



## State Employment Programmes: Politics Aside?

State-financed employment programmes have become a new tradition since 2006. While the true scale of the unemployment problem in Georgia is misrepresented by the official statistics, the actual magnitude of unemployment is acknowledged by the heavy focus on the issue, especially at politically sensitive times.

Elections have proven an especially effective moment to capture the momentum. The Georgian government initiated the first employment programme<sup>1</sup> prior to local self government elections in 2006. The second employment programme “Employment Programme 2007: Employment through Development of Small and Medium Enterprises” - commenced in the summer of 2007. Although this programme largely precluded the need for another one in the same year, the mounting tensions in the fall prompted an additional employment effort by the government by the end of 2007 prior to the snap presidential election.

This report will look at the two latest programmes and the peculiarities associated with the Georgian policies aimed at taming unemployment.

### The Baseline

Georgia’s grim unemployment situation has shown no signs of significant improvement over the last few years. The government routinely highlights record foreign direct investment (FDI) levels,<sup>2</sup> improved bureaucratic and legislative environment for the businesses, and Georgia’s bold showing on the international scene as the world’s top reformer<sup>3</sup> for the third year on. However, the fact that Georgia ranks above France, Germany, and good portion of the world’s leading economies in the ease of doing business does not have many practical implications for an ordinary citizen and his standard of living at the present time. The legislative changes easing business operation so far have not led to a surge in private sector-led employment. At the same time, the share of public sector employment has significantly declined since 2003. The government has refused to support the “adult day care” as one expert aptly called the Georgian civil service. The pledge of “small” and effective governance has translated into numerous downsizings and mergers and abolitions of entire units.

According to a recent opinion poll, unemployment is the greatest fear of the Georgian public.<sup>4</sup> The same poll ranks tackling unemployment problems on the top of the government’s task list. With due diligence, the government initiated the state “employment” programme in 2006. The programme offered a three-month internship at volunteer private enterprises and paid the interns GEL 150 a month from the state budget. The businesses had no obligation to hire the interns upon the programme’s completion but were very much welcome to do so. They also had practically no influence as to whom and with what qualifications was sent to them by the state. Overall, the programme was full of loopholes and became notorious for its huge GEL 24 million cost and paltry outputs in either retraining or finding jobs for the unemployed. Additionally the inflationary pressure that this spending provoked caused lasting damage to the country’s economy.<sup>5</sup>

<sup>1</sup> Please review our report on the 2006 employment programme *Fighting Unemployment in Georgia*, available at: [www.transparency.ge](http://www.transparency.ge).

<sup>2</sup> Foreign direct investment in Georgia topped USD 1 billion in 2006, the government says.

<sup>3</sup> World Bank, *Doing Business 2008*

<sup>4</sup> International Republican Institute, *Georgian National Voter Study*. September 2007

<sup>5</sup> The programme was described and evaluated in more detail in the TI Georgia report published in March 2007. Aside from the inherent flaws and deficiencies of the programme, another major criticism was its initiation just prior to the surprise local governance elections. The programme was criticised as an attempt to bribe the electorate by the opposition and experts alike and was cited as an example of misuse of administrative resources by TI Georgia.



## Employment Programme 2007

The concept of the 2007 employment programme was radically different from its predecessor. Although President Saakashvili repeatedly stressed during its implementation that the first employment programme was to be not only retained in the present form but also doubled in size to benefit about 100,000 people in 2007, the actual programme turned out to be much more sensible and affordable than that. Government of Georgia Resolution #110 of May 30, 2007 officially adopted the programme. The Resolution provides that the beneficiaries of the programme are to be small and medium size enterprises (SMEs) operating in tourism and related fields, rather than individual unemployed persons. They are to apply for preferential five-year loans from a partner bank by demonstrating that they will create new jobs and hence contribute to employment. Importantly, this programme is not a three-month one, unlike the first attempt. Rather, it is to be operational over a five-year period.

In addition to the loan, the programme offers the beneficiary SMEs free training and consultancy. While the programme is open for both start-ups and existing businesses, the Resolution specifies that the money granted for the start-ups should not exceed a 20% share of the entire sum.

