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## CORRUPTION

*Special Editor: Lili di Puppo*

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## Overview of the Anti-Corruption Fight in Armenia

By Khachik Harutyunyan, Yerevan

### Abstract:

According to the NGO Policy Forum Armenia's estimation, Armenia lost \$5.9 billion in 2013 because of corruption, and instead of a GDP of \$10.5 billion in 2013, it would have had \$16.4 billion, if only it had had a level of governance comparable to Botswana and Namibia.<sup>1</sup> On February 19, 2015 Armenia established a new institutional structure to fight corruption led by the Prime Minister. This new setup requires the adoption of a new, third anti-corruption strategy for Armenia. The implementation of the previous two strategies and their action plans (2003–2006 and 2009–2012) have not brought substantial changes in the fight against corruption and most importantly have not increased popular trust in the effectiveness of fighting corruption. This article will examine Armenia's experience in fighting corruption, and then discuss current obstacles to success in the context of the new institutional setup.

### Overview of the Fight Against Corruption for the 2003–2012 Period

The first Anti-corruption strategy and its accompanying action plan were adopted on 6 November 2003. The Action plan was foreseen for the period of 2003–2006. This was the very first attempt of the Armenian authorities to tackle corruption in a systematic and institutionalized manner. Both the strategy and action plan lacked any concrete benchmarks to monitor the progress of the implementation: it was mainly about creating the legislative foundations necessary for effective anti-corruption policy making.<sup>2</sup> To measure the effectiveness of the 1<sup>st</sup> strategy, one can look at the results of the Corruption Perception Index of Transparency International (hereafter CPI), which so far is the most utilized international index to understand the effectiveness of measures and actions taken by countries in the fight against corruption.

During the period of 2003 to 2007, Armenia consistently received bad scores. Table 1 lays out the data behind this assertion:

Table 1: Armenia's CPI Score from 2003 to 2007

CPI	2003	2004	2005	2006
Score	3	3.1	2.9	2.9
Rank	78	82	88	93
Number of countries observed	133	145	158	163

The institutional setting created during the first strategy basically remained intact during the period of 2009–2012 (second anti-corruption strategy and action plan) and with some modifications remains in place up to now. There were two main bodies established during the first and second strategy, which were tasked to oversee the implementation of the strategy and action plan: the Anti-corruption Council and Anti-corruption Monitoring Commission. The Council was chaired by the Prime-Minister and did not have the status of a permanent body; rather it was operating on the basis of regular meetings. The Council was a high-level representative body, while the Monitoring Commission was supposed to be operating on a day-to-day basis.

Although the institutional setup was not drastically changed during the second strategy and action plan (2009–2012), both the second strategy and action plan included significant improvements and had concrete benchmarks to measure the progress of the strategy. Indicators for the evaluation of the final results for the implementation of the strategy were linked to Armenia's ranks and scores in the CPI and Control of Corruption Indicator of the World Bank. The objective was to reach 4.1 CPI scores and 0.05 scores for the Control of corruption indicator in 2012.

It remains highly controversial whether these objectives were met. The problem is that the CPI methodology changed in 2012 and scores now are within the range of 1–100 instead of 1.0–10. The score for 2012 was 34 which cannot automatically be translated to 3.4 under the old methodology. Nevertheless, it can be said with full confidence that the 4.1 score under the old CPI methodology does not correspond to a 34 score (the CPI score which Armenia was granted for 2012). Thus, it can be said that the first objective was not achieved.

Regarding the second indicator (Control of corruption, World Bank) the target was not met either. The tar-

1 Corruption in Armenia. 2014. Policy Forum Armenia. Pages 39, 41. Available at: <[http://www.pf-armenia.org/sites/default/files/documents/files/PFA\\_Corruption\\_Report.pdf](http://www.pf-armenia.org/sites/default/files/documents/files/PFA_Corruption_Report.pdf)>

2 See OECD. Istanbul Anti-corruption Action Plan. Update about actions to implement the recommendations taken during December 2006–September 2007. Page 2. Available at: <<http://www.oecd.org/countries/armenia/41720719.pdf>>

get for 2012 was to achieve -0.05 while for 2012 Armenia received -0.53<sup>3</sup>.

### The Current Institutional Setup and New Strategy: Critical Analysis

Early in 2015 the government adopted Decision no. 195-N by which the structure of the policy bodies involved in coordinating, implementing and monitoring of the recently adopted third anti-corruption strategy was changed. Now there are three main institutions: the Anti-corruption Council, the Experts Group and a Monitoring Department of Anti-corruption Programs within the staff of the Government. The Anti-corruption Council is assigned the role of main decision-maker and is chaired by Prime Minister Hovik Abrahamyan. It includes various ministers, representatives of the parliamentary opposition, the Prosecutor General, and the head of the Ethics Commission for High-level Public Officials. As for the participation of civil society, it foresees membership for two organizations, but the membership is on a rotating basis.

The composition of the Council raised doubts among members of society about the seriousness of the anti-corruption fight<sup>4</sup>. Moreover, of the four parliamentary opposition political parties, only one agreed to have a representative in the Council as a member. Similarly, civil society largely boycotted the Council; the only specialized civil society representative in the field—Transparency International Anticorruption Center NGO (TI Armenia)—declared that it will participate only in the capacity of an observer and not as a member.<sup>5</sup>

The mandate of the Expert's Group is purely technical and it acts as a professional unit to provide the necessary expertise to the Council.<sup>6</sup> The Monitoring Department acts as a unit which provides technical and organizational support both to the Anti-corruption Council and the Expert's Group.

The new Council met for the first time on July 28, 2015, and among other issues decided to include the final draft version of the new Anti-corruption strategy in the agenda of the Government.<sup>7</sup> The strategy and

action plan, after one year and five months of procrastination, were adopted on September 25, 2015.<sup>8</sup> The Anti-corruption strategy and Action plan focus on the period of 2015–2018. The strategy chose four priority sectors to address: collection of state revenues, healthcare, education and police (only the police function connected with providing services to citizens).

At first glance, both the strategy and action plan, are well-thought out and carefully drafted. The chronic problems for the successful enforcement of anti-corruption strategies in Armenia used to be: lack of political will; lack of proper monitoring and coordination mechanisms; and lack of necessary financial and human resources.

As for the proper monitoring and coordination mechanisms, the strategy largely resolves this problem. The CPI and World Bank's Control of Corruption indicator will be again employed to measure the overall effectiveness of the strategy. Nevertheless, the issue of financial and human resources remains in place. Last but not least, the issue of political will is both the most crucial concern and priority number one: the strategy was adopted only on September 25, 2015 after more than a year of procrastination.<sup>9</sup>

When discussing the strategy, it is necessary to reflect on the feasibility of reducing corruption in the four priority sectors. Armenia needs to register quick progress in the fight against corruption in order to gain public trust toward the effectiveness of the effort. The need of trust is conditioned by the fact that 63 percent of respondents in 2013 mentioned that they do not believe that ordinary citizens can make a difference in the fight against corruption<sup>10</sup> and the population of Armenia has low trust in politicians.<sup>11</sup> In other words, Armenia is one of the most apathetic societies in the world with regards to the fight against corruption.<sup>12</sup>

In this regard, the feasibility of making progress in the four priority sectors is highly questionable. It is

3 Worldwide Governance Indicators. World Bank. Available at: <http://info.worldbank.org/governance/wgi/index.aspx#reports>

4 For example, the former MP from the Heritage political party Armen Martirosyan mentioned: "when wolves become good shepherds for lambs, then we will have a real fight against corruption". See at: <http://galatv.am/hy/anatylitcs/108829/>

5 See at: <http://galatv.am/hy/anatylitcs/108829/>

6 On the mandate of the Expert's Group, please see the Regulation on the Manner of Operation of the Expert's Group. Available at: <http://www.gov.am/files/councils/2.pdf>

7 Minutes of the July 28, 2015 Anti-corruption Council's meeting. Available at: [http://gov.am/u\\_files/file/councils/ardzanagru\\_tyun.pdf](http://gov.am/u_files/file/councils/ardzanagru_tyun.pdf)

8 See <http://www.azatutyun.am/archive/news/latest/2031/2031.html?id=27269227>

9 The Concept of Anti-corruption Strategy and Action Plan were adopted on April 10, 2014, while the Strategy was adopted on September 25, 2015. Thus, it is one year and five months.

10 Global Corruption Barometer. Transparency International. Available at: <http://www.transparency.org/gcb2013/country/?country=armenia>

11 For public trust in politicians, Armenia has 2.9 points and stands at the 76<sup>th</sup> position out of 144 countries in the Global Competitiveness Report 2014–2015. World Economic Forum. See at: [http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf) page 113

12 National Integrity System Assessment. Armenia. 2014. Main author-Khachik Harutyunyan. Transparency International Anti-corruption Center NGO. <http://transparency.am/files/publications/1430407572-0-563326.pdf> page 33.

impossible to have corruption free islands in a country with systematic corruption such as Armenia<sup>13</sup>. But it is possible to start from a sector which can create a domino effect or chain reaction. None of the four priority sectors has this potential. Even if theoretically Armenia could build a corruption-free higher education sector or healthcare system, it would neither bring quick results nor have a spreading effect on other sectors. The starting point for the anti-corruption reforms must be a sector or issue which will start a domino effect and deprive the corruption monster of its food: money.

