legislation are used by public figures against the media. However, cases are frequently dropped or become entangled in lengthy court proceedings. In a number of incidents, police have harassed journalists trying to gather information, particularly during public demonstrations, and despite several cases of litigation no police officers have been punished for such harassment. In a notable case, the anchor of the popular weekly investigative program *Sixty Minutes on Rustavi-2* stated that he had received death threats from the deputy procurator general. NGOs and the media held protest rallies until the president publicly expressed his support for media demands.

The media face greater restrictions outside the capital. In Ajaria, independent broadcasts on political issues do not exist. In February 1999, when Channel 25, the only independent TV company in Ajaria, began to broadcast news programs, three of its four owners were forced under threat to cede 75 percent of the company's shares to a local boss. The issue is in the courts. In the self-proclaimed Abkhazian and South-Ossetian republics, a few independent outlets have appeared, but most media are controlled by authorities.

Only a small fraction of the population has access to the Internet. Experts estimate that Georgia has some 10,000 to 12,000 Internet users, compared with 7,000 to 8,000 in 1999. Competition on the Internet provider market is extremely high, with Sanet, ICN, and a newcomer, Georgian Online, owned by Rustavi-2, holding the strongest positions.

There are a number of journalists' associations and NGOs promoting media issues. The Liberty Institute may

be the most aggressive in promoting free speech through backing respective legislation, or by organizing protests when media freedom is endangered. Figures on the number of women members of these associations are unavailable. In the journalistic community itself, however, women are quite active and may constitute more than 50 percent of all reporters (though not of all editors).

Freedom House's annual *Survey of Press Freedom* rated Georgia Partly Free in 1992 and 1993, Not Free from 1994 through 1996, and Partly Free from 1997 through 2000.

Governance and Public Administration

1997	1998	1999-2000	2001
4.50	5.00	4.50	4.75

The Georgian constitution calls for separation of powers among the executive, the parliament, and the judiciary. The president cannot dissolve parliament and must secure its agreement to the main principles of his budget before passage. Under Article 73 of the constitution, the president issues decrees and orders on the basis of the constitution and other legislation. According to the 1996 Law on Normative Acts, laws adopted by parliament take precedence over presidential decrees. In practice, however, an effective system of checks and balances has yet to be established, and the relations between different branches of power often depend on personalities and political circumstances rather than on rules. Despite the presumed political strength of President Shevardnadze, he is not a strong leader of the executive, which is openly divided, and government ministers openly promote conflicting agendas. Thus, the president tends to mediate between them rather than pursue his own policies. Particularly during the last two to three years, there has been a general lack of direction in Georgian politics, as noted by both domestic and international observers.

Parliament is independent in its legislative activities. The 1999 parliament has adopted only nine new bills and a number of amendments to existing legislation during its first year. Continuing infighting within the majority coalition may be the main reason for this. Although the parliamentary majority belongs to the president's party, it has clashed with the president on some issues. In May 2000, parliament rejected the candidacy of Bakur Gulua, the president's nominee for Minister of Agriculture, and several other nominees were confirmed by narrow margins. An anticorruption commission in the previous parliament was quite aggressive in attacking several ministers, and its pressure effected the resignation of Communications Minister Pridon Injia.

Contrary to the Law on Normative Acts, some government agencies still give precedence to internally-issued regulations over laws. Though the law obliges ministers to have a deputy in charge of relations with parliament, effective contacts are quite weak. The disproportionate influence and intransigence of the so-called "power ministries," especially

the Ministry of Internal Affairs, constitutes the major weakness in the system of public governance. In summer 2000, MPs accused Internal Affairs Minister Kakha Targamadze of eavesdropping on parliament offices.

Branches of power differ with regards to openness and transparency. Chapter Three of the Administrative Code enacted on July 23, 1999 is an equivalent of the Freedom of Information Act. It requires government officials to make available to the public original versions of public documents at no cost. In effect, while parliament is open enough to the media and public, most agencies of the executive, and most notably “power ministries” and law-enforcement agencies, are reluctant to comply with these requirements.