The state has allocated GEL 5.5 million of budgetary funds for this programme. GEL 5 million is a five-year credit line for a partner bank with two percent annual interest. The partner bank is responsible for giving out loans for the participating SMEs at a maximum rate of 12 percent annual interest. The remaining GEL 0.5 million is to be spent on administering the programme and for training purposes. The Resolution also sets the maximum amount of the loan at GEL 50000 and the grace period at a maximum of one year.

The programme is administered by the Ministry of Economic Development with practical responsibilities delegated to its subordinate Department of Tourism and Resorts, due to the sectoral orientation of the programme.

While Resolution #110 does not specify the partner bank, Edict #263 of the Government of Georgia issued on the same day, May 30, 2007, names ProCredit Bank as the collaborator. The bank is responsible for developing the application form for the loans and accepting the loan applications in all its branches/offices throughout the country. While the programme targets businesses located outside Tbilisi, the applications are also available in Tbilisi.

The applicants must complete a one-page application form provided at ProCredit offices. The applicants are requested to provide their personal information (name, ID number, contact information, marital status), information about their business (sphere of activity, location, contact phone, and amounts of additional income), amount of the loan requested, collateral, and real estate property owned. Only a small space is given in the form for a short description of the project to be implemented with the loan.

The bank is to use its standard selection criteria while granting a loan, looking at the viability of the proposed project and liquidity of the business to minimise the chances of granting bad loans. The bank receives project proposals, screens them, and finances only the viable/credible ones, since the bank itself will incur the financial losses for bad loans, not the state budget. The bank thus has an important stake in the state programme.

### *The tourism Angle*

The Tourism and Resorts Department representatives like to stress that the programme is not only about the loan. Dimitri Japaridze, coordinator of the programme, says that the training and marketing assistance are equally important for the beneficiaries. While the programme budget only has allocated funds for these



activities for the year 2007, the Resolution and the Department hope that international or national donors will be willing to take over that part of the programme and contribute over the coming years.

The Tourism and Resorts Department representative explains that the tourism field was selected deliberately, rather than making the programme accessible for all SMEs irrespective of their occupation. The starting premise that the programme would target SMEs rather than individuals, Japaridze argues, is based on the realisation that it is the SMEs that really provide the backbone of any market economy in terms of production, growth, and employment. Bolstering SME growth would help promote long-term development and employment.

Specifically targeting the tourism sector, he argues, is common sense, given the present resources, both natural and infrastructural. Georgia's natural diversity and good potential for different types of tourism have made this sphere a priority for the state economic policy. Besides, large homes and groomed yards present even in the most remote locations throughout the country are easily converted into relatively inexpensive guest-houses providing shelter and food. Another rational, Japaridze explains, is the steady growth of tourist inflows in the country and the lack of adequate housing, catering, and service centres. The Tourism and Resorts Department indicates that in January-November 2007 Georgia was visited by about 1 million foreigners. While no explanation is given on the methodology for this data, the Department clarifies that this is a 30% increase compared to the 2005 figures and a 9% increase since 2006.<sup>6</sup>

## How it Works

### *--Bank operations*

The 2007 employment programme has been active since June. ProCredit Bank reports already financing 109 proposals with a total of GEL 2.473.000 since the programme's commencement, with additional proposals under scrutiny.<sup>7</sup>

ProCredit maintains that the terms they offer are the best on the Georgian financial market. The 12% interest rate is unprecedented they say, with other banks usually providing loans in the range of 18% interest. And even this high interest may be supplemented with additional "hidden" costs that may not be readily apparent<sup>8</sup>, but are making the real interest even higher. ProCredit maintains they do not have any additional costs or fees.

Besides the attractive interest rate, the bank, as provided by the Governmental Order, provides an option of a one-year grace period. Bank representatives say that this means the client may wait one year before beginning to pay either interest or the principal. But, since this means prolonging the loan period by another year, this arrangement is just an option provided that a client may choose to opt for based on his or her own preferences and financial conditions.

### *--Trainings on tourism*

The Tourism and Resorts Department representatives report much success regarding other components of the programme, too. Training and consultancy are arguably much needed for re-orienting the Georgian economy towards the service industry. The skills and practices for boosting the quality of service are

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<sup>6</sup> The Messenger, December 21, 2007, Issue # 244 Nearly a million tourists visited Georgia in 2007, government says available at: [http://www.messenger.com.ge/issues/1511\\_december\\_21\\_2007/1511\\_econ\\_one.html](http://www.messenger.com.ge/issues/1511_december_21_2007/1511_econ_one.html)

<sup>7</sup> The data given is as of end of January 2008.

