

THE FIRST 100 DAYS OF THE GEORGIAN DREAM GOVERNMENT:

A REALITY CHECK

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GEORGIAN INSTITUTE OF POLITICS

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Abbreviations

CEC: Central Election Commission

CIB: Comprehensive Institution Building

CRRC: Caucasus Research Resource Centers

DCFTA: Deep and Comprehensive Free Trade Agreement

EBRD: European Bank for Reconstruction and Development

EIB: European Investment Bank

ENPARD: European Neighbourhood Programme for Agriculture and Rural Development

EU: European Union

EUR: Euro

GD: Georgian Dream – Democratic Georgia

GDS: Georgian Dream Studios

GEL: Georgian Lari

HPP: Hydro Power Plant

IDP: Internally Displaced Persons

MOJ: Ministry of Defense of Georgia

NATO: North Atlantic Treaty Organization

NBG: National Bank of Georgia

PACE: Parliamentary Assembly of the Council of Europe

PES: Party of European Socialists

SIGMA: Support for Improvement in Governance and Management

SME: Small and Medium-sized Enterprises

TAIEX: Technical Assistance and Information Exchange

UNM: United National Movement

US: United States of America

USD: United States Dollar

Terms of Reference

This report is aimed at a wide audience including politicians and political parties, civil society representatives, think-tanks, NGOs, political foundations, international organizations, international and domestic observers, and pundits, as well as members of the wider population with an interest in party politics and governance. The report will be presented in Tbilisi with the aim of better informing the Georgian public and international community about the challenges inherent to Georgia's democratization processes; involving European experts in drafting recommendations;

placing Georgia's reforms in an international context; and advocating for Georgia's Euro-Atlantic integration efforts. The report will help strengthen the accountability of politicians to their constituents and promote more responsible election programs. Additionally, it will help the newly-elected government receive constructive feedback from civil society activists, as well as Georgian think tanks and expert community, on their policies and planned reforms. For civil society, this report will provide a platform to voice their concerns and provide constructive policy suggestions.

Methods

The report is the result of close collaboration between Georgian and international scholars. The writing process followed a number of methodological steps: concept development; collection, evaluation and categorization of primary and secondary data; triangulation of results through private interviews with Georgian and international experts; and analysis of results.

The report involved conducting research using both primary and secondary sources. Primary sources include the Constitution of Georgia, the Rules of Procedure of the Par-

liament of Georgia, Georgian Dream's election program, and various reports issued by the US, EU, and international organizations including the World Bank, Transparency International, and Freedom House. The authors of this report also conducted face-to-face interviews with Tbilisi-based policy experts. Secondary sources include news articles from Georgian and foreign media sources, academic papers published in peer-reviewed journals, and books, reports, and policy briefs issued by think tanks, research consortiums, and non-governmental organizations.

Executive Summary

Georgia's 2016 parliamentary elections were assessed positively by a consensus of international observers. However, the results leave the country's future uncertain. The ruling coalition Georgian Dream – Democratic Georgia (GD) managed to win a constitutional majority, a powerful mandate allowing the party to amend the country's constitution without support from opposition lawmakers. The next four years will therefore test the strength of the democratic checks and balances built into Georgia's political system, as well as test for GD itself, which now holds more power than at any time in its short history as a political party. The election results not only reflect GD's strength but also the weakness of the opposition parties, which together won only 35 of 150 available parliamentary seats. This new landscape gives GD an overwhelming mandate to lead the country. With Georgia facing a number of pressing issues—which will be discussed at

length in this paper—the government's constituents will expect it to accomplish a great deal over the next four years.

This report analyzes the foundations of the reforms announced and implemented during the first 100 days of GD's new government, which entered office following the October parliamentary elections. In particular, we explore GD's election program and assess to what extent campaign promises were implemented during the first 100 days. Furthermore, we analyze the feasibility of GD's electoral promises based on assessments provided by various experts. Finally, we consider how the new dynamic between majority and opposition forces in parliament may evolve in terms of democratic checks and balances, analyzing to what extent the opposition can keep the government accountable and operate in parliament under the conditions of GD's constitutional majority.

Summary of Key Findings

The first 100 days of the new Georgian Dream-led government have been marked by a mix of continuity and change. The GD government has put forward an ambitious reform agenda, and changes were immediately observable in several domestic policy domains, including social and economic policy and the area of democracy and human rights. These bold measures, however, should not be interpreted to mean that GD's agenda is unblemished or uncontested. In some areas, GD has failed to deliver on its campaign promises with specific policies and proposals. This report provides an assessment of the performance of the GD-led government during its first 100 days in office. Below are the report's key findings:

1. The universal healthcare system remains GD's landmark reform, and the new government has pledged to increase investment. However, the system's long-term fiscal sustainability remains an issue in light of modest economic growth. Higher growth rates are needed in order to ensure fiscal sustainability.
2. It is a welcome development that GD began implementation of lasting reforms in the sphere of defense. The reforms focus on fiscal sustainability and compliance with NATO standards. While necessary, the government should take care that these reforms are not be carried out at a cost of reduced defense capabilities or infringement of human and labor rights.
3. The introduction of the Estonian corporate tax model is a promising development expected to increase economic efficiency and productivity. However, the reform is projected to lead to a short-term decrease in corporate tax revenue, revenue which will have to be made up in other areas. The government has responded by increasing excise taxes.
4. The increase in excise taxes represents a major deviation from GD's election program and raises questions about GD's adherence to a market liberal policy orientation.
5. Arguably, the most controversial initiative is the Larization policy. The policy is ambitious and demonstrates the socially-oriented side of the government's agenda, but due to eligibility criteria the majority of affected citizens may be unable to benefit.
6. Although the election program was rich with promises to reform the education system, the first 100 days left much to be desired in this area. The government has so far restricted itself to limited reforms, such as increasing salaries for certified school teachers. Major reforms that could drastically improve the quality of education have not been implemented.
7. GD's dominant position in parliament is accompanied by weaker oversight of the legislative branch. Adopting a new constitution under such circumstances,

which appears to be a priority of the new government, may further skew the system of checks and balances.

8. Recent developments in the media landscape - including the merger of three major television channels, controversial events surrounding the Georgian Public broadcaster, and further bifurcation of the media landscape - may potentially endanger media pluralism.
9. The GD government has remained faithful to its pragmatic policy of accommodating Russian geopolitical interests while integrating with Euro-Atlantic structures. However, this
10. The government has continued its peaceful policy of confidence building and reconciliation with the population living on the occupied territories. However, the government's efforts are complicated by Russia's intransigence and continued policy of creeping annexation. The international community has heretofore failed to effectively address the situation. GD still lacks a clear vision and coherent strategy for engaging with the population living on the occupied territories, with a view toward resolution of the conflicts.

Introduction

Georgia is a democracy in transition. The mixture of a fledgling democratic political culture and a number of external constraints has made the full democratization of its political system a difficult task. Even following the much-praised 2003 “Rose Revolution” that brought dramatic improvements to the country’s state institutions, as well as greatly-accelerated economic development, the changes failed to fundamentally reform the country’s political institutions – Georgia remained a hybrid regime with contested, if not rigged elections, a skewed media environment, a poor record on human rights, and a terminally weak opposition unable to compete with the parliamentary majority and government.