The broad self-governance enjoyed by certain regions results from the weakness of the central government and/or legal confusion rather than from orderly devolution of power. The 1995 constitution does not define a territorial arrangement for the country, since the required two-thirds of parliament could not agree on this issue and postponed it until the resolution of the Abkhazian and Ossetian conflicts. Under a law enacted in February 1997, the country is divided into 12 regions, or mkhares, which include the capital, Tbilisi, and the autonomous republics of Abkhazia and Ajaria. This arrangement follows the Soviet legacy of autonomous units, of which there were three in the Soviet Georgia: the Abkhazian and Ajarian autonomous republics, and the South Ossetian autonomous oblast. The Georgian Supreme Soviet abolished the latter in 1990 during the conflict over secession. Currently, the territories of Abkhazia and most of South Ossetia are outside the government’s control and do not participate in Georgia’s political life in any way save for the Tbilisi-based Abkhazian government in exile. That government is recognized by the Georgian government as the sole legitimate representative of Abkhazia, and in effect handles IDP issues. Ajaria’s leadership often defies Georgian legislation. On April 20, 2000, the Georgian parliament amended the constitution to include a clause on the autonomy of Ajaria, but legislation defining separation of powers between the center and Ajaria has yet to be developed. The fact that the central government’s jurisdiction does not extend to breakaway provinces and that its laws are only selectively observed in Ajaria while the government does not formally relinquish its claims to these territories poses additional challenges to the efficiency of governance. These include the uncertain status of IDPs and difficulties in relations with neighboring states; uncontrolled territories have become safe havens for activities such as smuggling.

Administrative-territorial arrangements at the local level have not changed since the Soviet era; they comprise districts, towns, communities, settlements, and villages. Executive power at the regional and district levels belongs to the president’s appointees, known as governors and gamgebeli, respectively. The mayors of the seven most important cities are also appointed by the president (though in three of them, Sukhumi, Tskhinvali, and Batumi, the capi-

tals of Abkhazia, Ossetia, and Ajaria, respectively, these appointments have not been enforced). New elected bodies (sakrebulo) were only created at the level of districts and towns after the November 1998 elections. Their responsibilities, as defined by legislation, are limited. For example, local councils approve budgets submitted by gamgebeli, but if they fail to do so in the first two months of the year, they may be dismissed by the president. The next local elections are due in the fall of 2001. In his pre-election speech in March 2000, President Shevardnadze pledged that in 2001, gamgebelis would be elected by direct popular vote, a measure required by the Council of Europe.

Under law, municipal governments collect revenues from managing municipal property and from local taxes, but in practice, they remain heavily dependent on transfers from the state budget. This increases the power of the centrally-appointed gamgebelis, since the timeliness of the transfers depends on their activities. Tbilisi and Kutaisi, the two major municipalities, are exempt from laws that require the mkhare to contribute a fixed percentage of their revenues to the central budget.

An October 1997 law introduced a legal basis for the civil service. This law distinguishes between civil servants at the state and local levels. However, there is no effective provision for improving the efficiency or professionalism of civil servants. New leaders of state agencies generally conduct major staff overhauls motivated more by political loyalty and personal connections rather than by professional competence. Extremely low remuneration of civil servants also makes it difficult to attract honest and competent personnel. The U.S.-funded Georgian Institute for Public Affairs and the Office of Regional Management under the president’s chancellery conduct training for public servants. In 2000, the Ministry of State Revenue introduced exams for potential tax and customs employees.

RULE OF LAW

Constitutional, Legislative, and Judicial Framework

1997	1998	1999-2000	2001
5.00	4.75	4.00	4.00

The 1995 parliament, elected under the first post-Communist constitution, brought Georgian law closer to democratic standards. The implementation of this legislation, however, is questionable. The Ministry of Internal Affairs and the procuracy have lost some of their powers, but resist reform efforts. The reform of the judiciary is a relative success story, but it did not dramatically change the system.

A constitutional court was created in 1996. Its nine members are nominated for ten-year terms by the president, parliament, and the supreme court (three by each branch of power). There have been more than ten cases in

which the court has ruled against the state in favor of individual citizens and organizations. In common law courts, direct appeal to the constitution has become a relatively established practice, especially in civil cases.

From 1997 to 1999, parliament enacted a package of laws designed to reform the law enforcement system, including the criminal justice system: On General Courts (June 1997), On the Office of the Public Prosecutor (1997), the Civil Procedures Code (November 1997), the Criminal Procedures Code (February 1998), the General Administrative Code (June 1999), and the Criminal Code on Imprisonment (July 1999). The aim of these reforms was to create a legal system that would reduce the pervasive powers of the procuracy, increase the rights of defense attorneys, and enhance the independence and authority of the judiciary. Now, only courts may issue search and arrest warrants. The death penalty was abolished in November 1997. In January 2000, the penitentiary system was removed from the Ministry of Internal Affairs and placed under the Ministry of Justice. The reform of the procuracy, however, has been delayed. During his confirmation hearings in the spring of 2000, the Minister of Internal Affairs presented a plan to reform his agency by creating a separate investigative department. However, there has been no progress on this initiative. The police and procuracy retain their investigative functions.