<sup>8</sup> This can be costs for maintaining accounts, unreasonable fines, and other conditions given in the contract, but not clearly discussed by the bank representatives, often misleading the customers.



painfully lacking, especially in the regions. The legacies of the Soviet economic mode and the educational system's ineffectiveness for teaching for the changed economic environment have greatly contributed to this deficiency.

The Department hence decided the first phase would constitute trainings for those interested in applying for the programme. Tourism Management departments of Tbilisi State Institute of Economic Relations and Ilia Chavchavadze Tbilisi State University were contracted for these purposes. Japaridze explained that these trainings were designed to familiarise all those interested with the basics of tourism management and help better prepare for the loan selection procedures. To follow as the second phase, the Department also contacted Eurasia Foundation Georgia,<sup>9</sup> requesting their support in training the programme participants. Eurasia Foundation announced a bid in July for training-delivering organisations and in September approved four companies – the Center for Training and Consultancy (CTC), Elkana, Training and Development Group, and Svaneti Tourism Center that divided the Georgian regions among themselves as to cover the entire country. The Eurasia-funded trainings are to focus on applied issues most practical for the trainees, such as financial management and accounting, taxes and relations with tax agency, marketing and sales, including pricing, customer relations, menus, and possibly additional services related to organising tours and renting equipment among others and as applicable. The training programme was commenced in October 2007 and will last for six months. Eurasia does not yet have plans to be further involved in the Employment Programme upon conclusion of the current project.

*--Consulting on construction details*

Another facet of the programme is the involvement of private businesses in the consultation process. ARCI Architecture and Development Company provides advice and insight for the project participants regarding architectural nuances. The company itself has a project called “Georgian House” that focuses on researching, preserving, and popularising traditional Georgian architecture and design, running since 2002.

As Nana Meparishvili, the manager of this project explains, they consult the state programme beneficiaries on adding/incorporating traditional Georgian architectural elements and functional suggestions into their facilities to make them more appealing and comfortable. She says their help can range from recommendations on adding a few old photographs to the walls to suggestions of redesigning entire facilities, and are very much case based. However, so far she has not given more details on their concrete involvement. It remains not completely clear what the basis of the cooperation is – ARCI's involvement in the project and the beneficiaries is not contract-based, rather they have a verbal agreement with the Tourism and Resorts Department. Moreover, since there seems to be no accountability mechanism for this pro bono involvement, it is largely impossible to judge either the consistency of ARCI's involvement or their criteria for involvement, shedding no light on accessibility of their services for all programme beneficiaries.

## Programme Implementation Concerns

Despite the more sensible nature of this employment programme, especially compared to its predecessor or successor, several problems are still evident. The first one concerns the partner bank. Since the programme documents did not specify the name of the partner bank that would be practically put in charge of a sizable portion of the programme, the Ministry of Economic Development was responsible for its identification. The subsequent deal that granted GEL 5 million of budgetary funds was made based on sole source contracting, as opposed to a competitive bidding. TI Georgia requested the Ministry of Economic Development to explain the procedure used for selecting the partner bank and to provide a copy of the

<sup>9</sup> Eurasia Foundation Georgia is currently undergoing reorganisation, and is currently registered as Eurasia Partnership Organisation.



subsequent contract. The letter received from the Ministry explained that the Ministry held preliminary consultations with different “leading” banks to explain the requirements of having “experience working with micro-loans, sizable network of regional offices, simple banking procedures and etc.” But due to the specifics of the programme (the small amount of loans and high administrative costs due to the regional reach), the project was “hardly profitable” for banks and they were not interested. The letter continues to say that in the end a small number of interested banks remained and among them ProCredit Bank was deemed most compliant with the Ministry’s requirement. We are also informed that a contract was signed between the Ministry and the Bank on August 16, 2007; however a copy was not included despite being specifically requested.