Daron Acemoglu and James Robinson convincingly argue in *Why Nations Fail* that “poor countries are poor because those who have power make choices that creates poverty”.<sup>14</sup> They go even further and say that the political and state leaders are making bad choices not by mistake but on purpose. The validity of this assertion can be seen in the majority of former Soviet countries, and in this sense, Armenia is not an exception but an ordinary case. The high perception of corruption correlates with lack of a promising economic situation.

### Customs and Competition

To portray in an allegoric manner the recommendations in this article, let us imagine two fabled beings: the corruption monster and the integrity angel. Both beings are fed on money. The corruption monster is getting fed regularly, while the integrity angel barely has enough to survive. Thus, the monster first of all should be deprived of its food and the angel should be fed better. This strategy requires, first and foremost, focusing on sectors which initiate the flow of monetary resources: customs and anti-monopoly policy.

Neither of those two sectors received special attention and focus in the strategy, while neglecting them is obviously a wrong choice, because, according to the World Competitiveness Index 2014–2015, the most problematic factor for doing business in Armenia is corruption.<sup>15</sup> Regarding competition and monopolies, the Bertelsmann Stiftung in its 2014 BTI country report on Armenia notes: “As things stand, Armenia lacks the necessary combination of critical laws and effective enforcement, particularly in the area of antimo-

nopoly and antitrust law”.<sup>16</sup> Additionally, the Nations in Transit 2015 report on Armenia explicitly mentions: “Major industries and the foreign trade sector remain dominated by monopolies, creating ample opportunities for corruption”.<sup>17</sup>

Regarding customs, according to the Doing Business 2015 report on Armenia, for a standard shipment of goods, it takes exporters 16 days and 1,885 USD to export, while importers need 18 days and 2,175 USD.<sup>18</sup> The same report mentions that Armenia, with a score of 68.81 points for trading across borders, stands at 110 in the ranking of 189 economies in the world.<sup>19</sup> Its neighbor Georgia has 84.02 points and stands 33<sup>rd</sup> in the ranking, which is an impressive result.<sup>20</sup>

The “cleaning” of those two sectors will enable small and medium enterprises to trade more and will provide incentives for getting involved in entrepreneurship. This, in turn will assist the formation of a middle class, which is a guarantee against vote buying. Under this scenario, vote buying incidents during elections will drastically decrease (depending on the size of the middle class). Fair elections will deliver more accountability from political parties and individual candidates, which in turn will result in a more accountable parliament and government.

In addition to those two sectors, there is one more sector which is indirectly linked: protection of employees by having vibrant trade unions in place. In regard to trade unions, the National Integrity System Assessment 2014 report on Armenia notes: “There are even fewer known unions of legal entities and no actually visible trade unions”.<sup>21</sup> This issue is totally missing from the strategy, while it is an essential sector in countering the monopoly power of oligarchs.

Another sector which wrongfully is left out of the strategy as a priority is the judiciary. Armenia, with 2.9 points, stands at 107<sup>th</sup> place among 144 countries in

13 Ibid, page 23 and US Department of State, Country Reports for Human Rights Practices for 2014: Armenia. Available at: <<http://www.state.gov/j/drl/rls/hrrpt/humanrightsreport/index.htm?year=2014&dclid=236496#wrapper>>

14 Daron Acemoglu and James Robinson. *Why Nations Fail*. 2012. Page 83

15 Global Competitiveness Report 2014–2015. World Economic Forum. See at: <[http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf)> page 112

16 Bertelsmann Transformation Index 2014. Armenia country report. Bertelsmann Stiftung. Available at: <<http://www.bti-project.org/reports/country-reports/pse/arm/index.nc>>

17 See at Nations in Transit 2015. Armenia, Country Report. Freedom House. Available at: <<https://freedomhouse.org/report/nations-transit/2015/armenia>>

18 See Table 9.2. Summary of predefined stages and documents for trading across borders in Armenia at page 69. Doing Business 2015. Economy profile 2015. Armenia. World Bank Group. Available at: <<http://www.doingbusiness.org/data/exploreconomies/armenia/-/media/giawb/doing%20business/documents/profiles/country/ARM.pdf>>

19 See *ibid*, page 100.

20 See *ibid*.

21 National Integrity System Assessment. 2014. Armenia. Main Author: Khachik Harutyunyan. Transparency International Anticorruption Center NGO. Page 160. Available at: <<http://transparency.am/files/publications/1430407572-0-563326.pdf>>

its ranking for judicial independence, according to the World Competitiveness Index 2014–2015.<sup>22</sup> Its neighboring Georgia for the same indicator stands at 65<sup>th</sup> place<sup>23</sup> and even Azerbaijan, which is considered as a country of the region where the political persecution of independent thinkers is an ordinary thing, stands in front of Armenia with 3.2 points and occupies the 99<sup>th</sup> position<sup>24</sup>. Thus, the situation of Armenia, in regard to the judiciary is extremely bad.

## Conclusions

Political will is the main prerequisite for an effective anti-corruption effort in any country. The previous two

anti-corruption strategies of Armenia failed to bring substantial results. The new strategy does not prioritize the sectors necessary for success: customs; anti-monopoly policy, the judiciary and trade unions. Instead of these for sectors, the Government prioritized four other sectors which do not have the potential to start a domino effect and clean other sectors.

The Government of Armenia should act quickly and make the anti-corruption fight in the country visible and inclusive by focusing on the sectors which must be tackled first.

### *About the Author*

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### *Further Reading*

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22 The Global Competitiveness Report 2014–2015. World Economic Forum. 2014. <[http://www3.weforum.org/docs/WEF\\_GlobalCompetitivenessReport\\_2014-15.pdf](http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2014-15.pdf)> page 113

23 Ibid, page 189.

24 Ibid, page 411.

## Anti-Corruption Measures in the Energy Sector: EITI in Azerbaijan

By Hannes Meissner, Vienna

### Abstract:

Azerbaijan eagerly joined the Extractive Industries Transparency Initiative (EITI) because doing so helped legitimate the election of President Ilham Aliyev in 2003. Since EITI focused on transparency in government revenue, it did not harm the elite's ability to spend state money in corrupt ways. Accordingly, the initiative failed to ensure that oil money went to society's benefit and, as the government began to intensify its crackdown on local civil society, EITI downgraded Azerbaijan from its once exalted status. Since Azerbaijan now views itself as a rising regional power, and is less concerned about its standing within the international community, it is not clear if the EITI downgrade will influence government actions.

### Corruption Patterns in Azerbaijan and the EITI

In Azerbaijan, corruption is structurally rooted, affecting almost all spheres of public life. The majority of government institutions are badly affected. There are only some isolated areas kept free from corruption, such as the State Oil Fund, the State Exams Committee, the Diplomatic Service and a recently established agency for public service delivery, ASAN. The government purposely upholds these institutions as best practise show case examples. However, as corruption is highly centralised, the ruling elite plays a major role in related practises.

Regarding corruption channels, a major difference can be drawn between general corruption outside the oil and gas sector and corruption strategies related to the country's wealth of natural resources. General corruption practises go back to Soviet (and pre-Soviet) rule and can be found in many resource-poor countries in the post-Soviet space. They are related to a centralised system of bribes. In this context, people pay money in order to get their matters arranged more quickly and more effectively, or to gain material advantages at the expense of others. Besides, public positions are sold. Parts of the money then flow upward in the informal pyramid system that pervades the public sector. However, in Azerbaijan, such practises have obviously lost importance during the last couple of years. The establishment of the ASAN Service Centres was a milestone in this context. Moreover, both locals and foreign businesspeople report that it has become more difficult to get (small) things done, as there are fewer informal contact persons present today. The decrease in low level petty corruption goes hand in hand with a slight improvement in the country's Transparency International Corruption Perceptions Index (CPI). While the 2010 CPI ranked the country 134 out of the 178 states that it tracks, the country was ranked 126 out of 175 countries in 2014.

The general view is that these improvements have taken place as the ruling elite are less dependent on such sources of income today. In fact, the influx of huge oil

incomes since 2006 has opened up new, and enhanced old, business and rent-seeking opportunities. In Azerbaijan, the president informally acts as the central power broker between the seven most influential persons/families and their clientelistic networks. While two of these groups are mainly political actors, two other groups are solely active in the business sphere with large holdings. The other three players unite both political and economic power, as they are not only ministers, but also control huge holdings. Besides legal business activities, these groups are engaged with the private consumption of oil and gas incomes at the expense of the society. In this context, corruption patterns are centred on the expenditure side of public resources, particularly when huge sums are directed from the intransparent state-budget into in the country's bloated construction sector, controlled by the ruling elite's own enterprises. According to insiders, 40 percent of the over 13 billion U.S. dollar state budget of 2009 was spent on public investment projects. An estimated 70 percent of this money was spent inefficiently, disappearing in murky channels.

Rent-seeking and inefficiency in public resource management are problems characteristic of most resource-rich countries worldwide. As such, these are problems, the Extractive Industries Transparency Initiative (EITI) directly addresses. The initiative claims that natural "resources can lead to economic growth and social development. However, when poorly managed they too often lead to corruption and even conflict". As a response to that, EITI was launched to ensure that all citizens see results from the extraction of their natural resources. To improve openness and accountability in the management of revenues from natural resource production, EITI provides an institutional framework for cooperation between three stakeholder groups, in particular extracting companies, governments of resource extracting countries and the local civil society. The initiative addresses transparency at the income side of public resources, as it ensures the full disclosure of taxes and other payments made by extractive companies to governments.

The following discussion deals with the EITI in Azerbaijan. The next section sums-up the history and the current status of EITI implementation in Azerbaijan. This is done very briefly, since the EITI Validation report available online offers an in-depth documentation of EITI implementation in Azerbaijan. Subsequent sections go beneath the surface. What are the initiative's outcomes and non-intended side effects in this particular country case? This article draws on recent publications and background conversations as well as on field research carried out in Baku in 2009 and 2010.