Chapter Two of the 1995 constitution provides for basic human rights and freedoms. It guarantees freedom of speech, movement, and assembly, as well as freedom from torture, inhuman punishment, and discrimination based on race, language, religion, or sex. Article 21 of the constitution guarantees the right to own and inherit property. Article 30 requires that the state foster conditions conducive to the development of free enterprise. Business rights are further elaborated in the 1994 Law on Entrepreneurs, the 1996 Law on the Promotion and Guarantees of Investing Activities, the 1997 civil code, and other legislation. Individual citizens have the right to appeal to the constitutional court directly on claims of human rights violations. Article 43 creates the post of public defender, who is nominated by the president and elected by parliament for a five-year term, but is not accountable to the president or to the parliament. In May 1999, Georgia joined the European Convention on Protection of Human Rights and Liberties. It also joined the European Convention on Protection of Ethnic Minorities. A number of laws passed between 1996 and 1999 created more specific mechanisms to protect these freedoms, but in some cases restricted rights provided by the constitution. For instance, the Law on Meetings and Manifestations requires special permission for protests on streets and near government offices.

The criminal code enacted in July 1999 was largely modelled after its Soviet predecessor, with the latter's most notorious aspects eliminated. The main hope for criminal justice reform was placed in the Criminal Procedures Code adopted before Georgia's accession to the Council of Eu-

rope in April 1999. The code was meant to demonstrate Georgia's readiness to comply with democratic standards of human rights. However, in May and July 1999, parliament adopted over three hundred amendments to the code that were later denounced by Human Rights Watch as "backtracking on reform." Of concern is a provision that allows officials to detain suspects for up to 72 hours without charge or access to counsel. In practice, detainees are frequently denied access to counsel even after 72 hours' detention. Legally, a suspect may be remanded for up to nine months in pretrial detention, but this period is often exceeded in practice. Police continue to carry out searches without warrants and to make unregistered arrests, usually to extort money. Legal complaints against such violations are rare, as the legal awareness of most citizens is low and intimidation by the police is widespread. Defendants often state during court proceedings that they admitted to crimes that they did not commit because of physical and psychological pressure. There have been several publicized cases in which suspects suspiciously fell to their deaths from the detention wards of the procurator's office. All of these cases were officially called suicides.

There is no specific legislation on ethnic minority or gender rights. The last two years have seen an increase in religious intolerance. On several occasions, police did not stop groups of religious fanatics from violently attacking members of small religious sects such as Jehovah's Witnesses. These cases are in court as of this writing. During September 2000 the police twice disrupted planned congresses of the Georgian organization of Jehovah's Witnesses. In spring 2000, a district court in Tbilisi cancelled their registration. The issue is currently being appealed in higher courts.

A new judicial system has been in place since May 1999. According to the constitution, the judiciary is independent from any other branch of power, and judges are prohibited from joining political parties or participating in political activities. Judges are now appointed by the president upon nomination by the Council of Justice, a 12-member consultative body that includes nominees of the president (four members), parliament (four members), and the supreme court (one member), with the chairman of the supreme court and the chairmen of the supreme courts of Abkhazia and Ajaria participating as *ex officio* members. New judges must pass exams conducted by the Council of Justice with help from international organizations. Judges receive salaries of about \$250 to \$350, which is very high by the standards of the Georgian public service. However, their honesty and impartiality is not guaranteed, and corruption appears to have replaced political pressure as the major problem of the courts, particularly as the state cannot guarantee timely payment of salaries. Courts have also proven liable to public pressure when cases of religious minorities were considered. Enforcement of court decisions, especially in civil cases, is lacking.

The role of defense attorneys in court proceedings has considerably increased, but their professional and ethical standards are often low. The state provides public defend-

ers, but can only pay them very small remuneration. There is still no law on the bar, though a draft is has been submitted to parliament.

Corruption

1999-2000	2001
5.00	5.25

There is a strong consensus in Georgia that corruption has become a major handicap for political and economic development. While the government recognizes the scope and urgency of the problem, no effective measures have been taken to remedy it.