Another concern regards the performance of ProCredit Bank itself. It seems that staff was not fully aware of the programme in all of the bank’s branches, despite the fact that the programme information and application was to be available in all of its offices throughout the country.<sup>10</sup> While in some branches the staff was not aware of the programme’s existence at all, saying that the bank does not participate in any such programme of preferential loans at present and can only offer regular business-loans, others did provide the loan application form, albeit after a lengthy explanation about the state programme for the tourism-related SMEs. Even those who did provide the application form did not provide uniform information about the programme. While at one branch the enquiring “client” was told that she could not take the form with her and then return it to the bank but had to complete it on the spot, at the other branch no such condition was given. The Bank employees were not very clear about other conditions of the programme, explaining that they were not aware when the deadline for application submission might be, if there was any at all. As a possibility, the time when the funds were dried up was suggested, however the clerk could provide no information as to when this might happen.

The Bank’s performance was possibly further affected by the employment programme, unveiled in November 2007 that again offered temporary “internships” at private businesses for 100.000 people. ProCredit Bank, unlike other commercial banks operating in the country, did not offer any vacancies for this programme. When enquired about the loan through the state employment programme, the Bank’s employees generally confused the SME loan programme, officially an employment programme too, with the internship programme, popularly referred to as the employment programme by government officials. When contacted, ProCredit Bank employees’ initial reply often was that the Bank does not participate in the programme and offers no vacancies and that the programme itself has nothing to do with loans.

Perhaps the biggest problem for effective implementation of the programme is the lack of an effective communications strategy. Unlike the other two employment programmes, the SME loan programme does not enjoy much publicity on behalf of/by government officials. While television advertisements have been aired, their low frequency, lack of continuity, and concentration in the period of the programme’s commencement only does not ensure sufficient public awareness, especially as regards the programme’s five-year duration.<sup>11</sup> Other means of spreading the information, such as periodic features in national newspapers<sup>11</sup> are also employed; however the reach of print media is rather limited in Georgia, especially in the regions, due to financial and distribution constraints. The limited publicity coupled with the Bank’s apparent inability to convey the programme-related information to its clients and possible beneficiaries of the programme in an effective manner casts doubts on the accessibility and transparency of the programme in practice.

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<sup>10</sup> TI Georgia performed a mini “mystery shopping” experiment in several ProCredit offices in different parts of the country in November-December 2007. TI Georgia staff members visiting the regions asked local ProCredit branch clerks to provide information on the programme and the appropriate application materials and guidance.

<sup>11</sup> TI Georgia is not aware of the similar strategies employed in the regional media. The Department of Tourism representatives gave no information on this either.



Additionally, the programme evaluation and monitoring elements are largely missing. The programme documentation does not provide criteria for evaluating the success of either the loans or other elements of the effort. While several ministries are indicated as responsible for the project, it remains unclear where their responsibilities lie and how they should be addressed. These components would be much needed to critically assess the programme and to provide a basis for judging its outcomes, strengths, and weaknesses in order to achieve the results it is designed to deliver.

### **In a Nutshell**

This programme of providing loans to small and medium sized businesses is a welcome deviation from the tradition of state programmes designed to simply hand out allowances and gifts to those in need, without much research or forethought on their short or longer term effects (and side effects). Unlike them this programme was not initiated with an upcoming election in mind and was targeting longer term goals of helping private business develop to provide sustainable economic growth and increased employment. However, the programme implementation concerns outlined above jeopardize the transparency and efficiency of the programme.

Transparency International Georgia and other civil society organisations have repeatedly highlighted the lack of transparency regarding state procurements. Frequent use of sole source procurement and direct sale of state property as opposed to competitive bidding, coupled with uncertainties over major privatization deals, taints the government's performance. The recruitment of ProCredit Bank for this programme seems to fit this disagreeable pattern.

Problems regarding communication still remain. Without providing sufficient information in a clear and organised manner even the best-intentioned programmes will fail to deliver the anticipated results. Transparency International Georgia continues to recommend that the government give more attention to better managing information campaigns for public awareness raising. Moreover, we remain hopeful that this programme, despite all of its deficiencies, will be the start of outcome-based government strategies that will not prove to be an isolated case of results-oriented action. We further hope that the government will in the future continue promoting private businesses, no matter the scale.