### EITI Implementation in Azerbaijan

For a long time, Azerbaijan was praised as an "EITI pioneer and pilot country". In fact, EITI implementation was favoured by the fact that the government regularly expresses its willingness to carry out reforms. Both domestically and internationally, President Ilham Aliyev declares his strong support to transparency and efficiency in revenue management to the benefit of the entire population. At the first "EITI-conference" on 17 June 2003 in London, Ilham Aliyev announced the government's decision, to take part in the EITI and to actively support all international efforts to enhance transparency in the extracting industries. Azerbaijan became a candidate country in 2007. As a result of rapid EITI implementation, Azerbaijan was awarded compliant status as the first country worldwide on 16 February 2009. The audit report concluded "that Azerbaijan has complied with all the indicators contained in the Validation Guide and that additionally, the process is consistent with the EITI's Principles and Criteria".

However, on 15 April 2015, Azerbaijan was graded down to Candidate Country again, following reports of interference in NGO functioning. During the last decade, Azerbaijan has seen a continuous and gradual increase in authoritarianism. However, against the background of the Arab Spring, the Maidan revolution and economic crisis due to recent oil price shocks, the government has significantly increased pressure on civil society. As the latest EITI validation report puts it, in order to resume their role in EITI, the national NGO Coalition ("EITI Coalition") members have to be able again to access their bank accounts and register new grants for EITI implementation activities; speak freely about the EITI process and express views without fear of reprisal or harassment; and organise trainings, meetings and events related to the EITI process.

### Outcome

The question of the outcome of EITI in Azerbaijan addresses two basic aspects. Firstly, did the initiative enhance transparency and efficiency in public resource management? Secondly, does the initiative strengthen civil society? Point two is also crucial, as the initiative not only

aims at short-term results, but also at creating a critical public in order to push the government to more transparency and efficiency from the "bottom-up" in the long term.

In terms of question one, it was a common view among local experts in Baku in 2009/10 that the EITI is inadequate to ensure transparency, efficiency and sustainability in revenue management. As a Western diplomat in Baku pointed out, he "doubts whether the EITI is the right instrument to guarantee transparency". He, as well as other experts, pointed to the reason that EITI is limited to transparency in the field of revenues, while the ruling elite can persist with its corruption and rent-seeking interests in the field of expenditures. As a former member of the EITI Board put it, "EITI relates to one aspect of transparency only". In fact, "the problems with corruption persist, as the expenditure side is more sensitive (in the case of Azerbaijan)." A leading member of the national NGO Coalition was particularly sceptical: "Before the EITI was implemented, the government institutions could do with the oil revenues what they wanted. As the initiative has been implemented now, nothing has changed in this regard. (...) Given that, we do not believe that the EITI process will have a deeper impact on society."

Despite this, the vast majority of local NGOs continued their work in the "EITI Coalition". The head of an opposition party underlined his pragmatic view, stressing that if the EITI did not exist, "the entire situation would be even worse." Unlike in the past, basic information on oil revenues is now available. Moreover, as several NGO leaders positively highlighted, EITI created a platform, enabling the exchange their own positions with those of the government. This is, in fact, a major opportunity of the initiative. Cooperation frameworks, within which companies and civil society can work together with the respective government are usually weak or do not exist at all in authoritarian environments. However, in recent years, EITI in Azerbaijan turned out to be incapable of maintaining a minimum degree of political freedom, necessary for such cooperation frameworks to work. It remains to be seen whether the country's downgrade to Candidate Country will generate enough political pressure on the government to change this.

Already before the recent clampdown on civil society, in 2009/10, local observers were sceptical about whether the initiative could strengthen civil society and create a critical public. Some argued that the civil society of Azerbaijan is too weak to use the EITI as a first step in promoting transparency. As the head of an opposition party criticised, "civil society has no mechanisms at all to ensure public control over oil management. We have to admit that there is no real civil society and no transparency. The president (of Azerbaijan) is the one who takes any decision. It (the oil money) is his money". Others

noted that “nobody living in the countryside of Azerbaijan is interested in the opinion of the EITI Coalition any way” and that they “are not even aware of its activities”.

### Non-Intended Side Effects

As a local civil society representative in Baku criticised, “the government could not wait joining the EITI”, as they realised that the “initiative is not adequate to tackle corruption and to bring more influence to civil society” while, at the same time, bringing about considerable advantages for them. Several civil society experts in Baku highlighted that the government uses the EITI to boost its own image. As a member of the EITI Board put it, “when you are ‘number one’ in the EITI, it means that you are transparent”. A local finance expert criticised, in this way, the government “misuses the EITI as imitation”. The regional coordinator of an institute working on revenue transparency took a similar view, highlighting that the government uses the EITI “as shield against criticism”. A leading member of the local EITI Coalition, in turn, pointed out that the EITI “allows the government to cover its corruption practises” and “to boost its image at the international level.” However, there is another problematic aspect in his eyes. “By being committed to the EITI, they send the signal to the population that they are transparent. (...) They demonstrate, even if there are people in Azerbaijan not satisfied with their style of governance, the entire international community supports them.”

In other words, the government uses the EITI to legitimise its rule both externally and internally. According to a local finance expert, the best example of this were the events surrounding the illegitimate transfer of power from the former president Heydar Aliyev to his son Ilham by rigged elections in 2003. This was a critical juncture for the ruling elite’s hold on power. For this reason, the government tried to strengthen its position at the international level. “For the president, the EITI (that had just been launched) offered an opportunity to integrate himself into the international community.”

Particularly in the early years, the EITI fell on fertile ground in Azerbaijan, as international recognition is

important to the government to a certain degree. Besides, it also fulfilled economic purposes. As a local finance expert highlighted, Azerbaijan shall become economically attractive to foreign investors as a hub between Europe, the USA and Asia. However, during the last couple of years, such aspects increasingly lost importance. This is related to the government’s new self-image as a rising political and economic power in the region, less responsible to the international community.

### Conclusions

In Azerbaijan, EITI has been successful in guaranteeing transparency on the revenue side of public resources. However, the ruling elite can persist with its corruption and rent-seeking practices in the field of expenditures. Only if EITI is extended to the expenditure side, it will ensure transparency and efficiency in public resource management. Although the new “2013 Standard” cautiously tries to expand the initiative, the focus remains on revenue transparency.

However, if the EITI is extended to the expenditure-side, the question will arise of how to force governments to implement the initiative. The Azerbaijani government was willing to implement the initiative for the reason that EITI brings about significant political and economic advantages, while, at the same time, not posing any real threat to the ruling elite’s hidden interests. In this context, the initiative has even had non-intended contra-productive side-effects.

A major opportunity of EITI lies in creating a cooperation framework between companies, civil society and governments. However, the initiative can only strengthen civil society in the long-run, when there is a minimum degree of political freedom. In Azerbaijan, this is not the case anymore. Consequently, EITI has come under pressure to take actions against Azerbaijan. However, the government’s new self-image as a rising political and economic power in the region and threats to quit the EITI raise doubts as to whether Azerbaijan’s downgrade to Candidate Country will change this constellation.

#### *About the Author*

Hannes Meissner works as a senior researcher and lecturer at the Competence Centre for Black Sea Region Studies, University of Applied Sciences BFI Vienna. This analysis draws on material of his PhD thesis (published by LIT Verlag) about the resource curse and the future of initiatives to enhance accountability and transparency for oil and gas revenues (EITI etc.), which he concluded at the University of Hamburg and the German Institute of Global and Area Studies (GIGA).

#### *Further Reading:*

- A longer version of this publication as a conference paper from the Third Global Conference on Transparency Research: <<http://campus.hec.fr/global-transparency/wp-content/uploads/2013/10/Paper-Meissner-Transparency-Initiatives-v2.pdf>>
- Toby McIntosh: EITI, OGP Face Challenges Handling Civil Space Issues, <<http://www.freedominfo.org/2014/11/eiti-ogp-face-challenges-handling-civic-space-issues/>>



## Continuity and Change: Corruption in Georgia

By Alexander Kupatadze, St Andrews, UK

### Abstract:

Georgia has become one of the least corrupt countries in Eastern Europe. The Georgian Dream government has continued to maintain and upgrade public service standards to ensure low levels of bribery in the sectors where state and citizenry interact. However, as in the era of Mikheil Saakashvili's United National Movement (UNM), concerns remain about the particularistic distribution of public resources and various forms of 'legalised corruption'. This article analyses the changes as well as the continuity of practices since the defeat of the UNM government in October 2012.

### Policy Changes

The anti-corruption policy of the Georgian Dream (GD) government prioritises long-term planning and engagement with a wider spectrum of stakeholders than did the UNM top political leadership, which combined decisive and quick actions on the ground with concentrated decision-making. Saakashvili's post-Rose Revolution government had low regard for anti-corruption strategy on paper and largely rejected the advice of various international institutions that advocated a slow pace of reform. In contrast, the Georgian Dream government started to work on a long-term strategy straight away and adopted its 2015–16 anti-corruption action plan in April 2015.

Another policy shift is the abandonment of libertarian policies. The new government has adopted a number of new regulations for businesses, including in the construction and food production sectors, which increase monitoring and safety standards, but ultimately also may increase corruption risks.