The 2012 parliamentary election marked a turning point for Georgia’s democratic development, when the opposition GD coalition led by billionaire Bidzina Ivanishvili won a parliamentary majority over the ruling United National Movement (UNM) party. The 2012 election was a watershed as the country’s first uncontested transfer of power from one political party to another. It was also the first instance of the country’s political system showing signs of maturity and stability; rather than disappearing from the political scene, the former ruling party preserved its core constituency and party struc-

tures and continued to act as an opposition party.²

In terms of economic development, the post-2012 period has delivered a mixed picture. GD has portrayed itself mostly as a center-left party and has attempted to revise the neoliberal economic and social policies of its predecessor. A prominent example of GD’s socially-oriented program was the creation of a universal healthcare system. On the negative side, however, GD’s rule has been marked by a drop in economic growth and a financial crisis caused by the depreciation of Georgia’s national currency, the lari (GEL).

The 2016 parliamentary elections were viewed as another democratic test for Georgia’s political system. Economic stagnation, high unemployment, and financial crisis remained the main challenges prior to the elections. Nonetheless, the ruling party managed to win a significant electoral victory. Its socially-oriented policies, primarily the creation of a universal healthcare system, have partly offset discontent with slow economic growth and currency depreciation. Following its victory at the polls, GD’s supporters and the wider public expect it to implement a sophisticated economic and social program to revive the stagnating economy and strengthen its public image as a competent economic manager.

² (Kakachia and Lebanidze 2016)

Economic Development

Election Program



10 objectives from GD's election program on economic policy:

- Creation of 200,000 new jobs
- Income tax reform
- Business-friendly legislation
- Eight million tourists annually by 2020
- State support for 5,000 agricultural cooperatives
- A 3.5-billion-dollar road construction program
- Investments in infrastructure and energy
- Full electrification of the country
- Gasification of 200,000 households and water supply for 120,000 households
- Energy independence

Analysis

Economic development accounts for 14 pages (or roughly one-fourth) of GD's election program. The program covers a range of economic issues including macroeconomic stability, unemployment, economic reform, development of the energy, infrastructure and agriculture sectors, further improvement of the business environment, and liberalization of foreign trade relations. GD's program combines market liberal economic policies with center-left social policies aimed at establishing a comprehensive safety net to support the country's vulnerable population. GD refers to this policy mix as "inclusive economic growth" or "sustainable economic development": according to the election program, economic growth should be accompanied by social security and economic equality, as well as the reduction of poverty and unemployment.³ Indeed, the

title of GD's election program, aptly titled "Freedom, rapid development, welfare!", reflects this duality.⁴

The market liberal side of the economic program is aimed at spurring economic growth and includes investments in infrastructure and agriculture, liberalizing the tax system and establishing a business-friendly political and regulatory climate. In particular, this is to be achieved through tax incentives—including liberalizing the corporate tax regime to encourage investment—the introduction of business-friendly legislation, and the implementation of large-scale infrastructure and energy projects. The GD policy then calls for ensuring that the benefits of economic growth are dispersed widely, in particular through the creation of 200,000 new jobs over the next four years.⁵ The new jobs are projected to be created by income tax reform

³ (Georgian Dream 2016, 12)

⁴ (Georgian Dream 2016, 1)

⁵ (Georgian Dream 2016, 13)

(50,000), business support programs (40,000), infrastructure investment (40,000), pension reform (10,000), and growth in the tourism sector (50,000).⁶ According to GD's election program, the two sides, market liberalization and social policy, are not mutually exclusive goals. Liberalizing reforms and socially-oriented policies are expected to dovetail into more inclusive growth. For example, tax liberalization is to stimulate job creation, which could potentially improve the economic position of Georgia's vulnerable population. The fact that GD included concrete figures in the election program is a welcome step.

However, meeting these targets is more difficult to project. For instance, it cannot be guaranteed that corporate tax reform will generate 50,000 new jobs. Another example is the program's section regarding state debt. A ceiling on future state debt increases is not clearly stated; rather the program provides only a vague formulation that "its relative value compared to the GDP will be preserved at a level that will not endanger Georgia's credit rating and will guarantee a positive investment image."⁷ That wording leaves the provision open to wide interpretation by policymakers.

⁶ (Georgian Dream 2016, 13)

⁷ (Georgian Dream 2016, 12)

Assessment



ELECTION PROGRAM

Content:

On balance, the economic component of GD's election program is comprehensive and encompasses both market liberal and social aspects of economic development. On one hand, it is aimed at creating a stronger private sector through tax reform, business-friendly legislation, and business support programs, as well as investments in infrastructure and agriculture. On the other hand, the accompanying objectives include the creation of an additional 200,000 jobs and better access to basic services. Hence, GD's economic program corresponds to its ideological profile as a center-left party, but in some instances, displays center-right characteristics.

Controversial points:

The economic component of GD's election program is marked by a few particular characteristics. It reflects the duality of the party's ideology and its attempts to accommodate market liberal and socially-oriented policies. This ideological duality might have a positive impact on GD's mix of policies, with its left- and right-oriented economic policies balancing each other and the upshot being more inclusive growth. For instance, this is supposed to be the case with corporate and excise tax reforms: tax liberalization is expected to foster growth, with social services—a key proponent of the party's social agenda—financed through excise tax increases. This outlook is also in line with the current situation facing Georgia, which requires rapid economic development even as a large part of the population, which lives in poverty, requires protection from economic shocks.

Feasibility:

Economic policies often take years to bear full results. Therefore, it is too early to assess to what extent GD's economic promises will be realized. The preponderance of vague formulations in the program further complicates that task. However, some of Georgian Dream's campaign promises already appear problematic. For example, it is unclear how corporate tax reform will result in the creation of an additional 50,000 jobs. Such predictions almost never bear out in reality; there are too many variables involved to isolate the precise number of jobs created, even if the reform is successful. Another problematic issue is GD's agricultural policy platform, which promised the creation of 5,000 new agricultural cooperatives⁸. The feasibility of this policy goal has been questioned because the 2017 budget envisages a 17 percent cut to the Ministry of Agriculture's budget⁹, limiting the resources available to support agricultural initiatives.¹⁰

⁸ (Georgian Dream 2016, 22)

⁹ (Ministry of Finance of Georgia 2017, 196)

¹⁰ (Ministry of Finance of Georgia 2017, 198)

First 100 Days



10 steps by GD government in first 100 days:

- Larization policy
- Introduction of Estonian corporate taxation model
- Excise tax increases
- Mobilization of external funds for infrastructure and SME development
- Decreased budget for agricultural projects
- New regulations for online gambling
- Construction of hydro power plants
- Free Trade Agreement with China to come into effect in 2017
- Infrastructure projects
- National Strategy for Rural Development 2017-2020

Analysis

The most important economic policies implemented since the new government entered office involved supporting the national currency, the GEL, which lost nearly 37 percent of its value¹¹ between November 2014 and November 2016. As roughly 75,000 Georgians had received loans repayable in US dollars as of November 2016¹², the decline in the currency's value has created hardship for many households. On November 29, 2016, the government announced a number of measures aimed at strengthening demand for the GEL vis-a-vis other currencies. The package of measures has been informally referred to as the "Larization plan." These include the extension of state support to debtors to convert a portion of their loans from dollars into GEL—thus cushioning them against foreign exchange market fluctuations—and the stipulation that small loans be only made available in the national currency. The Larization plan has received mixed responses from economists and members of the business community. Critics point to the

government's pledge to use roughly 65 million GEL in taxpayer money to subsidize the conversion of household debt from foreign currency into GEL. It was sharply criticized by the opposition UNM party, whose members referred to it as "embezzlement."¹³ The government addressed criticism by reassuring the public that Larization is a one-time initiative to provide support to households in temporary financial crisis, and not a permanent government policy. Furthermore, attempts to reduce dependence on foreign currencies have received positive feedback from the International Monetary Fund.¹⁴