### **Autumn 2007 - the Background for the Third Programme**

Despite the relatively successful and meaningful effort of the second “employment” programme, as the government was confronted with new political challenges in the autumn 2007, a “pacifier” was quickly sought by the authorities. Once again, a mass-employment drive was initiated that was largely reminiscent of the 2006 programme, without much reassessment or change.

The tensions started to mount in late September, when former Defence Minister Irakli Okruashvili publicly accused president Saakashvili and the government of abusing their powers and plotting murders, among other accusations. His subsequent arrest over charges of extortion, money laundering, and abuse of power several days after the statement was nevertheless largely regarded as politically motivated. Ensuing protest rallies organised by a coalition of opposition parties drew thousands out to Rustaveli Avenue, calling for the removal of the office of the president, creation of a parliamentary republic, and conducting parliamentary elections in April 2008, rather than in the fall.<sup>12</sup> On 7 November the authorities used batons, rubber bullets, tear gas, and water cannon to disperse the protests, alleging there had been a coup attempt and declared a

<sup>12</sup> Constitutional changes initiated by Saakashvili prolonged the sitting parliament's term and shortened that of the president in order to hold the two elections simultaneously.



15-day country-wide state of emergency. On November 8, President Saakashvili announced early presidential elections (although no such demand was voiced by the opposition) to be held on January 5, 2008, saying he needed a renewed mandate from the people to carry on with reforms.

The employment programme was initiated in this context. Saakashvili announced the programme after the start of the November demonstrations along with novelties such as one-time distribution of electricity and heating vouchers and several kilos of wheat flour for the underprivileged and teachers at a cabinet meeting on October 4. The opposition<sup>13</sup> and most experts were quick to dismiss these initiatives as attempts to bribe the public into supporting Saakashvili and his team,<sup>14</sup> rather than government's sudden revelation of the bleak living conditions of the poor.

## Programme design

Although the programme was announced by the president in the fall, Government Resolution #264 On Approving the State Targeted Program for On-the-job Professional Training was adopted on 1 December, with additional changes adopted just days later, on 5 December, the day programme implementation actually started.

The document states that the programme's objective is to provide state-supported professional training to improve the qualification level of the workforce. The programme design is not much different from that of the 2006 programme. Among the few existing differences is that the current programme has a more comprehensive base for prospective beneficiaries – 100 000 persons of 25 to 65<sup>15</sup> years of age. The stipend is also greater – GEL 200<sup>16</sup> per month, rather than the previous GEL 150, for the three months of the programme. The payment for the first month was paid upfront. The Resolution states that the payments could be claimed at the partner bank starting from December 15, 2007 to April 30, 2008. It is unclear, however, whether this provision may indicate that the programme may last until April (i.e. the three months of the apprenticeship can be completed non-consecutively or not), or the beneficiaries may delay receipt of their remuneration at their choosing. The programme is again a joint responsibility of the Ministry of Economic Development and the Ministry of Health, with concrete implementation tasks delegated to the Social Subsidies Agency.<sup>17</sup>

Persons willing to take part could register from December 5 until December 20. The only document required from them for doing so was their ID and its photocopy. Again, applicants were not required to provide their education or professional background. In a marked difference from the 2006 programme, this time the possible beneficiaries themselves were to seek out potential employers who would be willing to accept them for three months, rather than being sent to their apprenticeships by the Agency. The ministries involved accepted openings from private businesses and state institutions and then provided the complete list to the registered persons.

Besides its programmatic content the Resolution #264 is noteworthy for its oddity in two ways. Firstly, when appropriating funds it allots USD 641 000, equivalent in GEL, to the Ministry of Economic

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<sup>13</sup> Following announcement of early presidential election opposition politicians, however, advised the public to benefit from these programs in full, since they were paid for from the public purse, and then vote according to their preferences only.

<sup>14</sup> Regarding these and other instances of the misuse of state resources for electoral benefit during the 2008 presidential campaign please review reports of Transparency International Georgia's monitoring on the subject available at: [www.transparency.ge](http://www.transparency.ge).

<sup>15</sup> The original Resolution stated the age limit of 25-60 years, but this was then extended to the official working age limit of 65 on December 5.

<sup>16</sup> The National Bank of Georgia official exchange rate is 1 USD=1.59 GEL, as of January 2008.