According to the 1997 law on Corruption and the Incompatibility of Interests in the Public Service, high-ranking public officials (including parliament members, ministers, and their deputies) and members of their families cannot hold positions in commercial agencies whose activities are supervised by the government agency for which the said public official works. He or she must also submit a public declaration on property and income. This requirement was extended by presidential decree to all civil servants.

Though most high-ranking officials complied with the conflict of interest legislation by formally giving up their positions in businesses, privately many public officials perceive conflict of interest legislation as unrealistic. It is commonly recognized that major business groups have close ties to the government and the ruling party, and promote their interests through these ties. For instance, United Georgian Bank, the largest bank in Georgia, is represented by Vano Chkhartishvili, the Minister of Economy, Trade, and Industry; and Zaza Sioridze, the chairman of a parliamentary committee. Several close relatives of president Shevardnadze run successful businesses and are widely believed to enjoy unfair advantages over their competitors. In Ajaria, most high-ranking officials are related to the leader, Aslan Abashidze, and the whole of the regional economy is believed to be under direct control of the Abashidze clan.

Corruption is rampant in various spheres of public life, though its scale varies from one region to another. Obtaining a passport in the capital city requires a bribe only if a citizen does not wish to wait for a required time limit; but in many regions passports cannot be obtained at all without bribing officials. The police, the procurator's office, tax inspectors, and customs officers are reputed to be the most corrupt. University entry procedures in the most prestigious schools are widely believed to be corrupt as well. Some services that were corrupt in Soviet times (such as hospital admission or telephone installation) have been commercialized, and bribes have been replaced by official fees. Nevertheless, additional payments are still often extorted for telephone installation. Requiring various licences and certificates, often illegally, is another way for public

servants to extract illegal payments from businesses. Extortion of protection money by law enforcement agencies has become an established practice. In addition, businessmen are forced to pay countless other "inspection agencies" in order to continue operating.

Smuggling, mostly of fuel and cigarettes, is another problem. In May 2000 alone, an estimated 800 tons of fuel and 100,000 packs of cigarettes were smuggled into Georgia. Trade Minister Vano Chkhartishvili estimated in August that the black economy represents some 27 percent of gross domestic product. The government reportedly has been investigating a plan to legalize some elements of the black market by liberalizing tax rates and fiscal policy.

Extremely low salaries in the public service encourage corrupt activity. In 2000, a government minister's salary was 165 *lari* (about US\$85). However, due to the fiscal crisis of 1998-2000, even those salaries had not been paid for months. Many government agencies have so-called extra-budget incomes from their activities. The failure to account for such income is a problem of public finance management, though some of this money is paid as bonuses to public servants. As a result, actual remuneration in various public agencies varies considerably.

Until recently, there were almost no cases of high-level corruption being prosecuted. During 1999, only six cases of bribery (against low-level public servants) reached the courts. Moreover, those cases in which the procurator's office took action may have been considered politically motivated. For example, the near-collapse of Georgia's merchant fleet led the procuracy to accuse the mayor of Batumi, Aslan Smirba, of misappropriating some \$370,000 from the fleet funds, including \$250,000 or more transferred from a London bank to a special fund controlled by Aslan Abashidze, the Ajarian leader. However, while the accusation might have been well grounded, it happened against the backdrop of political feud between Tbilisi and Batumi. The Minister of Communications, Pridon Injia, was forced to resign in 1998 under severe criticism from NGOs and parliament over his using his position to create a network of companies owned by himself, his family, and his associates to dominate the communications business in Georgia. A criminal case against him, however, was only filed in late 1999, when prior to elections he openly challenged the government as a parliamentary candidate from the opposition Laborist party.

A parliamentary anticorruption commission, active between 1996 and 1999, had limited success in exposing corrupt officials. The Chamber of Controls, which is responsible for financial and economic oversight of state revenues and expenditures, has a reputation for being an honest agency, and its audits of many state agencies have been critical. However, the procuracy never acted on its reports until the fall of 2000, when several former high-ranking officials of the Ministry of Energy and a major state-controlled power generating company were arrested and charged with embezzlement of public funds.