Despite these changes, the continuation of significant unethical and corrupt practices can be observed since the new government came to office in 2012. Importantly the public exposure of these practices also increased due to a more open and critically-oriented media, particularly Rustavi 2 and Tabula TV, and effective NGOs, such as the Georgian chapter of Transparency International and the Institute for the Development of Freedom of Information (IDFI).

### Collusion between Politics and Business

Even though the government made steps to increase the transparency of the public procurement system, numerous cases suggest that collusion between politicians and businessmen, especially at the regional level, undermines and corrupts the process. Companies directly or indirectly owned by high ranking officials often win public procurement contracts, especially through tenders which are exempt from the requirements of open and competitive bidding and which can be implemented through simplified procedures, leaving more room for the discretion of public officials. The media revealed

many such cases in the regions as well as in the capital Tbilisi. For example, in Senaki two companies both linked with the local head of the Georgian Dream political party won public tenders in 2014. In Gori companies owned by the mayor's brother-in-law won a simplified public procurement contract. Ironically the public tender commission did not forget to make a disclaimer about the absence of conflicts of interests.<sup>1</sup> In June 2015 Koba Arabuli, the vice-governor of Mtskheta-Mtianeti region, spoke about the widespread corruption related to public tenders in his region. According to him, much more money is allocated to repair and construction works than is needed. For example, more than 2.5 million GEL was allocated for the construction of the 2.5 km long road in Dusheti while only 100,000 GEL is allocated for similar work in other projects. He alleged that the MPs elected from regional precincts are often involved in these cases and influence the outcomes of public tenders. However later, after attending a meeting of the GD political council, Arabuli retracted his allegations and said that his statement about the MPs was 'misinterpreted.'<sup>2</sup> In March 2015 the newly appointed Deputy Minister of Infrastructure Nodar Javakhishvili admitted that 'lots of money is made on road construction related to public tenders.' In the majority of these cases the required work is not done properly and public money is pocketed by individuals and companies.

Similar to the UNM era, the companies that often win public tenders also contribute to the coffers of the ruling Georgian Dream coalition. For example, the owners of Nil LTD have transferred more than 120,000 USD to GD after winning public tenders worth three million USD in 2013–14.<sup>3</sup> Hence public-private collusion and manipulating the state in private or group interest continues, but before October 2012 the purpose was consolidating political power, rather than private profiteering.

1 <<http://www.trialeti.ge/?menuid=2&id=3506&clang=1>>

2 <<http://www.interpressnews.ge/ge/sazogadoeba/332414-mckhetha-mthianethis-gubernatoris-pirveli-moadgile-tenderebiskanondarghvevith-gamarthvaze-saubrobs.html?ar=A>>

3 <<http://forbes.ge/news/530/gasaocari-demokratia-fulis-tyveobaSi>>

For example, in 2013 Tbilisi Mayor Gigi Ugulava was charged with mispending USD 28.2 million in public funds from the capital city's development fund in 2011–12 by illegally channeling money to the UNM and its activists by creating fictitious jobs (Civil Georgia 2013).

Open abuse of public funds to help a specific political party are less common nowadays because the ruling coalition is funded by a billionaire oligarch. Instead, state capture is more 'privatised'—particular companies or networks are influencing state behaviour to extract private benefit. For example, in 2013 the Culture Ministry and president's office stripped one of the world's oldest gold mines in Sakdrisi of its status as an archaeological site of national importance thereby allowing the RMG company to illegally starting mining operations there. According to the NGO Green Alternative, RMG and its legal predecessors, Madneuli JSC and Quartzite LTD, benefited from illegal political connections under both the UNM and GD governments. In another case, the government tried to establish administrative and legal barriers on the market to give the Georgian Postal Service a privileged position. These kinds of cases raise concerns about state capture by private interests and the related risks of corruption.

More importantly, the 'Zedelashvili-Jankarashvili clan,' the group of former government and GD officials who are close relatives of Prime Minister Garibashvili, is widely believed to influence policies and various state institutions for the sake of private benefit. The network has a significant degree of control in a number of key government ministries, including the Ministry of the Interior and the Ministry of Infrastructure. The latter grants most of the lucrative public contracts, while the former fights against corruption [at least that was its task before the summer of 2015, when the Ministry of Security was established to handle this function]. Unsurprisingly the companies owned by the key actors of this network, as the case of Serpatine LTD suggests, have been widely reported to disproportionately benefit from public procurement contracts.<sup>4</sup> Unfortunately some of these corrupt practices go beyond the 'revolving door' phenomenon because, apart from leveraging networks for illicit benefit, there have been illegal takeovers of businesses and forcing competitors to give up market share through blackmail and the use of the criminal justice system.

So far, the GD government's anti-corruption efforts have mainly focused on members of the Saakashvili government. This selective justice exacerbates perceptions of politically-motivated prosecutions because since Octo-

ber 2012 there has not been a single high-profile corruption prosecution among the ranks of the GD government. The current situation stands in contrast to the prosecution of 6 members of Parliament and 15 acting deputy ministers from 2004 to 2010. The GD leadership often prefers to deal with corruption cases quietly, without much public discussion. In the case of scandals related to the Zedelashvili-Jankarashvili clan, the GD political leadership decided to cut its influence by sacking its key members from government positions rather than going through the due legal process of examining and investigating the publicly available evidence of corruption.

### Nepotism and Bonuses

Payment of large bonuses to high ranking officials is another form of 'legalised corruption' that has been perpetuated. The practice resembles political clientelism because there are no criteria for determining and awarding excellence in public office, so decisions are mainly based on discretion. The bonus payments made by the heads of these institutions disproportionately benefit the leadership of the ministries and departments in a manner that resembles a patron's distribution of resources to his own clientele rather than incentivising performance. In certain instances the spending for bonuses increased after the change of government. For example, in Tbilisi more than 18.2 million Georgian Lari have been spent for bonuses in 2014 compared to 7.2 million GEL in 2012. However, in other regions, such as the Achara Autonomous Republic, the overall value of similar payments has been decreasing. In July 2015 the government passed a decree to regulate the system of bonuses in the public sector. However the decree just provided the definition and stipulated the conditions under which bonuses can be granted without providing specific criteria for determining what constitutes 'outstanding performance.' As a consequence of the government's new regulations, in many public institutions the old system has been kept intact, but the terminology changed—bonuses are now referred as 'lagniappes' or 'inducements.'

Nepotism is perceived to be on the rise. The 2013 public opinion poll administered by the Caucasus Research Resource Center showed that 30 percent of the respondents think 'connections' is most important factor in getting a good job, up from 19 percent in a similar survey conducted in 2011. Perceptions about the importance of connections have likely increased for several reasons: more exposure of nepotistic practices by the media and NGOs; public statements of high-ranking officials, including former Prime Minister Ivanishvili and his successor Garibashvili describing nepotism as an acceptable practice; and, perhaps most importantly, a growing con-

<sup>4</sup> <<http://www.netgazeti.ge/GE/105/News/38556/>>; <<http://pirve.liradio.ge/?newsid=19613>>

sensus among observers that the cases of nepotism have genuinely increased. Nowadays nepotism plays a decisive role in hiring as well as promoting public employees. However one needs to acknowledge that the practices vary from institution to institution and some ministries do better than the others, as one recent study found.<sup>5</sup>

## Conclusion

Overall Georgia is stuck somewhere between *neo-patrimonialism*, namely a particularistic governance regime

with the state captured by private interests and a distribution of resources that benefits privileged individuals, and *ethical universalism*, under which there is an impartial governance regime based on the norms of fairness and citizen equality and the state remains autonomous from private interests (Mungiu-Pippidi 2013).

## About the Author

Dr Alexander Kupatadze is a lecturer at the School of International Relations, St Andrews University since 2014. Previously he held postdoctoral positions at George Washington University (2010–11), Oxford University (2012–13) and Princeton University (2013–14). He is also an affiliate fellow at the Extralegal Governance Institute, Oxford University, and a member of the Global Initiative against Transnational Organised Crime.<sup>5</sup>

## Bibliography

- Civil Georgia, 2013. 20 January available at <<http://www.civil.ge/eng/article.php?id=25660>>
- Green Alternative, Natural Resource Management and Factors Conducive to Elite Corruption, Research funded by the Open Society Georgian Foundation, Tbilisi, 2015.
- Mungiu-Pippidi, A. (2013). Controlling corruption through collective action. *Journal of Democracy*, 24(1), 101–115.
- Transparency International Georgia, Competition policy: the Georgian postal service market, February 2015.

<sup>5</sup> <[https://gipa.ge/uploads/files/kvleva\\_sajaro%20samsaxuri.pdf](https://gipa.ge/uploads/files/kvleva_sajaro%20samsaxuri.pdf)>

## DOCUMENTATION

# The Countries of the South Caucasus in International Corruption-Related Rankings

## *Corruption Perceptions Index*

Prepared by: Transparency International

Established: 1995

Frequency: Annual

The data refer to the previous 24 months.

Covered countries: at present 175

URL: <<http://www.transparency.org>>

## Brief Description:

The Corruption Perceptions Index is a composite index that draws on multiple expert opinion surveys that poll perceptions of public sector corruption in countries around the world. It originally scored countries on a scale from zero to ten, with zero indicating high levels of perceived corruption and ten indicating low levels of perceived corruption. Since 2012 countries are scored from 0 (highly corrupt) to 100 (very clean). To ensure comparability the previous data were subsequently multiplied by the factor 10.