On a positive note, it appears that, unlike the previous GD administration, the new GD government is armed with a concrete action plan for reforming the country's economy over the next four years. A key component of the party's 2016 campaign program was the 4-Point Plan¹⁵, a package of reforms presented by Prime Minister Giorgi Kvirikashvili in February 2016¹⁶. After the elections, both the GD parliamentary majority and the

¹¹ (Bloomberg 2017)

¹² (Business Caucasus Week 2016)

¹³ (Civil Georgia 2016e)

¹⁴ (International Monetary Fund 2016)

¹⁵ (Government of Georgia 2016a)

¹⁶ (Investor.ge 2016)

new government reiterated their support for the plan, which covers tax, education, infrastructure, and governance reforms, with the flagship component being the corporate tax reform that entered into force on January 1, 2017.¹⁷ According to the new tax code, distributed corporate profits will no longer be subject to taxation, a policy modeled after Estonia's successful corporate tax reform.¹⁸ The plan for massive state investments in infrastructure, including the construction of new highways to foster improved East-West and North-South travel, is also worth noting. The program is intended to improve general transportation and foster the development of Georgia's tourism potential.¹⁹ The main tenets of the government's 4-Point Plan have received positive feedback from experts and international financial institutions, including the World Bank.²⁰

The new corporate tax code is the flagship reform of the market liberal side of the government's agenda. Economists expect it to spur investment and lead to increases in economic efficiency and productivity. However, the policy could have short-term downsides. First, revenues from corporate taxes are projected to fall by 500 million GEL, potentially causing fiscal constraints. The government plans to fill the gap by raising additional excise tax revenue.²¹ More importantly, some experts identify serious shortcomings in GD's flagship corporate tax reform. For instance, there are no sophisticated mechanisms to ensure compliance with the new corporate tax regime. Companies could conceivably distribute their profits while making

the appearance of reinvesting them, and exempting themselves from the corporate tax. In the words of one economist, the private sector may find "some ways to get around it, not pay taxes and not re-invest the profit."²² On another occasion, some voices from the left-leaning camp of the GD also demanded recently that Georgia should scrap the part of Georgian Economic Freedom Act that makes the introduction of new taxes possible only through referendum. The Georgian government however dismissed the initiative arguing that the stability of the current taxation system was a priority. Overall, it seems that GD, despite having left-leaning forces inside the ruling coalition, does not want to alter the current balance between its center-left and center-right economic policies.

On December 30, 2016 the new government adopted the National Strategy for Rural Development.²³ The process was supported by the EU-funded European Neighbourhood Programme for Agriculture and Rural Development (ENPARD) and two United Nations agencies - UNDP and the Food and Agriculture Organization.²⁴ The new strategy is based on the best EU practices in the field and is aimed at "promoting entrepreneurship and civil engagement, and improving the quality of people's life while paying special attention to the values of natural and cultural heritage."²⁵ The liberal aspect of GD's economic policy further attracting foreign investments and loans for infrastructure development, as well as further liberalization of trade relations. The GD

¹⁷ (Civil Georgia 2016a)

¹⁸ (Government of Georgia 2016b)

¹⁹ (Investor.ge 2016)

²⁰ (Government of Georgia 2016b)

²¹ (Reuters 2016)

²² (Guruli 2016)

²³ (UNDP 2016)

²⁴ (UNDP 2016)

²⁵ (UNDP 2016)

government has been successful in securing foreign investments, as well as grants and credits, for infrastructure projects. Investment-based infrastructure development is a sound program for a developing country such as Georgia and is in line with GD's election platform. Between November 2016

and January 2017, the Georgian government managed to raise over 800 million USD in foreign investments, grants, and loans (table 1). Combined with an increased budget for economic and infrastructure ministries, this should ensure the realization of GD's ambitious infrastructure investment agenda.

Table 1: Investments, loans and grants allocated in Georgia since October 2016

Organization	Amount (in Million)	Type of financing	Aim
European Investment Bank (EIB) ²⁶	450 EUR	Loan	Development of agriculture and regional and municipal infrastructure.
Kuwait Fund for Arab Economic Development ²⁷	27 USD	Loan	Improving road infrastructure in Georgia's Adjara region.
US Agency for International Development ²⁸	22.5 USD	Grant	Improvement of business standards and increasing competitiveness in various sectors, as well as effective managing of natural resources and creating market-oriented jobs.
TBC Bank; European Bank for Reconstruction and Development (EBRD) ²⁹	14.3 USD	Loan	The Lukhuni 2 HPP.
EU ³⁰	43.95 EUR	Grant	Agriculture, regional cohesion, public administration reform, DCFTA, SMEs', IDPs.
Asian Development Bank (ADB) ³¹	99 USD	Loan	Improvement of the water supply.
Anadolu Tasit Ticaret A.S. ³²	90 USD	Investment	Hydro Power Plant (HPP) - Kheledula 3, Lower Svaneti region.
Overseas Private Investment Corporation (OPIC) ³³	67 USD	Co-financing	Medical Center in Tbilisi, Dock complex in Poti.

²⁶ (Morrison 2016a)

²⁷ (Agenda.ge 2017b)

²⁸ (Interpressnews 2016a)

²⁹ (Agenda.ge 2017c)

³⁰ (Agenda.ge 2016b)

³¹ (Agenda.ge 2016a)

³² (Agenda.ge 2016d)

³³ (Agenda.ge 2017d)

Overall, the degree of consistency between the new government's economic priorities and GD's election promises is best assessed by studying the 2017 state budget (table 2). Most notably, the 2017 budget allocates large spending increases for social protection programs (Ministry of Labor, Health and Social Affairs of Georgia); infrastructure (Ministry of Regional Development and Infrastructure and Ministry of Economy and Sustainable Development); and education (Ministry of Education and Science). Increased spending in these areas is in line with GD's electoral program, which promised to spur inclusive growth through major investments in education, infrastructure, and social protection. It is also worth noting that the 2017 budget for the Ministry of Agriculture was cut by more than 50 million GEL compared to the 2016 budget, indicating that the new gov-

ernment will put less emphasis on agricultural development. This appears to contradict GD's electoral program, which pledged to support farmers through subsidized agriculture insurance, price supports, and other policies. It is worth asking how the government plans to increase its support for the agriculture sector while operating with a significantly reduced budget.

On balance, the economic performance of the new government during its first month in office is difficult to assess due to the national currency's dramatic drop in value. However, the 2016-2020 action plan and the 2017 budget adhere closely to Georgian Dream's electoral program prior to the elections, with the exception of the possible discrepancy between the party's proposed agricultural policy and allocations for the Ministry of Agriculture in the 2017 budget.