<sup>17</sup> The Social Subsidy Agency is an offspring of the SAESA (Social Assistance and Employment State Agency) and a sub-division of the Health Ministry.



Development for providing informational support of the programme. It is unclear why the funds are calculated in USD, rather than national currency, as normal for the budgetary processes<sup>18</sup>.

Further, besides these publicity costs neither the Resolution nor the programme provides much information on the total budget for its implementation. Article 5, entitled “The Programme Budget,” only states, “the programme will be supported by the targeted budgetary allocations of the appropriate agencies for the appropriate year.”

Another oddity is of legal nature – although the Resolution was signed on December 1, 2007 its Article 11 states that it enters into force on November 28, 2007, that is, three days before. No ramification for this is immediately visible.

### Employment programme as a campaign tool

While the employment programme was first proposed before the early presidential elections were announced, the programme preparation and implementation started after the elections were called, with the pre-election campaign evidently in mind. The programme was referred to as the “President’s Employment Programme 2007-2008” by state officials and on the publicity materials and the actual application/registration form, despite the fact that the programme’s full official name was “2007-2008 Targeted State Programme for on-the-job Professional Training.” Further, all publicity materials were centred around “five” and red and white colours – the usual election number and party colours of Mr. Saakashvili and his National Movement party. The programme was operational on December 5, the advertisements referred to *five simple steps* for programme participation, the hot-line number was 555 100, etc.

### Programme implementation shortcomings

Initially, openings around the country were advertised; however it soon became evident that the programme would only be implemented in Tbilisi at that stage and the programme implementation in the rest of the country was postponed until February.<sup>19</sup> Officially this was because of an insufficient number of vacancies in the regions, however the December 12, 2007 roster published by the state agencies and distributed to the employment seekers at the registration sites and also available online at the Ministry of Economic Development web site<sup>20</sup> shows otherwise.

The allegation of the loopholes and pressure on the businesses to provide the vacancies voiced regarding the 2006 programme continued during this programme. Just a quick look through the list posted gives an idea – around 20 Tbilisi kindergartens posted openings for teachers, interestingly all of them inviting four individuals; besides the kindergartens, several dubious companies (posting vacancies in the fields of polygraph, IT, etc) also called for teachers, the most amusing being Tbilisi Zoo, also needing four teachers. Interestingly, the roster dated December 4 also included “Tbilisi city municipal programmes” as a category at the end of the list of Tbilisi vacancies, listing 11 municipal agencies. However, the list gives no indication of the types of vacancies or their number. This entire category is absent from the subsequent roster currently available on the web page.

<sup>18</sup> A sensible exception is of course amounts allocating for serving foreign debts, usually in foreign currencies.

<sup>19</sup> However, as of mid February no announcement has yet been made by the government regarding the commencement of the programme in the regions.

<sup>20</sup> <http://www.economy.ge/allfiles/vakansiebi-12.12.2007.pdf> the document is available in Georgian only. There was a similar list available before, dated December 4, 2007. The original document can also be provided upon request.



Besides the dubious teachers, apparently the ill-defined “technical personnel” and building-related professions were in the largest demand by all employers, including all Tbilisi kindergartens and hospitals and beyond. The roster shows the biggest employers as well, with the state-owned Georgian Railways in the far lead, willing to employ 13.957 persons country-wide. Several private companies have been quite proactive in their participation as well, with People’s Bank (usually the state’s bank of choice for various contracts, including handling of all state pensions, allowances and compensations, due to their extensive network throughout the country) offering 4.422 vacancies, Bank of Georgia – 1.472, Block Georgia (a private construction company, heavily engaging in state contracting) – 1.472, Populi (a subsidiary of Bank of Georgia, a supermarket chain) – 988, Wissol Petroleum Georgia – 960, Energo Pro Georgia (private owner of much of Georgia’s electricity sector) – 596.