Figure 1: Corruption Perceptions Index 2014: Scores and Rankings of Selected Countries

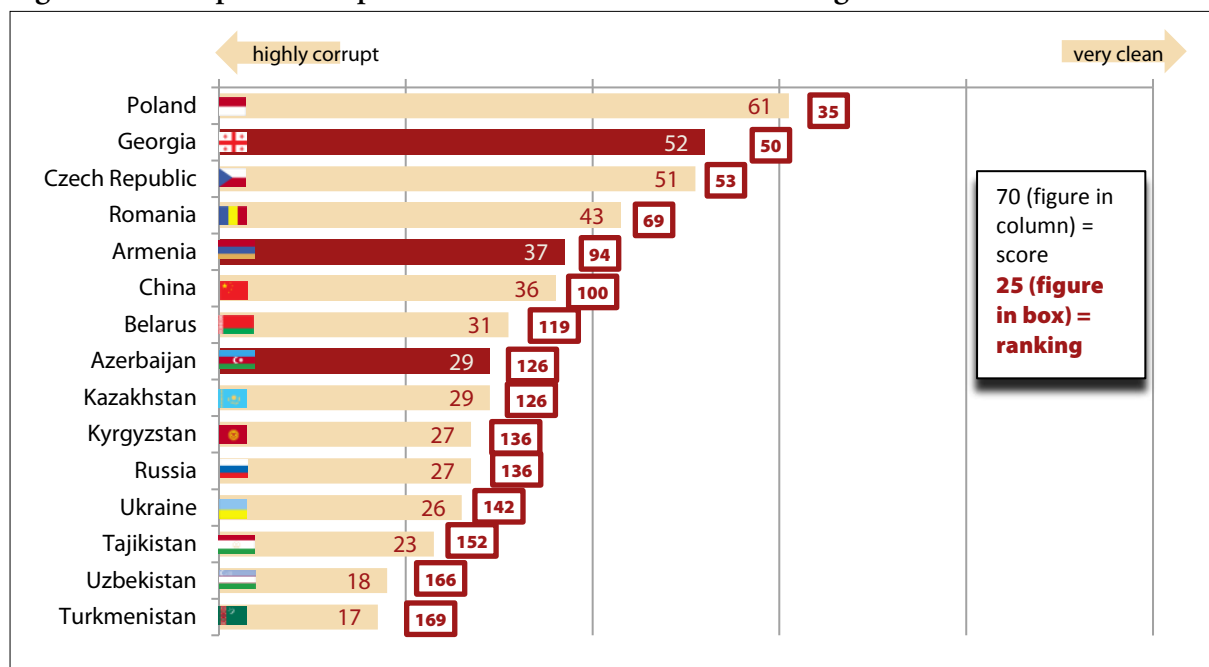
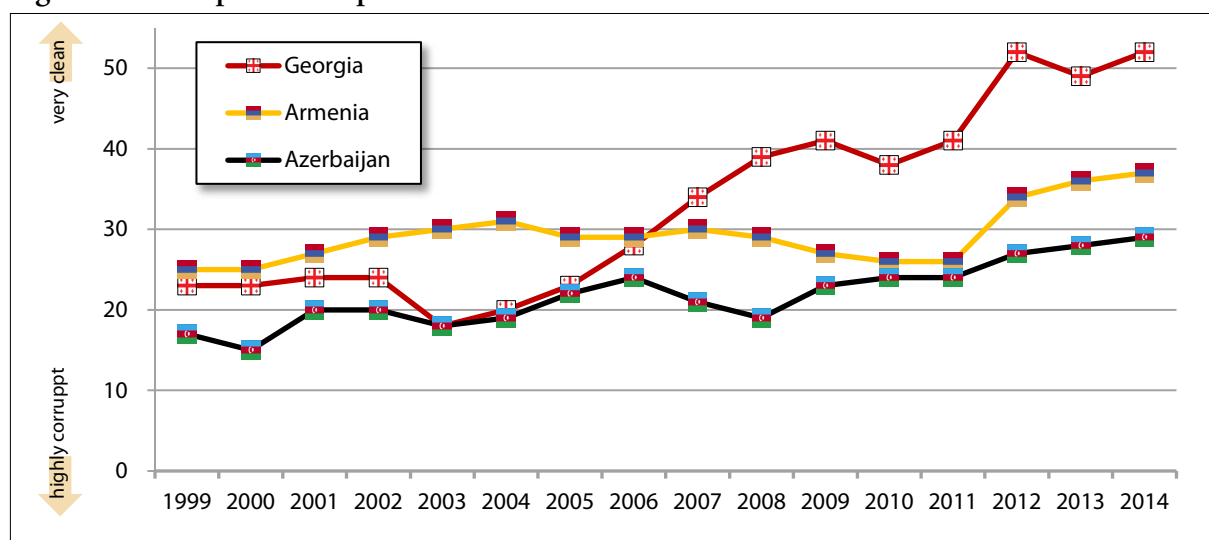


Figure 2: Corruption Perceptions Index 1999–2014: Scores



Note: Missing values for Armenia (2001 and 2002) and for Georgia (2000 and 2001) have been replaced with moving averages.

Table 1: Corruption Perceptions Index 1999–2014: Scores

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Georgia	23	*	*	24	18	20	23	28	34	39	41	38	41	52	49	52
Armenia	25	25	*	*	30	31	29	29	30	29	27	26	26	34	36	37
Azerbaijan	17	15	20	20	18	19	22	24	21	19	23	24	24	27	28	29

## *Freedom House: Nations in Transit*

Prepared by: Freedom House (Washington, USA)

Established: 1997

Frequency: Annual

The data refer to the respective previous year.

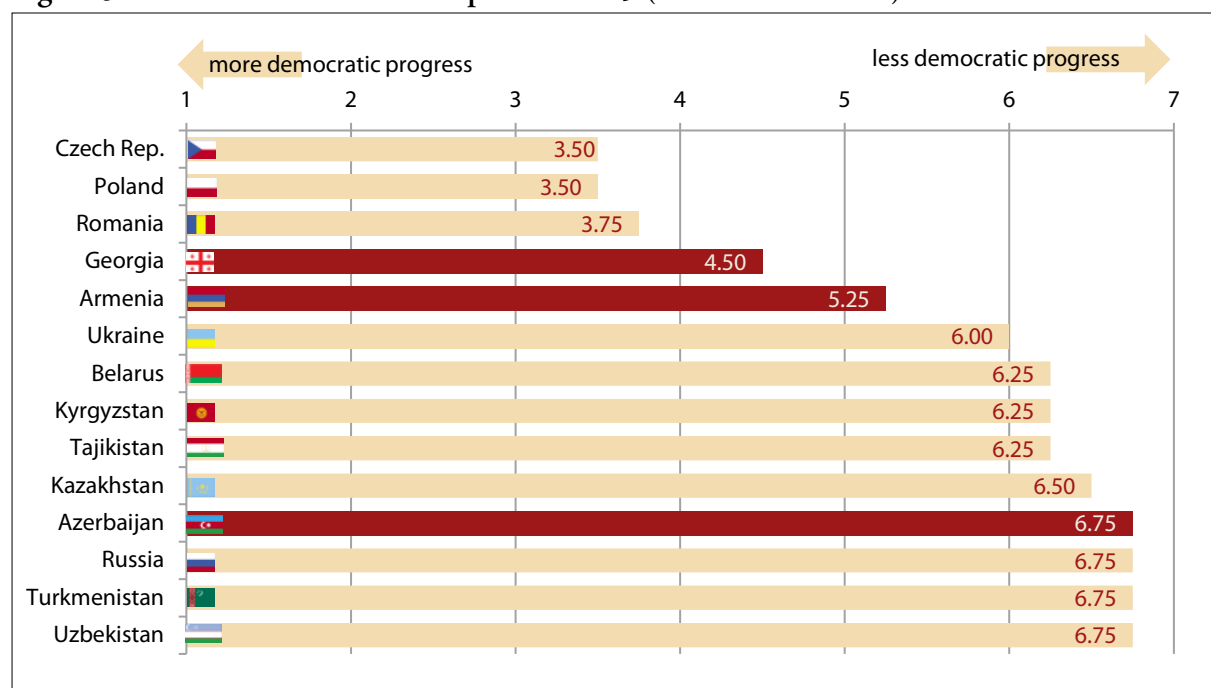
Covered countries: at present 29

URL: <<http://freedomhouse.org/reports>>

### **Brief Description:**

*Nations in Transit* measures progress and setbacks in democratization in countries and territories from Central Europe to the Eurasian region of the Former Soviet Union. The rating covers seven categories: electoral process; civil society; independent media; national democratic governance; local democratic governance; judicial framework and independence; and corruption. The ratings are based on a scale of 1 to 7, with 1 representing the highest and 7 the lowest level of democratic progress.

**Figure 3: Nations in Transit: Corruption in 2015 (Selected Countries)**



**Table 2: Nations in Transit: Corruption 2001–2015**

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Armenia	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.75	5.50	5.50	5.5	5.25	5.25	5.25	5.25
Azerbaijan	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.26	6.50	6.50	6.50	6.50	6.75	6.75	6.75
Georgia	5.25	5.50	5.75	6.00	5.75	4.75	5.00	5.00	5.00	5.00	4.75	4.50	4.50	4.50	4.50

## Worldwide Governance Indicators

Prepared by: World Bank

Established: 1996

Frequency: Annual, between 1996 and 2002 every two years.

The data refer to the corresponding year of evaluation and are published one year later. Data for 2014 are not yet available.

Covered countries: at present 215

URL: <http://info.worldbank.org/governance/wgi/index.asp>

### Brief Description:

This index measures six dimensions of governance. The indicators are based on several hundred individual variables measuring perceptions of governance, drawn from 31 separate data sources constructed by 25 different organizations. The relevant index value shows the average of all relevant sources according to their reliability. Virtually all scores lie between -2.5 and 2.5, with higher scores corresponding to better outcomes.