Table 2: Projected 2017 expenditures for selected ministries:

Agency	2017 budget (million GEL)	2016 budget (million GEL)
Ministry of Labor, Health and Social Affairs of Georgia	3,415	3,202
Ministry of Regional Development and Infrastructure	1,258	950
Ministry of Education and Science	1,116	952
Ministry of Defense	748	750.4
Ministry of Internal Affairs	585	595
Ministry of Economy and Sustainable Development	370.4	95.4
Ministry of Agriculture	257.9	311.1

Assessment



GOVERNMENT'S 100 DAYS PERFORMANCE

Main Topics:

Hewing closely to GD's election program, the first 100 days of the new GD government have been marked by a duality of liberal- and socially-oriented economic policies. The introduction of the Estonian corporate tax model was balanced by excise tax increases. Thus far, the Larization policy has attracted the most criticism from proponents of market liberalism. On the other hand, state intervention with the purpose of fostering inclusive growth resonates well with GD's socially-oriented outlook. One should not forget that, despite having a strong liberal wing, GD views itself as a center-left party and is an observer member of the Party of European Socialists (PES) in the European Parliament.

Consistency with the election program:

The most controversial issue has been the Larization policy. The election program did not explicitly propose state intervention to support the national currency. However, the program made reference to the negative economic impact of a high degree of dollarization and promised to increase the number of loans issued in the national currency.³⁴ The introduction of the Estonian corporate tax model has long been a GD promise. With the exception of increase in excise taxes, which was not explicitly mentioned in GD's election program, the economic reforms have been rather consistent with the party's election platform. However, increased excise taxes on fuel and imported automobiles will lead to higher prices for some household goods, which, unless offset by social support programs, would contradict the party's pledge to ensure more inclusive economic growth. Furthermore, the government has managed to raise an impressive amount of foreign funds, mostly for infrastructure projects, and is proceeding apace with its trade liberalization agenda – both of which are significant elements of GD's economic agenda. Overall, the GD government's first steps are in line with its election promises. The efficacy of certain policies is subject to debate. Consistency, however, has so far not been the major issue.

³⁴ (Georgian Dream 2016, 12-13)

Social Policy

Election Program



10 points from GD's election program on social policy:

- Improvement of the universal healthcare system
- Price ceilings for 300 types of medicine
- Improvement of the social security system
- Introduction of the collective pension system
- Housing for Internally Displaced Persons
- Strengthening the gambling law
- Average salary for schoolteachers increased to 800 GEL
- No Hepatitis C by 2020
- Liberalization of punishment for usage of certain recreational drugs
- New technological university in Kutaisi

Analysis

Pension reform was a key component of GD's electoral program. The introduction of a collective pension system and "life goes on" program aimed at reducing employment among pensioners are positive innovations. However, they are unlikely to counterbalance the negative economic effects of sluggish economic growth and an unstable national currency.

Similar trends are observed in the education system. GD's program promised to increase the average salary for school teachers to 800 GEL per month in 2017, and ensure further increases based on GDP growth rates from 2018 onwards.³⁵ However, in relative terms, the increase in salaries could conceivably be

overshadowed by the depreciation of the GEL, if that depreciation spills over into increasing inflation.

GD's election program is also aimed at revising the liberal policies of the previous UNM government by introducing new state regulations to protect vulnerable groups. For instance, GD's electoral program proposed introducing new regulations on gambling and price ceilings on more than 300 types of medicine. Moreover, medicines for pensioners with chronic conditions will be fully funded by the government. Predictably, these proposed regulations were met with criticism by liberal opposition parties such as UNM and Girchi.

³⁵ (Georgian Dream 2016, 35)

Assessment



GOVERNMENT'S 100 DAYS PERFORMANCE

Content:

On balance, GD's election program offers a comprehensive and issue-rich action plan for social policies. Compared to other thematic parts of the program, in the social sphere, GD makes a number of concrete promises for the next four years that underline its emphasis on social policy. These developments are positive but put additional pressure on the ruling party to achieve its stated goals by the end of the legislative period.

Controversial points:

GD proposed a number of steps that look impressive on paper, such as salary increases for teachers, increased state expenditures for universal healthcare and social security, and new regulations to protect socially-vulnerable groups. However, it remains to be seen whether these improvements will make a qualitative difference for target groups. In particular, if the recent depreciation of the national currency is followed by rapidly-rising inflation, much of the positive impact of planned increases in salaries and pensions will be neutralized.

Feasibility:

The feasibility of GD's objectives largely depends on the trajectory and pace of the country's overall socio-economic development. Investment in the universal healthcare system and increases in teachers' salaries and social security payments require higher social expenditures which, in the long term, will only be financially feasible if accompanied by economic growth and fiscal stability.

First 100 Days



10 steps by the GD government in first 100 days:

- Socially-oriented state budget
- Increased funding for universal healthcare system
- Stricter criteria for selection of partner clinics
- Tighter control over state funds given to clinics
- More differentiation between high- and low-income citizens in the universal healthcare system
- Increased state funding for education
- Increased salaries for certified schoolteachers
- Second stage of universal healthcare reform launched
- Pensioners the most ignored group by the government
- IDPs receive living spaces

Analysis

During its first 100 days in power, the new Georgian government along with the parliamentary majority implemented a number of socially-oriented policies. As shown in Table 3 below, social expenditures account for roughly one-third of all state expenditures in the 2017 budget.³⁶ The healthcare budget increased by 90 million GEL and will amount to 660 million GEL in 2017,³⁷ meaning that the GD government has, at least on paper, kept its promise to improve the healthcare

system. The system is not without problems, however. The reluctance of the government to use punitive measures in the past made it possible for clinics to misuse state funds for purposes other than the welfare of patients.³⁸ The government recently acknowledged the problem.³⁹ In December 2016, the government launched a second stage of healthcare reform which envisages more differentiation between high- and low-income citizens and stricter criteria for selecting partner clinics.⁴⁰

Table 3: Distribution of the 2017 budget funds per sector:⁴¹

Sector	Share of distributed money
Social expenditures	29.4%
Infrastructure projects	19.8%
Law enforcement, defense and security and legal agencies	14.6%
Education and science	8.6%
Tourism and entrepreneurship	1.2%

As promised, starting from January 2017 the government increased salaries for certified teachers, who make up half of Georgia's 60,000 teachers.⁴² The average teacher salary is projected to reach 800 GEL after planned increases, as promised in GD's election platform. On the other hand, the new government is still reluctant to implement

pension reform and continues to make the possible increases conditional on the rate of economic growth.⁴³ Considering the fact that pensioners represent one of the country's poorest and largest demographics – and one vulnerable to currency depreciation and rising inflation – ignoring their needs is a weak spot in GD's otherwise strong social policy.

³⁶ (Ministry of Finance of Georgia 2017)

³⁷ (Ipress.ge 2016b)

³⁸ (Ipress.ge 2017)

³⁹ (Ipress.ge 2017)

⁴⁰ (Ipress.ge 2016a)

⁴¹ (Agenda.ge 2016c)

⁴² (Allnews.ge. 2017)

⁴³ (Jandacva.ge 2016)

Assessment



GOVERNMENT'S 100 DAYS PERFORMANCE

Main Topics:

The new government has extended the socially-oriented policies that have been GD's trademark since it first came to power in 2012. The universal healthcare system is one example. The Georgian government should be given credit for accomplishing the reform; however, the system requires further technical and financial support. The government must therefore strike an effective balance between economic development and social protection. Strong economic growth is a precondition for the long-term sustainability of Georgia's social safety net.