The media have been active in investigating corruption cases, often at great personal risk. For example, Shevardnadze ordered the police to give journalist Akaki Gogichaishvili special protection after he received death threats. According to protesters who staged a demonstration on May 23, 2000, Gogichaishvili was warned by the prosecutor general to leave the country. For several years, newspapers were the leading force in unmasking corruption. Since early 2000, though, 60 Minutes, a weekly program of Rustavi-2, has preoccupied itself almost exclusively with exposing high-level corruption in state agencies. The program has become one of the highest rated shows on Georgian television and has prompted the first national channel to introduce its own anticorruption program.

Various surveys have indicated high levels of public concern and cynicism with regard to corruption. In July 2000, President Shevardnadze created a seven-member working group to elaborate a national anticorruption program, chaired by the head of the supreme court, Lado Chanturia. The group also included four high-ranking public officials and two NGO representatives. It enjoyed fairly high credibility with the public. In September, it submitted guidelines for anticorruption measures, which focused on liberalizing the business environment, improving management of public finances, increasing the general efficiency of governance, reforming law enforcement bodies and the educational system, and overcoming political corruption. The group recommended the creation of a coordinating body under the president that would focus on elaborating anticorruption policies and monitoring their implementation, mobilize public support and participation in anticorruption measures, coordinate public anti-corruption education, and work with international agencies on coordinating anticorruption initiatives. How the program will be implemented remains to be seen, but its content has for the most part met with positive response. Also as part of its anticorruption plan, Georgia has recruited former Polish deputy premier Leszek Balcerowicz to serve as a special economic advisor.

In a survey conducted in 1997 by the Arnold Bergstraesser Institute and the Caucasian Institute for Peace, Democracy, and Development, only 1.5 percent of those surveyed said that they expected fair treatment in the tax office, and only 1.7 percent expected police investigations to be fair. The court received a relatively high rating of 12.1 percent. Georgia was rated 84th of 99 countries in Transparency International's 1999 Corruption Perceptions Index, and it received a score of 2.3 (where 10 is least corrupt and 0 is most corrupt). Transparency International did not rate Georgia in 2000.

ECONOMIC LIBERALIZATION & SOCIAL INDICATORS

Privatization

1997	1998	1999-2000	2001
4.25	4.00	3.00	3.25

According to the State Department of Statistics (SDS), more than 82 percent of GDP was produced by the private sector in 1999, compared to 74 percent in 1998. Official statistics indicate that 55 to 60 percent of the labor force is employed by the private sector, but the large shadow economy (40 to 70 percent of GDP by different estimates) makes this figure unreliable. The United Nations Development Program (UNDP) *Human Development Report* estimates that over 75 percent of the economically active population is engaged in the private sector. This is supported by the GORBI household survey, which demonstrated that 73 percent of the average household income comes from private sector activities.

The 1997 Law on State Property Privatization regulates the privatization process except for land and housing privatization. Housing was largely privatized at the beginning of the decade under the appropriate Soviet law, which allowed citizens to privatize the housing that they occupied at a nominal price and with a minimum of bureaucratic procedures. The 1996 Law on the Ownership of Agricultural Land regulates the privatization of agricultural land, and the 1998 Law on Urban and Industrial Land Privatization declared the land allocated to privatized enterprises, private legal entities, and citizens to be private, based on existing drafts and documents. Privatized land is registered rapidly without additional surveying, after payment of a one-time fee. Over 80 percent of agricultural production is in private hands. A new land registry is being developed with the help of the German government.

Voucher privatization was the initially adopted model. However, while the vouchers were distributed to all citizens of Georgia, only one in 17 or 18 families actually participated in the process, while most people sold their vouchers for well below the nominal price. For privatization of medium and large enterprises, the vouchers were accumulated in special investment funds. Yet these funds bought just 0.3 percent of shares in former state enterprises and a significant portion of their investments went to unpromising enterprises. No dividends on securities have been paid yet. The staff of privatized enterprises enjoyed special privileges in the privatization process, including the right to buy shares directly at a minimum price. In health care, 415 out of 474 privatized enterprises were directly sold to employees; the same held for 52 of 99 bakeries. However, with regard to almost all valuable enterprises privatized, ownership by employees was only formal, with Soviet-era managers exercising real control. From 1993 to 1995, directors of the largest state enterprises avoided privatization by citing the enterprises as strategic national

assets. These were set aside for privatization later, but in the meantime their attractiveness to investors declined due to plunder of their assets and accumulation of debts.