A number of revisions to the underlying source data have been made since 2011. The deletions from and revisions to the data from previous years on average have only minimal effects on the 1996–2009 data.

Figure 4: Worldwide Governance Indicators—Control of Corruption 2013 (Selected Countries)

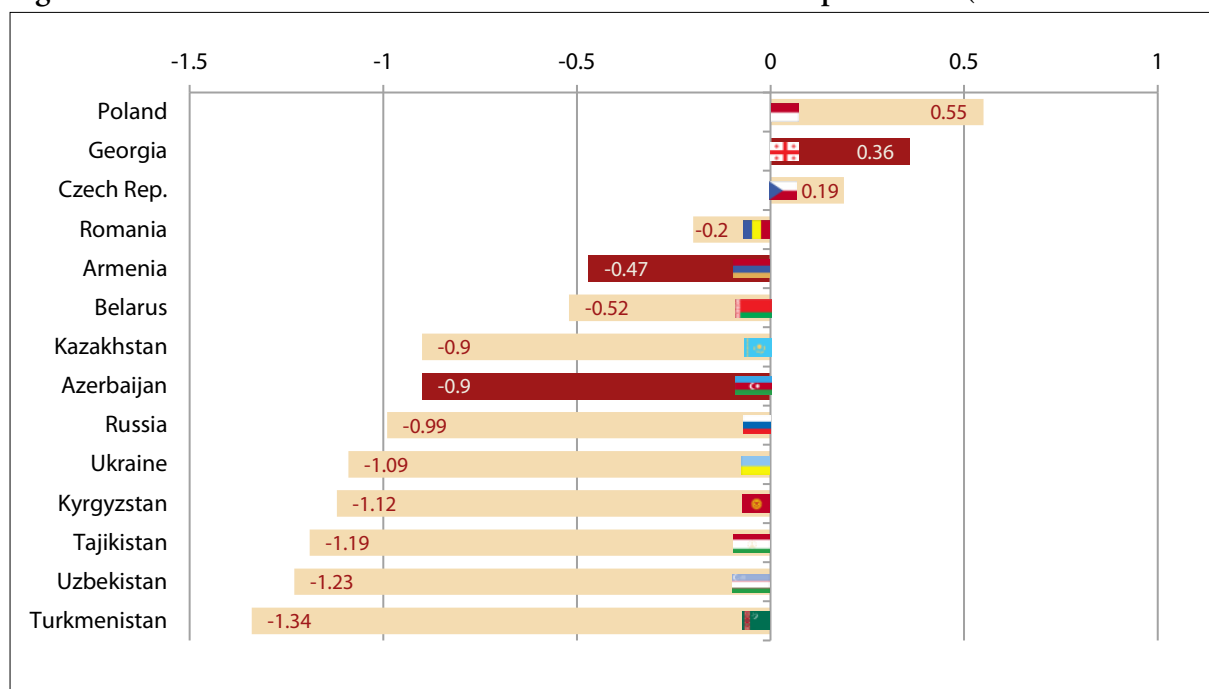


Figure 5: Worldwide Governance Indicators: Control of Corruption 1996–2013

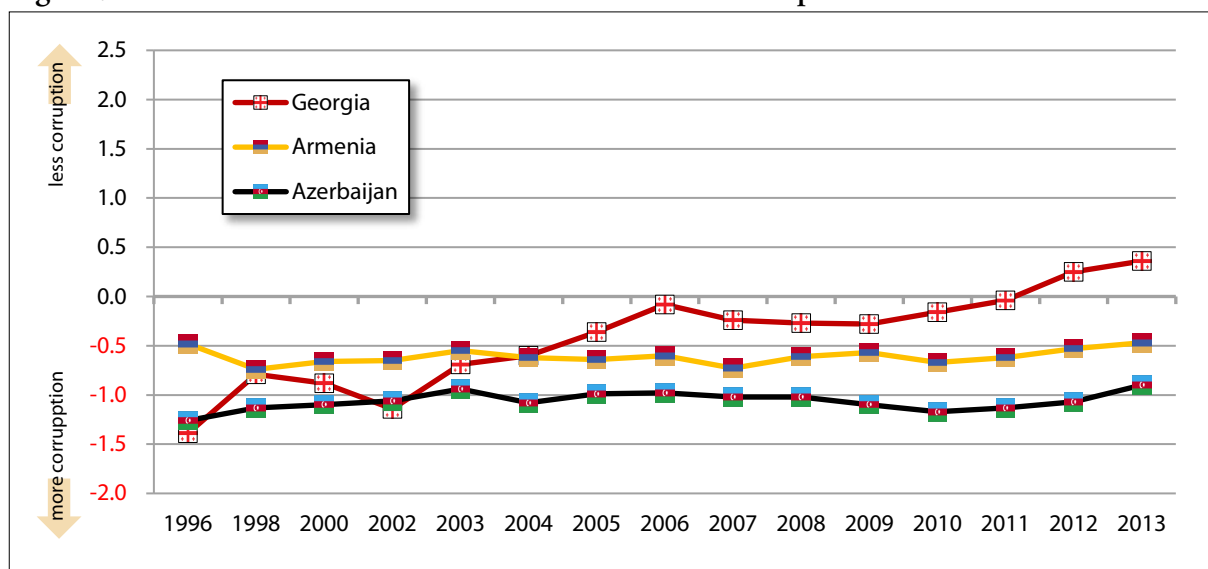


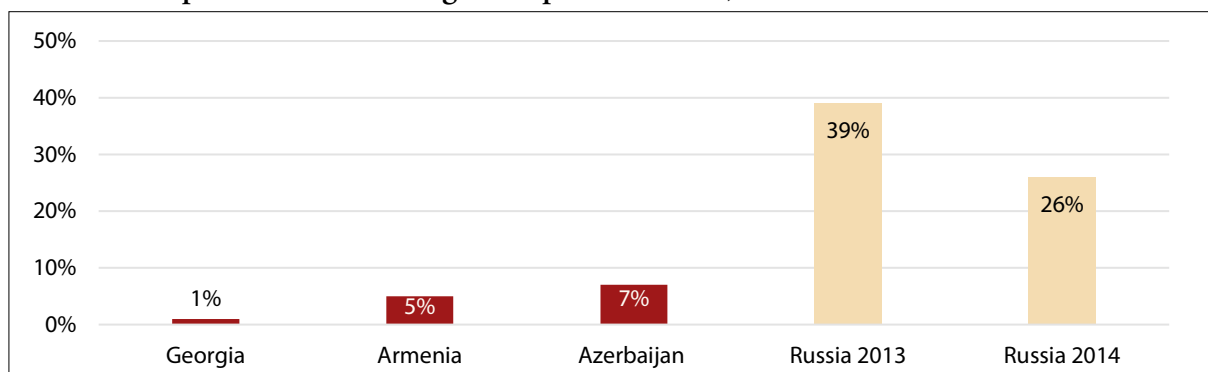
Table 3: Worldwide Governance Indicators: Control of Corruption 1996–2013

	1996	1998	2000	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Armenia	-0.48	-0.74	-0.66	-0.65	-0.55	-0.62	-0.64	-0.60	-0.73	-0.61	-0.57	-0.67	-0.62	-0.53	-0.47
Azerbaijan	-1.26	-1.13	-1.10	-1.06	-0.94	-1.08	-0.99	-0.98	-1.02	-1.02	-1.10	-1.17	-1.13	-1.07	-0.90
Georgia	-1.39	-0.79	-0.88	-1.14	-0.69	-0.60	-0.36	-0.08	-0.24	-0.27	-0.28	-0.16	-0.04	+0.25	+0.36

OPINION POLL

Public Opinion on Corruption—Comparison of the South Caucasus Countries 2013/14

Figure 1: Which Problem is Currently the Most Important One in Our Country? (Percentage of Respondents Mentioning Corruption, 2013/14)

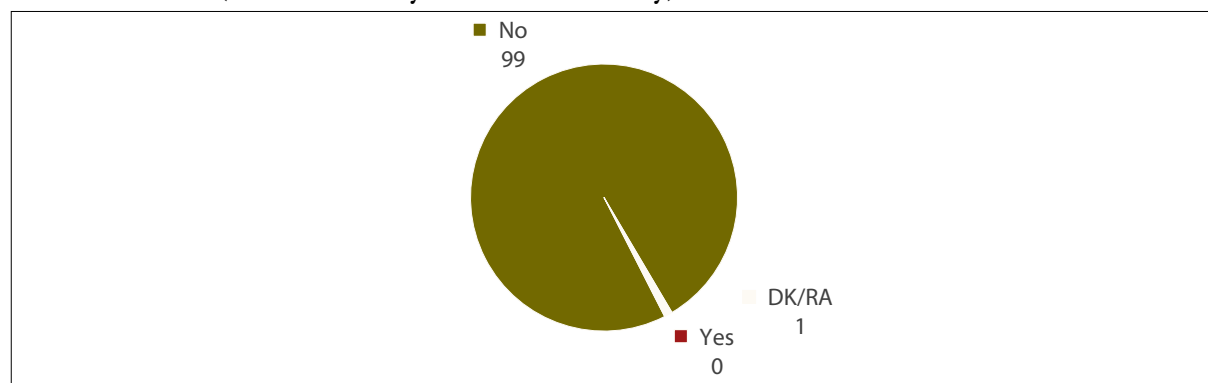


Sources: Caucasus Research Resource Centers (CRRC) opinion polls: Caucasus Barometer 2013; Attitudes towards the Judicial System in Georgia, 2014