There are shortcomings in GD's social policy. Pensioners are largely being ignored by the new government despite their exposure to economic pressures generated by a depreciating national currency and the potential for rising inflation. The government should take better care to ensure that its social policy addresses the needs of all socially-vulnerable groups.

Consistency with the election program:

By and large, the new government's social policies have been consistent with GD's election program. The composition of the 2017 state budget largely reflected the main points of the election platform. However, as in other parts of the program, vague language has caused confusion. For instance, the election program was not sufficiently clear on the stipulation that only certified teachers were to receive salary increases, resulting in the common misperception that all teachers would receive a bump in salary.

Foreign and Security Policy

Election Program



10 main objectives from GD's election program on foreign policy:

- De-occupation and restoration of territorial integrity
- Euro-Atlantic integration
- Visa liberalization with the EU
- Strengthening of defense capabilities
- Deepening of strategic partnership with the US
- Peaceful settlement of conflict with Russia
- Regional cooperation and implementation of strategic projects
- Increase of Georgia's soft power
- Increased public diplomacy and trust-building measures in conflict areas
- Deepening of institutional and sectoral integration with the EU including membership in the European Energy Community

Analysis

On foreign policy issues, GD's electoral platform was pragmatic. The party's stated goal was to work toward restoring Georgia's territorial integrity by regaining control over the territories currently occupied by Russia. This campaign promise is vague. It is unclear whether Russia would withdraw its occupation or under what circumstances, but GD promised to make working toward this a priority, rather than an imminent reality that could be realized during the next four years. Similarly, the election program promised deeper Euro-Atlantic integration with the state stressing Georgia's Europeaness while simultaneously maintaining its distinct national identity.⁴⁴ Prime Minister Giorgi Kvirikashvili said in a September 2016 interview with the Atlantic Council⁴⁵ that

the country's European orientation is "irreversible" and that membership in NATO is "not a question of 'whether' but of 'when.'"⁴⁶ Moreover, GD appears to view Western institutions both as developmental role models and security guarantors: European integration is seen as the best way to build "a democratic European country."⁴⁷ On the other hand, NATO membership and deepening of the strategic partnership with the US is seen as a crucial tool for strengthening Georgia's sovereignty and security under difficult regional and global conditions.⁴⁸ The overarching objective of GD's foreign policy is economic in nature, the establishment of a "stable and predictable political economic environment" which is an "essential component for the country's long-term

⁴⁴ (Georgian Dream 2016, 43)

⁴⁵ (Kumar Sen 2016)

⁴⁶ (Kumar Sen 2016)

⁴⁷ (Georgian Dream 2016, 40)

⁴⁸ (Georgian Dream 2016, 40)

economic development.”⁴⁹

On the other hand, the distinction between integration and accession is important: Georgia enjoyed deepening ties with both NATO and the EU under the previous Georgian Dream government, exemplified by the Association Agreement signed with the EU in 2014 and the “substantive package” agreed with NATO, also in 2014.⁵⁰ However, the GD government has acknowledged that enlargement fatigue is currently an issue in EU and NATO member states. Hence its election program refers to integration processes rather than final goals (membership). According to Michael Cecire, a Georgia analyst at the Foreign Policy Research Institute, the country’s deeper integration with NATO is proceeding

and will likely continue to do so.⁵¹ However, NATO accession looks distant due to the Alliance’s growing preoccupation with defending its own borders against Russian aggression. Writes Cecire: “Proponents of fortifying NATO’s eastern flank to deter Russia set an impossibly high standard for potential future members. The alliance’s security predicament in the Baltics does not bode well for expansion to Georgia, which would be badly exposed in any confrontation with Russia.”⁵² Similarly, whereas integration with the EU has been advancing on all fronts, membership is unrealistic in the foreseeable future. In this context, the distinction in Georgian Dream’s platform between integration and accession is important.

⁴⁹ (Georgian Dream 2016, 40)

⁵⁰ (NATO 2014)

⁵¹ (Cecire 2016)

⁵² (Cecire 2016)

Assessment



ELECTION PROGRAM

Content:

The foreign policy component of GD's election program was detailed and comprehensive. The main objectives remain the same: Euro-Atlantic integration and normalized relations with Russia. On a positive note, the program avoided setting unrealistic concrete benchmarks and objectives, a welcome change considering acute security and geopolitical challenges that cannot be fully resolved in the near future.

Controversial points:

GD's objective of improving relations with Russia through a pragmatic but principled approach has long been the subject of criticism by pro-Western circles and opposition parties. The main point of criticism is not the goal itself but the perceived danger that GD will compromise too much in dealings with Russia. Recent events, such as the parliamentary discussions on liberalization of the law on occupied territories and a new agreement with Gazprom on the monetization of transit fees, have served to strengthen these concerns. On the other hand, the incompatibility of the West-Russia nexus of GD's approach has also been criticized by conservative nationalist opposition parties such as the Alliance of Patriots. They view ties with Russia, not the West, as more conducive to restoring the country's territorial integrity and are accordingly putting pressure on the government to engage the Kremlin on its terms, even if that means potentially abandoning Euro-Atlantic aspirations.

Feasibility:

Overall, the foreign policy component of GD's election program avoided bold statements and is procedural and technical in nature. Hence, the majority of its stated goals are realistic. The main target of criticism remains the compatibility of two declared objectives: deepening Euro-Atlantic integration and improving relations with Russia. The incompatibility of the positions of the Georgian and Russian governments on the occupied territories is an immovable obstacle to deeper cooperation between Russia and Georgia.

First 100 Days



10 important foreign policy events in the first 100 days:

- Parliamentary resolution reaffirming Georgia's pro-Western foreign policy
- Parliamentary discussion on liberalization of law on occupied territories
- Becoming a partner of Europol
- Visa-free travel with the EU nearly accomplished
- Framework agreement on national security signed with the US
- US congressional delegation visits Georgia
- Russia signs military agreement with Abkhazia
- Negotiation with Gazprom and the monetarization of gas transit fees
- Agreement reached to transport Turkmen oil via Georgia
- EU praises Georgia's record on DCFTA-related reforms

Analysis

The new GD government has largely followed its election program during the first 100 days in office, although there have been some deviations. On December 29, 2016, parliament approved a foreign policy resolution proposed by GD's parliamentary faction.⁵³ The resolution was supported by both GD and UNM. The resolution confirms "the EU and NATO membership as Georgia's top foreign policy priorities" and states that "Georgia aspires towards EU membership" by referring to Article 49 of the Treaty on European Union.⁵⁴ At the same time, the resolution adheres to a "rational and principled" policy towards Russia⁵⁵ and the country's foreign policy should be aimed at "minimizing threats, strengthening Georgia's sovereignty, de-occupation, restoring territorial integrity and promoting regional stability."⁵⁶ While long-term goals are largely agreed upon between GD and UNM, the ruling party's foreign policy behavior, however, has often been a matter of harsh criticism from both pro-Western and conservative na-

tionalist parties. Relations with Russia have improved, especially in economic and trade areas, and direct political contacts between Tbilisi and Moscow have been established. It should be noted that this improvement has not come at the cost of Georgia's Euro-Atlantic orientation. Overall, we can observe the continuation of a pro-Western foreign policy under GD.