On May 30, 1997, the president declared the termination of voucher privatization. The Ministry of State Property Management launched a new project of privatization of large state-owned enterprises by selling them via international tenders prepared in close collaboration with Western advisers. The Georgian government considers reforming three crucial sectors of the economy—energy, telecommunications, and transportation—to be the priority for the coming years. In late 1998, the Tbilisi electricity distribution company Telasi was sold to the American firm AES, which also took ownership of the two largest blocs of the Tbilisi thermal power station (Tbilsresi), the major power generating capacity in Georgia, in April 2000. German Kommerzbank is developing terms of reference for privatization in the telecommunications sector. In the second half of 2000 some leaders of the ruling party made statements about the possibility of reversing cases of illegal privatization, though without mentioning specific mechanisms for this.

Macroeconomic Policy

1998	1999-2000	2001
4.00	4.00	4.00

In June 1997, the Georgian parliament adopted a new tax code, which was elaborated in close collaboration with a number of foreign advisors and relies heavily on the Western (especially German) models. The main taxes stipulated in this code include income tax (at a rate of 12 to 20 percent), profit tax (20 percent), value-added tax (20 percent), excise tax, property tax (1 to 2 percent), land tax, a tax on ownership of motor vehicles, a tax on transfer of property (2 percent), social tax, a tax on the use of natural resources (up to 10 percent), and a tax on dividends (10 percent). However, the introduction of the new tax code coincided with a significant decrease in tax collection. According to the UNDP, the share of tax revenue execution to the state budget dropped by about 13 percent between 1995 and 1999. Apart from poor tax administration, inadequate tax collection is often blamed on complicated and/or contradictory tax regulations. Amendments to the tax code developed by a team of advisors under the umbrella of USAID and the Barents Group have been submitted to parliament. Action is expected by early 2001.

Despite the general crisis in the fiscal sphere, the National Bank of Georgia (NBG) has become a truly independent financial institution. A June 1995 law strengthened the NBG's authority to implement anti-inflationary monetary policy and supervise the banking system. The lari was introduced in 1995 and was kept stable at a rate of about 1.3 per U.S. dollar until the Russian financial crisis in 1998. After an initial drop, it stabilized at 1.85 to 2.05 per dollar. The lari is freely converted in both directions.

NBG policy also contributed to consolidation of the private banking sector by increasing the minimum foundation capital of commercial banks to \$5 million. Thus, the number of Georgian commercial banks was reduced to 18. In the fall of 2000, the TBC bank became the first Georgian bank to obtain the international rating by the Thomson Financial BankWatch. Despite improved confidence in banking institutions (between 1996 and 1999, commercial bank deposits increased threefold), the absolute volume of deposits is still low and major banks largely depend on servicing government spending and international credits. Lending is even more problematic: Interest rates range from 2 percent per month, at best, to the most common rate of 3 to 5 percent or even 6 to 7 percent.

With the Caucasus Stock Exchange winning a tender on management of the Georgian Stock Exchange (GSE) at the end of 1999, the creation of a Georgian capital market infrastructure was initiated. According to the GSE, more than 2,200,000 securities had been sold by August 2, 2000.

The foreign debt burden is an increasingly important problem. According to the Ministry of Finance, as of 30 September 2000 the amount of national foreign debt amounted to \$1,490 million. The 2000 state budget allocated 133.4 million laris for foreign debt servicing, but during the first nine months of 2000 only 56.7 million were disbursed (with revenues of the state budget during the same period constituting 629 million).

Microeconomic Policy

1998	1999-2000	2001
4.00	4.00	4.00

Article 21 of the constitution guarantees the right to property and inheritance. Intellectual property rights are guaranteed by Article 23 of the constitution, the 1997 Civil Code, the 1997 Copyright Law, the 1999 Patent Law, and the 1999 Law on Trademarks. Georgia has also joined a number of international conventions protecting property rights. The constitution permits the expropriation of property, with full compensation, for "necessary social need" in cases determined by law or by a decision of the court. No expropriations have taken place.

Liberalization of prices was mostly complete by 1996. Prices for energy and urban electric transport are the only ones that remain controlled.

The 1994 Law on Entrepreneurial Activity codified and fundamentally changed many corporate laws and regulations. According to the 1997 civil code and Civil Procedures Code, commercial companies should be registered by the district court of justice and added to the state register. New, simpler regulations for the registration of businesses are being discussed. The main obstacle to entrepreneurial activities, however, is the interference of numerous inspections and law enforcement bodies that con-

stitute a web of informal taxation which, by some estimates, considerably exceeds the volume of formal taxation.