## Public Opinion on Corruption in Georgia 2014/15

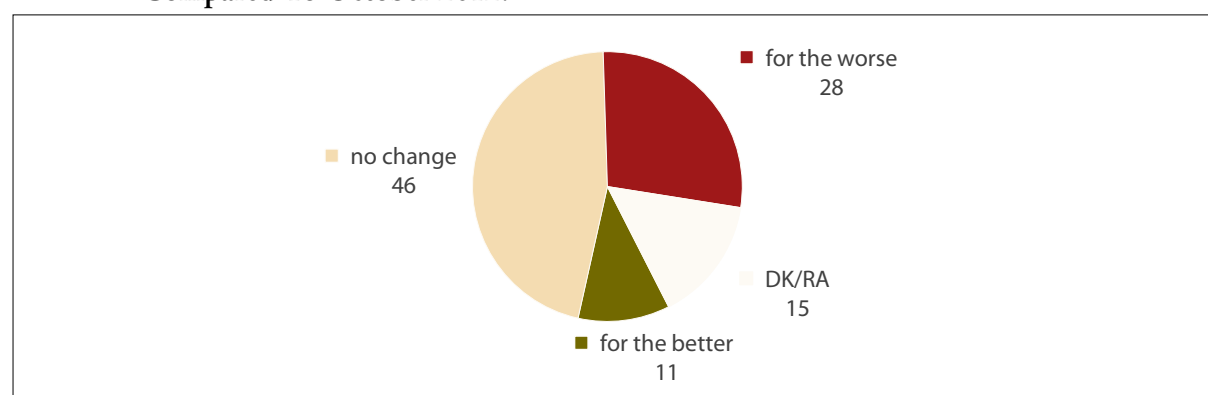
All surveys conducted by the Caucasus Research Resource Centers (CRRC); Details about the surveys are given at the end of this section.

**Figure 1: During the Last 12 Months, Have You Or Your Family Member Been Asked To Pay a Bribe (Both Monetary Or Non-Monetary) For a Public Service?**



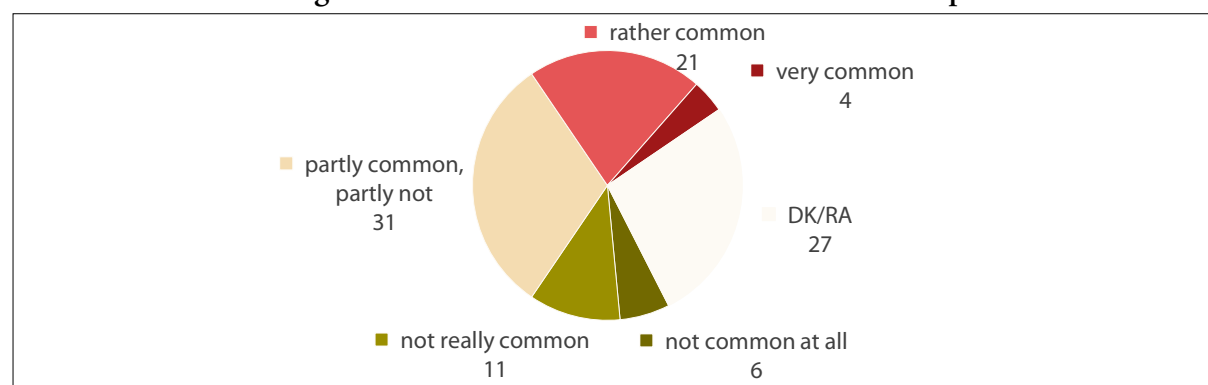
Source: Transparency International Georgia's public opinion poll, 2015

**Figure 2: Concerning Corruption, How Do You Think the Situation Has Changed In Georgia Compared To October 2012?**



Source: NDI public opinion poll, April 2015

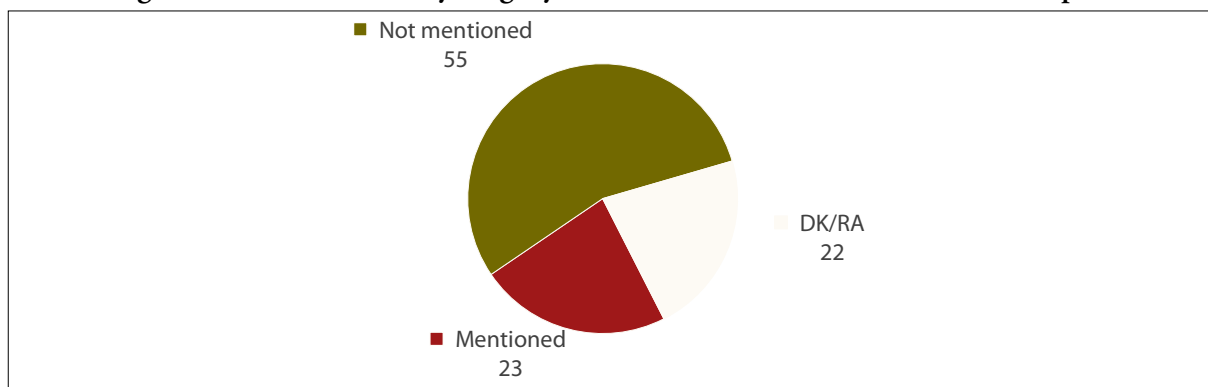
**Figure 3: In Your Opinion, since parliamentary Elections Of October 1, 2012, How Common Is It For Georgian Officials To Use Their Position For Own Purposes?**



Source: TI Georgia's public opinion poll, 2015

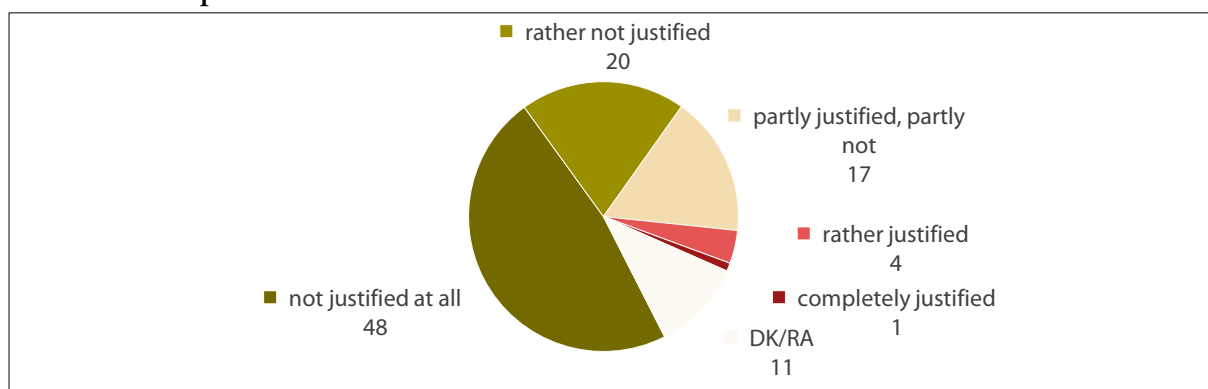


**Figure 5: What Do You Think Happens To The Money Collected Through Taxes Paid By The Georgian Citizens? The Money Illegally Goes To The Pockets Of Government Representatives**



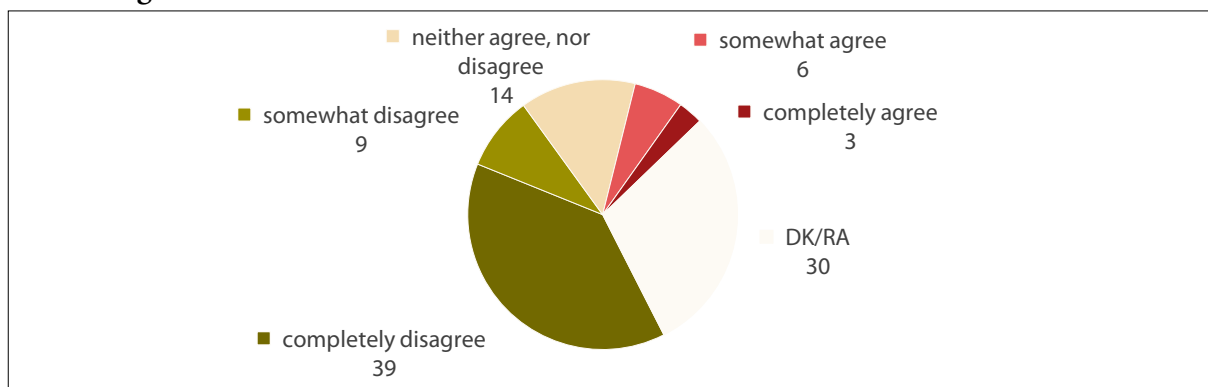
Source: public opinion poll—Volunteering and civic participation in Georgia, 2014

**Figure 6: In Your Opinion, How Justified Or Unjustified Is It For Georgian Officials To Employ Their Relatives, Friends Or Fellow Party Members In The Public Sector Without Fair Competition?**