Although there is anxiety regarding the new US administration, the government has vowed to continue its close cooperation with the US. Several high-ranking meetings between US and Georgian officials have taken place since the election. On December 6, 2016, Georgia's Defense Ministry and the US Defense Department signed a framework agreement on national security for 2016-2019.⁵⁷ According to the Georgian Defense Ministry, the agreement covers the creation of a training center to promote the combat readiness of Georgian troops.⁵⁸ On January 1, 2017, a high-ranking US delegation including Republican Senators John McCain

⁵³ (Civil Georgia 2016d)

⁵⁴ (Civil Georgia 2016d)

⁵⁵ (Civil Georgia 2016d)

⁵⁶ (Civil Georgia 2016d)

⁵⁷ (Morrison 2016b)

⁵⁸ (Morrison 2016b)

and Lindsay Graham and Democratic Senator Amy Klobuchar, visited Georgia.

Although the political thaw between Russia and Georgia that began under the previous GD government has not directly affected the country's pro-Western foreign policy, some analysts and opposition figures fear that Georgia is drifting into a policy of appeasing Russia. For instance, on November 28, 2016, UNM criticized a decision by the Georgian Committee for Defense and Security to resume work on a government-initiated bill on "liberalization of the accountability for violation of the entry rules to the so-called 'occupied territories.'"⁵⁹ According to the draft bill, illegally crossing into Georgian-controlled territory from the occupied territories will result in a fine of 400 GEL rather than imprisonment of up to four years.⁶⁰ The government and ruling party have justified the draft amendments by the need to facilitate relations with residents of the conflict areas, and have reference the Venice Commission's positive assessments of the draft bill and the EU Delegation in Georgia's recommendation that it should be implemented.⁶¹ According to the parliamentary opposition, however, the bill "runs contrary to Georgia's national interests" and "facilitates annexation of the occupied territories by Russia."⁶² According to another source, the "humanization" of the law on occupied territories might also serve the interests of neighboring Armenia, which has been looking for alternative transit routes to Russia via Georgia.⁶³ The Alliance of Patriots

has expressed a different argument for the liberalization of the law. According to their MP, Emzar Kvitsiani, the law should be annulled altogether because it prohibits ethnic Georgian citizens of Russia from purchasing land in Abkhazia.⁶⁴ A strong public criticism attracted also the recent negotiation of Georgian government with Russian Gazprom on gas transit from Russia to Armenia via Georgian territory. The Gazprom managed to monetarize of gas transit fees – a suboptimal solution for Georgia that the Russian company has been long trying to achieve. The decision leaves the Georgian government in uneasy situation and push the Russian side to look for further concessions from Georgia. To strengthen the country's security and defense capabilities, the new government has begun implementation of a new package of defense reforms that were enshrined in GD's election program. According to Defense Minister Levan Izoria, the main goal of the reforms is to "is to perfect Georgia's Armed Forces and make it more compatible with NATO structures."⁶⁵ As a part of the reforms, the Georgian Ministry of Defense (MOD) dismissed more than 2000 employees,⁶⁶ a step described in GD's program as a process for optimizing expenses.⁶⁷ In a separate step, the MOD reintroduced conscription – a controversial decision that was not explicitly mentioned in GD's election program. According to some analysts, the government reintroduced conscription only after the election because of its unpopularity among much of the population.⁶⁸ Overall,

⁵⁹ (Eurasian Daily 2016)

⁶⁰ (Eurasian Daily 2016)

⁶¹ (Eurasian Daily 2016)

⁶² (Jgarkava 2016)

⁶³ (Tsurtsunia-Zurabashvili 2016)

⁶⁴ (Agenda.ge 2017e)

⁶⁵ (dfwatch.net 2017)

⁶⁶ (Georgian Dream 2016, 46)

⁶⁷ (Cecire 2017)

⁶⁸ (Agenda.ge 2017e)

the package of defense reforms was assessed positively by international community. The US ambassador to Georgia, Ian Kelly, called it “difficult [to implement]” but “timely.”⁶⁹

Assessment



GOVERNMENT’S 100 DAYS PERFORMANCE

Main Topics:

The new government, working together with the parliamentary majority, took important steps during the first 100 days that offer a preview of Georgia’s foreign policy for the next four years. The adoption of a new foreign policy resolution and deepening contacts with EU and US officials underline the irreversibility of Georgia’s pro-Western orientation.

On the other hand, GD’s initiative to liberalize the law on Georgia’s occupied territories has provoked stark criticism, as has the recent negotiation with Gazprom over the terms of gas transit to Armenia. The decision to monetize the transit fees is viewed by many as being unfavorable to Georgia and representing unjustified appeasement of Russia.

Attempts to strike a difficult balance between pursuing a pro-Western foreign policy and normalizing relations with Russia have put GD under fire from all sides. The pro-Western opposition has criticized the governing party for its conciliatory approach toward Russia, and conservative nationalist parties blamed it for what they see as utopian attempts to balance pro-Russian and pro-Western vectors and for its failure to engage Russia on realistic terms. In contrast, GD’s pragmatic foreign policy enjoys wide support among voters, who tend to support both deepened ties with the West and improved economic relations with Russia.⁷⁰

Consistency with the election program:

Overall, the new government has largely followed its election program, taking a number of steps toward deepening Euro-Atlantic ties. Statements by GD officials about taking a constructive but principled approach toward Russia are also in line with the election program. The program did not, however, express plans to amend the law on crossing into Georgia from the separatist Abkhazia and Tskhinvali regions. Similarly, not every aspect of the defense reform was mentioned in the election program. GD avoided explicit mention of its plan to reintroduce conscription, due to the policy’s unpopularity with voters.

⁶⁹ (Thornton and Sichinava 2016)

⁷⁰ (Georgian Dream 2016)

Democracy and Human Rights

Election Program



10 objectives from GD's election program on democracy and human rights:

- Constitutional changes
- Improvement of criminal law and the penitentiary system
- "Restoration of justice"
- Media pluralism
- Democratic elections
- Independence of the Constitutional Court
- Institutional mechanisms for human rights protection
- Better protection of property rights
- Gender equality and the fight against domestic violence
- Strengthening of civil service

Analysis

GD's election program devoted its first 10 pages to the country's "democratic development."⁷¹ Much of that, however, was devoted to successes achieved during the first four years of GD's rule, as well as to criticism of the policies of the former ruling party.

The GD election program also promised to further improve the criminal law code and conditions within the penitentiary system.⁷²

The program promised continuation of the process of "restoration of justice" against certain UNM officials and stronger protection of basic political and civil rights, such as the right to own property, freedom of expression, media, and assembly, and equal protection of privacy.⁷³ The election program promised to enhance the effectiveness and independence of most state agencies, including the Prosecu-

tor's Office, the Ministry of Interior, the State Security Service, and the judiciary.⁷⁴ Finally, the election program promised to strengthen local self-government and the civil service, and to conduct elections at every level of government in a fair and peaceful manner.⁷⁵

An important topic during GD's election campaign was the issue of constitutional amendments. However, GD's election program was brief and vague in that regard. It only underlined that any amendments to the constitution would be based on proper distribution of power among the branches of government – legislative, executive, and judicial.⁷⁶ GD had made concrete proposals regarding constitutional changes on other occasions long before the 2016 elections. In 2015, the party promised to ensure the intro-

⁷¹ (Georgian Dream 2016, 5)

⁷² (Georgian Dream 2016)

⁷³ (Georgian Dream 2016, 8–9)

⁷⁴ (Georgian Dream 2016)


⁷⁵ (Georgian Dream 2016)

⁷⁶ (Transparency International Georgia 2015)

duction of “a fully proportional (multi-mandate constituency) system for all future parliamentary elections after 2016”.⁷⁷ Thus, while it was not mentioned explicitly in the

election program, revision of the procedures for electing members of parliament was central to discussions about possible constitutional changes during the election period.