The registration process – when the applicants signed a form indicating they were currently unemployed and wished to participate in the programme, and upon this were given a piece of paper by the registration official bearing the applicant’s name, number and the official’s signature – was noisy and poorly managed. The subsequent process of hunting for the vacancies was even more frustrating with participants reporting rushing from one company indicated on the roster to another and yet another only to be informed that no more vacancies remained. Several participants doubted the possibility of several hundred vacancies filling within minutes of the start of registration process. One programme participant told TI Georgia that amid her unsuccessful search on December 7 she was told by a friend also registered in the programme that Vake-Saburtalo District Authority<sup>21</sup> was signing the employment papers. The person said that she and several hundred other people rushed to the building and had the papers signed at the agency without even knowing who their “employer” was. The employer for her and others queuing turned out to be Hermes LTD, which, she only later found out, is responsible for all of Tbilisi’s municipal cemeteries’ maintenance.

Another person unaffiliated with the programme confirmed that on December 7 and 8 the Authority was practically besieged by angry programme applicants demanding that their employment papers be stamped and signed. This person tells TI Georgia that he had to be sneaked into the building by an employee of one of the Authority’s agencies with whom he had business through the back door, but said this did not remain unnoticed by the people outside who practically broke into the building as the back door was opened for him.

Upon getting the papers signed none of the programme participants<sup>22</sup> we have talked to have even visited the places of their apprenticeship. They have received the first part of the stipend (GEL 200), as regulated by the Resolution, upon registration. The second part of the amount is expected around February 5-15, upon the end of the second month of “apprenticeship.”

Another loophole alleged and to a degree acknowledged by the authorities during the 2006 programme<sup>23</sup> was the murky dealings involved. Namely, then there were reports of entrepreneurs taking in interns in exchange for a certain share of their state stipend. The same scheme has been claimed this time too by an anonymous interviewee in a Georgian newspaper article.<sup>24</sup>

Curiously enough, the Social Subsidy Agency has upon TI Georgia’s request provided us with their most updated data, stating that despite the programme being designed for 100.000 beneficiaries, the actual number of the registered persons was 113.016, of who 110.492 persons had already received the first

<sup>21</sup> Vake-Saburtalo was, interestingly, among the four District Authorities (Gangeoba) indicated under the Tbilisi city municipal programs heading in the December 4 document.

<sup>22</sup> TI Georgia has personally talked to three beneficiaries of the programme.

<sup>23</sup> Mr. Levan Peradze, then-head of SAESA, acknowledged these to TI Georgia during an interview conducted for the purposes of evaluating the 2006 programme.

<sup>24</sup> Japaridze, Nino, *Employment Programme Provides Temporary Stability*, The Georgian Times, January 28, 2008 (in English) available online at: <http://www.geotimes.ge/index.php?m=home&newsid=8998>.



month's stipend. The agency reported having already allocated 22.220.000 GEL. The letter states that the second month's stipend will be allocated in February and the third portion – in March. It remains quite unexplained why an additional 13 thousand persons are participating, while the Governmental Resolution clearly set the upper limit on programme beneficiary at 100 thousand. This remains surprising especially given that despite the programme's planned national reach, its implementation has thus only started in Tbilisi. Additionally, it is unclear how the additional funds have been allocated and by whom.

### Lessons Learned and not Heeded

This current employment programme, much like its 2006 predecessor, seems to have little to do with employment, especially long-term sustainable employment. Rather, this has proven to be a tool readily exploited for shady deals with the consequences for the public purse and health of the economy. Back in 2006 Dr. Vladimer Papava aptly called this initiative, along with several others, “one that leads to nowhere.”

With inflation already a significant problem, initiating this huge public spending<sup>25</sup> with little consequences is clearly a far cry both from prudent fiscal policies and market economy. This monetary injection in the name of fighting unemployment and hence, poverty, is bound to fail in both regards.

In order for Georgia's unemployment problem to be addressed, the government should look into implementing more systemic changes, including but not limited to reducing taxes, eradicating ambiguities in tax and other business related legislation, protecting businesses from undue pressure, protecting property rights, enhancing contract enforcement mechanisms, and strengthening judicial independence. It should also invest into assisting people in obtaining new skills currently in demand on the labour market through funding and implementing vocational education programmes.

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<sup>25</sup> Although the price tag of the present employment programme was not indicated in the programme approved by the government, nor is it easily uncovered in the state budget, simple math could give a general idea. Paying GEL 600 (over 3 months) to 100.000 persons would add up to GEL 60 million in stipends only. Administrative and advertisement costs would then need to be added.