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Re: Georgia's performance on the Failed States Index 2006-2007

Summary

Georgia scored poorly in the Failed States Index (FSI) 2007: 58th place out of 177 countries (1st place – Sudan, 177th Norway). The Index uses the Fund for Peace's internationally recognized methodology, the Conflict Assessment System Tool (CAST). CAST assesses conflicts and measures the impact of mitigating strategies. The index also assesses the capacity of state institutions and measures trends in state instability.

Companies and different organizations use the Failed State Index to supplement their own political risk assessment for investment decisions and elaborate policies in different countries.

FSI Methodology

The Failed State Index is comprised of twelve indicators which are grouped into social, economic and political indicators:

Social Indicators

- Mounting Demographic Pressures (1)
- Massive Movement of Refugees or Internally Displaced Persons (2)
- Legacy of Vengeance-Seeking Group Grievance or Group Paranoia (3)
- Chronic and Sustained Human Flight (4)

Economic Indicators

- Uneven Economic Development along Group Lines (5)
- Sharp and/or Severe Economic Decline (6)

Political Indicators

- Criminalization and/or Delegitimization of the state (7)
- Progressive Deterioration of Public Services (8)
- Suspension or Arbitrary Application of the Rule of Law (9)
- Security Apparatus Operates as a "State Within a State" (10)

- Rise of Factionalized Elites (11)
- Intervention of Other States or External Political Actors (12)

Each indicator is rated on a scale of 0 (low intensity) to 10 (high intensity).

Georgia's Performance:

Georgia's overall rank for FSI 2007 was 58th place, out of 177 countries. Scores for different indicators were the following:

Table 1: FSI 2007 scores for Georgia

Indicators	Score
Social Indicators	
Mounting Demographic Pressures	6.3
Massive Movement of Refugees or Internally Displaced Persons	6.8
Legacy of Vengeance-Seeking Group Grievance or Group Paranoia	7.6
Chronic and Sustained Human Flight	5.7
Economic Indicators	
Uneven Economic Development along Group Lines	7
Sharp and/or Severe Economic Decline	5.7
Political Indicators	
Criminalization and/or Delegitimization of the state	7.9
Progressive Deterioration of Public Services	6.1
Suspension or Arbitrary Application of the Rule of Law	5.4
Security Apparatus Operates as a "State Within a State"	7.8
Rise of Factionalized Elites	7.8
Intervention of Other States or External Political Actors	8.2

Georgia receives 6.3 in Demographic Pressures mainly caused by high unemployment. Despite the efforts of the new government to deal with the problem of refugees, the situation remains very difficult. Unresolved conflicts in South Ossetia and Abkhazia and growing tensions in Djavakhetia account for the rating 7.6 for Group Grievance.

In the economic indicators, a high level of inequality results in a rating of 7.0 for this indicator. Positive growth rates and stabilized currency account for 5.7 in the second economic indicator, one of the best for the country.

The existence of the breakaway regions of Abkhazia and South Ossetia results in negative scores in Criminalization and / or Delegitimization of the State (7.9), Security Apparatus (7.8) and Factionalized Elites (7.8).

The worst indicator for the country is Intervention of Other States or External Political Actors. The indicator measures the degree of other states or external political actors' engagement in the internal affairs of the state that effect the internal balance of power or resolution of the conflict. The following factors have contributed to the most negative score (8.2):

- Presence of Russian troops in the country;

- Abkhazia and South Ossetia have close ties to Russia;
- Russian peacekeepers are stationed in breakaway regions and have been often accused of siding with the separatists.

Seven out of twelve indicator's scores are lower than average scores of the same indicators of the former Soviet Union Republics (please see the attachment: Benchmarking Georgia with the Former Soviet Union Republics). Georgia's economic indicators are better than average economic indicators of the former Soviet Union Republics.

Conclusion

Georgia scored poorly in the Failed States Index (FSI) 2007. The main problem areas for the country are: high unemployment, refugee problems, high level of inequality and the intervention of external political actors in the internal affairs of the state.

The biggest problem for Georgia remains the unresolved conflicts in South Ossetia and Abkhazia. This problem is the main reason Georgia's social and political indicators are below the average social and political indicators of the former Soviet Union Republics.

Georgia's economic indicators are above the average economic indicators of the former Soviet Union Republics. Economic indicators will be improved though the consequences of uneven economic development should be prevented.