Assessment

	<p>ELECTION PROGRAM</p> <p>Content:</p> <p>The election program was comprehensive in its reference to democracy-related issues that require improvement. However, many points were defined briefly and in a vague manner that created space for subjective interpretations. A good case in point is the constitutional amendments. The program did not provide detailed information about which parts of the constitution GD aims to change. It also did not explain how it would make the changes. Similarly, the program stressed the importance of guaranteeing media pluralism and editorial independence, but did not state which steps are needed to achieve those aims.</p> <p>Controversial points:</p> <p>The 2016 election program focused excessively on the wrongdoings of UNM during the period prior to 2012 and how GD has remedied those abuses. The program includes controversial expressions, such as “restoration of justice” (against UNM), which have contributed to the polarization of society and dissatisfaction among the international community. Touching upon those topics without providing elaboration may also be understood as paying lip service to certain anti-UNM sections of society who form part of GD’s voter base.</p> <p>Feasibility:</p> <p>Unlike in other areas, such as the economy or foreign and security policy, improvement of democracy and human rights does not depend on external factors. Rather, it requires political will on the part of the government and GD’s parliamentary majority. Hence the success or failure of democratic reforms will be the sole responsibility of the new government.</p>
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⁷⁷ (Basilaia 2016)

First 100 Days

i	<p>10 important events related to democracy and human rights during the first 100 days:</p> <ul style="list-style-type: none"> ○ Merger of three private TV companies underway ○ Politically-engaged individual as director of the Public Broadcaster ○ Chairman of GD faction nominated to Constitutional Court ○ Constitutional Commission established ○ Former mayor of Tbilisi Gigi Ugulava released from prison ○ GD restates wish to amend procedures for electing president ○ The largest opposition party splits ○ President vetoes judicial reform ○ Georgia improves its rating in Corruption Perception Index ○ PACE criticizes Georgia for problems related to media freedom
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Analysis

On December 23, 2016, parliament established a Constitutional Commission to prepare a list of formal amendment proposals. The commission consists of 70 members: 15 from the opposition parties; 24 from non-governmental organizations and the expert community; 24 from the ruling party; and 11 public officials and members of the court.⁷⁸ The commission is chaired by the speaker of parliament, Irakli Kobakhidze, who is a representative of the ruling party.⁷⁹ GD's declared goal regarding constitutional reform is to bring the Georgian constitution in line with concepts of a classic parliamentary republic.⁸⁰ That would likely presuppose the direct election of the president by parliament – something that is vehemently opposed both by the opposition and the expert community. On the other hand, the ruling party shows reservations about changing the electoral code and abolishing the majoritarian system. According to the head of the GD faction in parliament, Mamuka

Mdinaradze, abolishing the majoritarian system is in the interest of the opposition parties, but the ruling party does not share that interest.⁸¹ Hence, the conflict between different groups in the commission appears inevitable. The commission is scheduled to present parliament with a draft proposal for constitutional changes in April 2017.

Georgia's television media market has undergone a major reshuffling since the new government took office. Three major private TV outlets – Imedi TV, GDS, and Maestro TV – are in the process of merging. Since GD assumed a parliamentary majority in 2012, coverage on all three channels has tended to be in favor of the government and critical of the opposition. Imedi TV is owned by the family of deceased businessman Badri Patarakatsishvili, GDS is owned by Bera Ivanishvili – the son of ex-PM Bidzina Ivanishvili – and Maestro TV has several shareholders. Controlling shares in Maestro TV and GDS will be transferred to Imedi TV, and Patar-

⁷⁸ (Basilaia 2016)

⁷⁹ (Basilaia 2016)

⁸⁰ (Basilaia 2016)

⁸¹ (Civil Georgia 2016c)

katsishvili's family will own the new media conglomerate.⁸² The informal distribution of power among the three channels is unclear, however. Considering that television is the most important media instrument in Georgia, it is unclear why Bidzina Ivanishvili trusts Patarkatsishvili's family to lead the new conglomerate and ensure that it retains its pro-government outlook. The deal has raised eyebrows in the opposition and civil society. Mamuka Glonti, a shareholder in Maestro TV, believes the deal to be driven by Ivanishvili's interests. According to Glonti, "it was GDS purchasing Imedi TV and Maestro TV. I see the authorities and Bidzina Ivanishvili behind it."⁸³ Similarly, media expert Lasha Tughushi underlined the "political character" of the merger that threatens to "damage the media environment."⁸⁴

Also controversial was the decision to elect Vasil Maghlaferidze as the new Director General of Georgia's Public Broadcaster.⁸⁵ Maghlaferidze's political history does not inspire confidence in his political neutrality,

which is of central importance to the broadcaster's functioning. In 2012 he worked as the deputy director of the Channel Nine TV station, owned by then-PM Bidzina Ivanishvili.⁸⁶ Moreover, between 2014 and 2016 he worked as general producer of the leading political talk show at GDS.⁸⁷

In Georgia's media market, apart from a few independent channels which only broadcast in Tbilisi, Rustavi2 is the only major television network that is consistently critical of the government. Rustavi2 remains highly popular but faces financial problems resulting from its court battle over the company's ownership rights, which have changed several times during the past decade. Many domestic and international observers see the case against the station's current ownership as politically motivated and initiated by the GD government. Moreover, the channel lacks credibility with many Georgians who view it as a mouthpiece for UNM. On balance, the current situation regarding media pluralism is not satisfactory.

⁸² (Civil Georgia 2016c)

⁸³ (Interpressnews 2016b)

⁸⁴ (Civil Georgia 2017)

⁸⁵ (Civil Georgia 2017)

⁸⁶ (Civil Georgia 2017)

⁸⁷ (Georgian Dream 2016, 10)

Assessment



GOVERNMENT'S 100 DAYS PERFORMANCE

Main Topics:

A number of significant developments have taken place during the first 100 days that demonstrate the government's intentions for the next four years. The Constitutional Committee was formed to propose constitutional amendments, a merger of pro-government private TV stations is underway, and a new head of the public broadcaster has been appointed. Unfortunately, none of these developments are positive for Georgia's democratic improvement.

Consistency with the election program:

In terms of media plurality, both the television channel merger and the appointment of a politically-engaged person as head of the public broadcaster go against the goal expressed in GD's program to "guarantee media pluralism and independence of independence of editorial coverage." The ongoing trial against Rustavi2 threatens the independent functioning of the last major private TV station that is critical of the government.

So far, GD hasn't indicated openness to compromise on the constitutional amendments, either. All proposed amendments would either consolidate power in the ruling party's hands (election of the president by parliament) or are aimed at winning additional votes from the socially-conservative part of the electorate (defining marriage as between a man and a woman). GD representatives have also been dismissive of opposition calls to abolish the majoritarian system. Hence, GD's approach so far appears to be less cooperative and consensus-oriented than was promised in its election program.⁸⁸

⁸⁸ (Georgian Dream 2016, 10)

Challenges to GD's Government Constitutional Majority: Danger or Opportunity?