Source: TI Georgia's public opinion poll, 2015

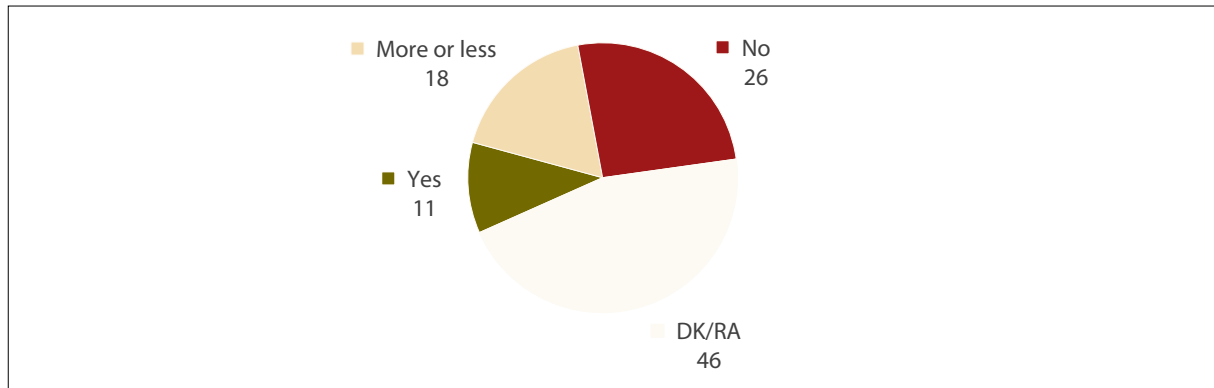
**Figure 7: To What Extent Do You Agree Or Disagree With The Opinion That Judges In Georgia Take Bribes?**



Note: The question was converted from a 10-point scale into a 5-point scale

Source: public opinion poll—Attitudes towards the Judicial System in Georgia, 2014

**Figure 8: Do You Agree Or Not With the Statement That As a Result Of the Change In the Prescription Policy, Corruption Appeared In Pharmacies?**



Source: TI Georgia's public opinion poll, 2015

**Results and documentations of the public opinion polls quoted above are available online:**

Caucasus Barometer

<<http://www.crrccenters.org/20146/Online-Data-Analysis>> (results)

<<http://www.crrccenters.org/20119/Project-Overview>> (documentation)

TI Georgia's public opinion poll

<<http://www.crrccenters.org/209131/CRRC-Georgia-conducted-first-full-scale-tablet-based-survey-for-Transparency-International-Georgia>> (documentation)

Public Opinion Poll—Attitudes towards the Judicial System in Georgia

<<http://caucasusbarometer.org/en/ji2014ge/codebook/>> (results)

<<http://www.crrccenters.org/20587/Attitudes-towards-the-Judicial-System-in-Georgia>> (documentation)

NDI public opinion poll, April 2015

<<https://www.ndi.org/April-2015-Public-Opinion-Poll-Georgia>> (results)

<<https://www.ndi.org/NDI-Poll-Georgians-concerned-about-jobs-economy>> (documentation)

## CHRONICLE

## 4 September – 5 October 2015

4 September 2015	Norway's Foreign Minister Børge Brende says in Tbilisi that Georgia can rely on the support of Nordic and Baltic states, including during the forthcoming NATO summit
7 September 2015	Armenian President Serzh Sarkisian secures 200 million USD during a visit to Russia to be used to modernize the Armenian military as well as a 25 USD gas price cut
8 September 2015	Georgian Prime Minister Irakli Garibashvili meets with Kyrgyz Foreign Minister Erlan Abdyldaev during a stopover in Bishkek on the way to an official visit in China
9 September 2015	Georgian Defense Minister Tina Khidasheli starts a tour of European countries, including Poland, the Baltic States and the United Kingdom, as part of an effort to "consolidate" support for Georgia ahead of the NATO summit in Warsaw next year
10 September 2015	Georgian Prime Minister Irakli Garibashvili meets with Chinese Premier Li Keqiang on the sideline of the World Economic Forum in the Chinese port city of Dalian to discuss launching free trade talks between the two countries
11 September 2015	Azerbaijan cancels a visit by a European Commission delegation citing a European Parliament resolution that condemns the country's human rights situation
12 September 2015	Armenian police in the capital Yerevan use force to clear demonstrators protesting recent electricity price hikes
14 September 2015	Georgian Prime Minister Irakli Garibashvili slams a protest by grape growers over low prices in Georgia's eastern region of Kakheti as a "provocation" by the opposition United National Movement party
15 September 2015	Azerbaijani President Ilham Aliyev criticizes a European Parliament resolution that condemns Azerbaijan's human rights situation during a joint press conference with Czech President Milos Zeman in Baku
15 September 2015	The head of the EU Monitoring Mission (EUMM) in Georgia, Kęstutis Jankauskas, meets with Russian Deputy Foreign Minister Grigory Karasin in Moscow as part of the first visit of a EUMM head to Russia since 2011
17 September 2015	Former mayor of Tbilisi and one of the leaders of the United National Movement opposition party, Gigi Ugulava, receives a prison sentence of 4.5 years for mispending public funds while serving as mayor
22 September 2015	A taxi driver in the Azerbaijani city of Sumqayit dies following a self-immolation to protest alleged misconduct by local police in the seventh self-immolation protest since the beginning of 2014
25 September 2015	Georgian Energy Minister Kakha Kaladze meets with chief executive of Russia's Gazprom Alexei Miller in Brussels to discuss cooperation in the gas sector
25 September 2015	Armenian police say that three civilians have been killed by gunfire from Azerbaijani forces in villages near the two countries' border
26 September 2015	Armenian President Serzh Sarkisian tells a government commission that Azerbaijan is guilty of a "blatant violation of the cease-fire" signed in 1994 to end the Nagorno-Karabakh conflict
28 September 2015	Georgian President Giorgi Margvelashvili signs a bill into law that introduces new rules for electing the chief prosecutor
30 September 2015	Foreign Ministers of Georgia, Moldova and Ukraine hold a joint meeting with US Deputy Secretary of State Antony Blinken on the sideline of the UN General Assembly to discuss "security challenges and regional cooperation"
1 October 2015	Georgian Prime Minister Irakli Garibashvili says that Georgia's "future is bright" during a speech before the UN General Assembly, while stating Georgia's NATO aspirations and mentioning developing "strong relations" with China
5 October 2015	The Armenian parliament votes to hold a referendum to change the constitution in order to introduce a parliamentary republic whereby the president will no longer be elected by direct vote, but by parliament
5 October 2015	Opposition groups protest against proposed changes to the Armenian constitution outside of the Parliament in the capital Yerevan, fearing that these changes would allow President Serzh Sarkisian to remain in power
5 October 2015	A court in the Georgian town of Kutaisi orders the pretrial detention of three activists of the United National Movement opposition party over an incident involving a confrontation with a lawmaker of the Georgian Dream party

Compiled by Lili Di Poppo

For the full chronicle since 2009 see <[www.laender-analysen.de/cad](http://www.laender-analysen.de/cad)>

## ABOUT THE CAUCASUS ANALYTICAL DIGEST

Editors: Tamara Brunner, Lili Di Puppò, Iris Kempe, Natia Mestvirishvili, Matthias Neumann, Robert Orttung, Jeronim Perović, Heiko Pleines

The Caucasus Analytical Digest (CAD) is a monthly internet publication jointly produced by the Caucasus Research Resource Centers (<<http://www.crrccenters.org/>>), the Research Centre for East European Studies at the University of Bremen (<[www.forschungsstelle.uni-bremen.de](http://www.forschungsstelle.uni-bremen.de/)>), the Institute for European, Russian and Eurasian Studies of the George Washington University (<[www.gwu.edu/~ieresgwu](http://www.gwu.edu/~ieresgwu)>), the Resource Security Institute in Washington, DC (<[resourcesecurityinstitute.org/](http://resourcesecurityinstitute.org/)>), the Center for Security Studies (CSS) at ETH Zurich (<[www.css.ethz.ch](http://www.css.ethz.ch)>), and the German Association for East European Studies (DGO). The Caucasus Analytical Digest analyzes the political, economic, and social situation in the three South Caucasus states of Armenia, Azerbaijan and Georgia within the context of international and security dimensions of this region's development. CAD is supported by a grant from ASCN (<[www.ascn.ch](http://www.ascn.ch)>).

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#### Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

#### Research Centre for East European Studies at the University of Bremen

Founded in 1982, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to the interdisciplinary analysis of socialist and post-socialist developments in the countries of Central and Eastern Europe.

#### The Institute for European, Russian and Eurasian Studies, The Elliott School of International Affairs, The George Washington University

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The Resource Security Institute (RSI) is a non-profit organization devoted to improving understanding about global energy security, particularly as it relates to Eurasia. We do this through collaborating on the publication of electronic newsletters, articles, books and public presentations.

#### Caucasus Research Resource Centers

The Caucasus Research Resource Centers program (CRRC) is a network of research centers in Armenia, Azerbaijan and Georgia. We strengthen social science research and public policy analysis in the South Caucasus. A partnership between the Carnegie Corporation of New York, the Eurasia Partnership Foundation, and local universities, the CRRC network integrates research, training and scholarly collaboration in the region.

#### ASCN

ASCN (<[www.ascn.ch](http://www.ascn.ch)>) is a programme aimed at promoting the social sciences and humanities in the South Caucasus (primarily Georgia and Armenia). Its different activities foster the emergence of a new generation of talented scholars. Promising junior researchers receive support through research projects, capacity-building trainings and scholarships. The programme emphasizes the advancement of individuals who, thanks to their ASCN experience, become better integrated in international academic networks. The ASCN programme is coordinated and operated by the Interfaculty Institute for Central and Eastern Europe (IICEE) at the University of Fribourg (Switzerland). It is initiated and supported by Gebert Rűf Stiftung <<http://www.grstiftung.ch/en.html>>.

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