Since judicial reform was implemented in 1999, economic disputes were moved from a separate court of arbitration to common law courts. This increased the speed and transparency of the proceedings. However, while new judges are more competent than their predecessors, their competence in new economic legislation is insufficient, and corruption continues to be an important problem.

Under Article 30 of the constitution, the state is required to foster conditions for the development of free enterprise and competition. The 1996 Law on Monopoly Activity and Competition created an agency charged with antimonopoly enforcement on all goods markets, while the NBG regulates the securities and financial markets. Business competition is hindered, however, by the continuation of Soviet-era patronage networks that practice insider dealing among preferred economic actors. Illegal monopolies reportedly protected by top state officials exist in the profitable liquid fuel and cigarette markets. Government-granted monopolies exist in such sectors as rail, air and sea transport, telecommunications, and energy.

In June 2000 Georgia joined the World Trade Organization. According to its membership terms, Georgia must make changes in legislation to meet all requirements of the international trade body within five years.

The energy sector has become a symbol of the Georgian economic crisis. Since independence, Tbilisi typically enjoys only four to six hours of electricity per day in winter, while most of the country averages three to four hours and some parts of the country even less. Since 1995, the sector has been divided into independent entities responsible for generation, transmission, dispatch, and distribution. The distribution sector was broken up into more than 70 municipally-owned companies. The regulatory framework was considerably strengthened by the 1997 Electricity Law, which created the independent National Electricity Regulatory Commission. The commission adopted a transparent tariff methodology and issued licenses to sector enterprises. A wholesale electricity market has been created. Major power distributing and generating companies were privatized, and the government has begun to extend the same approach to the natural gas sector. However, there has been no material improvement so far. Georgia currently imports its gas from Russia and its electricity (aside from what is generated domestically) from Russia and Armenia.

Social Sector Indicators

According to official statistics, unemployment in 1999 was near 13 percent, and somewhat higher for men than for

women. The main trend, however, lies in the structure of employment. The squeeze in employment possibilities following a dramatic drop in production forced many Georgians into a survival economy, which increased the number of so-called self-employed. More than 78 percent of self-employed are engaged in agricultural activities that prevent hunger but provide very small – if any – monetary income. For many involved in the public sector, the problem is underemployment; that is, limited employment at low remuneration. Unemployment has hit the most educated sectors of Georgian society; its levels are significantly higher in Tbilisi (about 30 percent of the economically active population) than in any other region. Unemployment compensation provided by the state is 63.20 lari (approx. \$32), paid over a period of six months. The average monthly salary increased from 10 to about 35 lari between 1995 and 1997. It increased sharply, to about 90 lari, in 1998, declined to about 55 lari in 1999, and rose to about 65 in 2000.

Pensions are paid from the United Social Welfare Fund. All female citizens over age 60 and male citizens over age 65 are entitled to pensions. The rate of pensions is universal (14 lari per month), save for some special categories. Between 1998 and 2000, the state accumulated huge arrears to pensioners (41.9 percent in 1998 and 20.6 percent in 1999) due to a severe fiscal crisis and rampant corruption. In the second half of 2000, against the backdrop of somewhat improved tax collection, the accumulation of arrears in pensions ceased, but old arrears persist.

Education in Georgia is on par with that of high-income countries. With shrinking public funding for education, however, there is a trend towards deterioration. In 1999, 2.2 percent of GDP was spent on education, as compared to about 5.4 percent in Eastern Europe or 3.7 percent in Latin America. Currently, 70 percent of rural schools and 84 percent of urban schools need significant capital repair.

Data on school enrollment and graduation in Georgian primary and secondary schools show that 95 percent of pupils enrolled in primary schools graduated from them. Of this total, 97 percent entered Level I secondary school and approximately 96 percent of them graduated. However, only 58.84 percent of Level I graduates continued to Level II secondary schools.

The infant mortality rate has remained generally steady since 1993, at between 10 and 20 per 1,000 live births. The rate was about 16 in 1999. Maternal mortality for the same period increased. In 1993 it was about 32 per 100,000 live births. It peaked at close to 71 in 1997, and then declined to 66 in 1999.

Ghia Nodia, the principal author of this report, is the chairman of the Caucasian Institute for Peace, Democracy and Development. He was assisted by Alexandre Tralchrelidze.