Powers of supermajority in Georgia's political system:

- Amend the constitution
- Amend/adopt any law in any area
- Pass a vote of no confidence against the government
- Appoint a new government
- Launch an investigative commission
- Diminish the opposition's legislative and control functions

The 2016 parliamentary elections brought single-party rule back to Georgia. The situation of one party holding a supermajority evokes uneasy feelings among the Georgian expert community and civil society organizations. The country has a tradition of ruling parties abusing their popular mandates by consolidating power with the purpose of extending their hold on power. GD has an opportunity to set a new, more positive standard in Georgian politics and use its powerful mandate in a responsible way. The early signs are not promising. Soon after the elections, GD declared its intention to make constitutional amendments in a number of areas, including changing how the president is elected and defining marriage as a union between a man and a woman.

It is worth asking to what extent anxiety about GD's supermajority is justified. The party's supporters appeal to the fact that the first four years of GD's rule were more pluralistic and democratic than those of UNM, so the party has proven that it doesn't pose a danger of autocratic backsliding. However, to designate the recent pluralism of the last four years as emblematic of GD's democrat-

ic nature is an overstatement. That development was largely the result of a unique political constellation established after the 2012 electoral power transition from UNM to GD, the first of its kind in Georgian history. After that transition, UNM retained influence in a number of important state agencies such as the National Bank of Georgia, the Constitutional Court, and the Office of the President, among others. Hence the more pluralistic rule of GD was a result of the balance of power existing between the former and current ruling parties, to which the heterogeneity of the GD coalition also contributed. The situation is drastically different now. Today, GD is less heterogeneous as its two most liberal and pro-Western groups – the Free Democrats and the Republicans – left the coalition in 2014 and 2016, respectively. The absence of two liberal parties in the coalition may further strengthen the temptation to disregard democratic procedures whenever the governing party sees them at odds with its own objectives. More importantly, GD is in control of every significant public institution except the Constitutional Court. Hence formal checks and balances are now

skewed in favor of the ruling party.

There are other, informal control mechanisms to be considered, too. These include a strong civil society, an independent mass media, and a strong middle class financially independent from the government and ready to defend the country's democratic foundations. In Georgia, all of these informal institutions are weak: for instance, civil society suffers from financial limitations and political infantilism, and significant parts of the middle class remain dependent on a state which is also the

largest employer in the country. On balance, the situation following the 2016 parliamentary elections is defined by a strong single-party government holding immense resources. However, this does not necessarily mean that the country is trending toward autocracy. Georgia's political system has experienced much stronger one-party rule that ended with democratic elections. Moreover, for all its flaws, GD has so far adhered to principles of procedural democracy – something that should not be taken for granted.

Conclusions

This report assessed the performance of the Georgian government during its first 100 days in office following the 2016 parliamentary elections. It identified both opportunities and challenges to be faced during the next four years. Holding a supermajority in parliament and facing few formal and informal checks and balances, the new GD government bears almost exclusive responsibility for leading the country effectively and democratically. Hence, the government will need both internal political courage and external pressure from Georgian society and the international community to lead the country toward a future that is both democratic and economically prosperous.

Table 3 assesses the performance of GD's government during its first 100 days based on two criteria: to what extent the government acted in accordance with its pre-election promises ("consistency with pre-election program") and to what extent its actions do or do not contribute to Georgia's economic and democratic development ("main challenges"). We further break down governmental activities into four broad categories: economy, social welfare, democracy and human rights, and foreign policy (table 3).

➔ Overall, the picture is very mixed. In the area of economic policy, ongoing problems related to the depreciation of the GEL have forced the government to resort to provisional, extraordinary solutions, such as using public resources to stabilize the currency and support debtors. Many experts and opposition figures have criticized the Larization

policy as ineffective and have urged the government to abandon it.

- ➔ In the area of social and healthcare policy, GD has been more consistent. The 2017 state budget is socially oriented as promised by the election program. However, the high social expenditures will be unsustainable if they are not accompanied by economic growth and fiscal stability.
- ➔ Foreign and security policy appears to be the least polarizing issue. GD has followed its usual course of combining a constructive approach toward Russia with a substantively pro-Western foreign policy. However, critics both within pro-Western and conservative nationalist circles remain critical; the former for what they see as appeasement of Russia, and the latter for what they see as a lack of realism.
- ➔ Finally, in terms of democratic development, two topics have emerged as the most important during the first 100 days: media pluralism and proposed constitutional amendments. The latter appears to be a double-edged sword. If implemented in a democratic and transparent manner, constitutional changes could spur further democratization. If not done properly, they could lead to further power consolidation in the hands of the ruling party. Unfortunately, thus far it appears that the government is interested in reforms that will strengthen its own position, even at the expense of democratization.

Table 3: Evaluation of the first 100 days of Georgian government

Evaluation Main Topic	Pre-election position	First 100 days after election	Consistency with pre-election program	Main challenges and Recommendations
Economic and Fiscal policy	200,000 new jobs; corporate tax reform; business-friendly environment; infrastructure investment.	Larization plan; corporate tax reform; increase of excise taxes; no clear concepts for addressing high unemployment; external funds mobilized for infrastructure projects.	GD rather adheres to pre-election promises. However, the decrease in state expenditures for agriculture might endanger the agriculture agenda prescribed in GD's program. Neither was the increase in excise tax explicitly mentioned in the program.	The Larization plan is questionable both from ethical and economic perspectives. The new corporate tax regime requires stronger control mechanisms; pensioners require more attention, as they are exposed to economic shocks but are not adequately supported by the government.
Social policy	Improvement of universal healthcare system; collective pension system; higher salaries for teachers; education reform.	Increased social spending; second stage of universal healthcare reform; increased funds for education and universal healthcare; increased salaries for teachers.	GD mostly adheres to pre-election promises.	Increased social spending can only be sustainable if it is accompanied by sound economic and fiscal policy and adequate economic growth; distribution of social funds lacks balance; pensioners remain the most ignored group by the government.
Foreign and Security policy	Pragmatic policy toward Russia; deepening of Euro-Atlantic integration processes.	Visa liberalization nearly accomplished; new resolution on foreign policy; attempt to liberalize of law on occupied territories; monetization of gas transit fee from Gazprom.	GD mostly adheres to pre-election promises. However, the program was not specific about changes to the law on occupied territories.	Changes in the law on occupied territories need further discussion; GD needs to come up with concrete plans for how to engage with occupied territories; increasingly hostile external environment represents the biggest challenge for the GD government.
Democracy and human rights;	Constitutional changes; media pluralism; human rights; democratic consolidation.	Constitutional committee; constitutional changes planned for 2017; new pro-government media empire (Imedi TV, Maestro TV, GDS) emerges.	GD partly adheres to pre-election promises. However, some pre-election goals seem to be contradictory: constitutional changes might lead to less democracy, not more.	Media pluralism is under threat due to the consolidation of pro-government channels and continued pressure against Rustavi2; GD's position on constitutional changes threatens to consolidate power in the hands of the ruling party; GD should abandon its plans to change presidential election procedures and focus instead on reform of the majoritarian system for parliamentary elections.

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