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Case of Georgia**

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Contents

List of Acronyms	iv
Abstract	v
Chapter 1.	
Setting up the context	1
1.1 Structure of the paper	1
1.2 Mapping security service delivery in wider context	2
Changes on ideological and political levels	2
Changes in security sector	5
Chapter 2.	
Security service delivery in Georgia	8
2.1 Introduction to the case	8
2.2 History of the Market	10
Emergence and interrelation of private security	
Companies	13
2.3 SPD – transformation	14
Doubts on fair competition	16
Chapter 3.	
Three stories of transformation	20
3.1 Story one: Strong and capable state	21
State – driver for change	21
State interests come first	23
3.2 Story two: Institutional fight – bureaucracy rule	26
Bounded rationality of bureaucratic elite	26
MoIA the winner	28
3.3 Story three: Power game	30
Playground for mighty	30
Money makes the world go round	32
Chapter 4.	
Conclusion	35
References	37
Annex I	
List of Interviews	40

List of Acronyms

EU – European Union

GEL – Georgian Lari

LLC – Limited Liability Company

LPoPL – Legal Person of Public Law

MoIA – the Ministry of Internal Affairs of Georgia

MoP – Member of Parliament

NATO – North Atlantic Treaty Organization

NPM – New Public Management

OSCE – Organization for Security and Co-operation in Europe

PR – public relations

SPD – Security Police Department

USD – US Dollar

Abstract

The paper is a case study of Georgian security service delivery sector. It attempts to illustrate complications, challenges and contradictions in public sector and in particular security sector reform in Georgia. While maintaining focus on security service delivery, paper attempts to show that transformation is multidimensional process and needs to be studied from different perspectives. Paper is based on the outcomes of field research carried out in Georgian in July 2009. First part of it is descriptivist concentrated on identifying actors, their motivations, drivers of change and ongoing processes in the sector. Focus is put on the decision making process and policy formulation. The second part of the paper tries to analyse the process while looking at it from three different arenas of policy formulation in order to draw more or less full picture of Georgian experience.

Chapter 1

Setting up the Context

1.1 Structure of the paper

The following paper is discussing the public sector reform, and in particular the Security Police Department (SPD) reform carried out in Georgia. The case is presented in relation to developments occurred in security service delivery market throughout last 10 years. The paper is based on the results of field research carried out in Georgia in July 2009; with the focus on the work of 1) private security companies, 2) Security Police Department and 3) legal framework regulating relations of the security market actors. The case is built on the analysis of in-depth interviews and documents (including laws) related to the security market.

The structure of the paper is as follows: the first chapter is trying to set the context in which reform has been carried out. It presents the crucial developments on three – ideological, political and sector levels that shaped the transformation of the SPD. The case of security service delivery is presented in Chapter 2. The case is introduced with the focus on definitions of major concepts and highlights that make it special and interesting. Chapter 2 also presents a brief historic background of the sector: creation/establishment of security service delivery market and major tendencies in its development are presented in this part. The second part of Chapter 2 is focused on establishment of the Security Police Department as a major security market supplier. The focal point of this section is to present reforms carried out in the Department leading to the changes of its legal status, aims and management style.

Adoption of the Law on Private Security Activities in fall 2008 is paid special attention while introducing the case, as it caused radical shifts on the market. Interest conflicts, conceptual and technical inconsistencies embedded in the Law are also highlighted. Different viewpoints (of market as well as political actors) about the Law and market development are aggravated and presented in the last part of Chapter 2.

Chapter 3 is solely devoted to the analysis of the transformation of the SPD and changes in market regulation. There are three dominant narratives around these changes presented in this part of the paper. Three separate sub chapters are devoted to each of the narratives consisting of two sections: describing the relevant policy arena and story itself. The paper is concluded with some general and specific remarks derived from the analysis.

1.2 Mapping security service delivery in wider context

Changes on ideological and political levels

The paper is developed around the reforms carried out in Security Police Department, an autonomous unit of the Ministry of Internal Affairs (MoIA) since 2006. It can be considered as a part of reforms initiated in MoIA or more generally, a part of overall public sector transformation process started in Georgia from early 2004. The crucial historical events that have to be mentioned in order to put the reform in context are: (1) fall of Soviet Union and declaration of Georgia as an independent country in 1991 and (2) “Rose Revolution” in November 2003¹. These events were crucial shaping changes on ideological and political level.

Changes on ideological and political level are fundamentals that shape changes carried out on sector level (Bienkowski, 2002). Bienkowski (2002) uses that approach to explain and analyse differences in paths of economic transformation chosen and implemented by Polish and Russian governments after the fall of Soviet Union. He argues that these two levels are crucial for understanding changes in separate sector of public administration as changes in value system (ideological level) and political process (political level) are prerequisites for transformation. Ideological transformation in Georgia started with the fall of communist rule in late 80s and officially accepted with collapse of Soviet Union in 1991. Georgia together with 14 post soviet republics joined the group of *Countries in Transition*. Transition was understood as giving up old (communist) ideology and accepting new (liberal) belief. The major point of it was related to rethinking and changing understanding of the role of the state. During Soviet regime state was seen as the only institution to control, plan and execute all social functions. Concepts such as “shrinking the state”, “free market”, “management” were introduced in newly re-emerged countries. As for the public sector these concepts were related to the transformation of public sector governed by the *nomenklatura* to western style bureaucracy believed to have less embedded incentives for corruption.

Bienkowski’s argument that change on political level is necessary to implement ideological changes is quite relevant to Georgian case. Though shift in ideological preferences took place in early 90s, it did not reflect on practice for more than a decade. In case of Georgia, privatization and allowing private entrepreneurship were the first steps taken toward transformation. Reforming and adjusting public service to new demands has not been carried out parallel to those changes. Accordingly state bureaucracy failed to channel mass privatization process (which was proceeding chaotically) as well as to execute basic

¹ Though Georgia faced more nationwide important crisis/events (including wars in Abkhazia and South Ossetia) that shaped developments in public sector, but as they do not have specific direct affect on the issues discussed in the paper they will not be discussed.

state functions. Thus instead of becoming classic country in transition, Georgia became a part of a new group of “failed states”.

Ambition to overcome the label of failed state and re-start transformation process was initiated by the new liberal government elected in 2004 following the Rose Revolution of 2003. It can be argued that, fall of 2003 is a starting point for Georgia entering new, more radical phase of ideological transformation and its implementation in political arena. Though for Bienkowski (2002) change in political arena is related to transformation from one party dictatorship to multiparty democratic rule, in this case we will pay more attention to the shifts taken place in political elite, rather than multi-party relations. The shift was radical. The governing political elite, considered as “left-overs” from communist *nomenklatura* and maintainers of communist style of governing were replaced by young, ambitious liberals mostly educated in western European and USA graduate institutions. Newly established political elite was/is led by young ambitious charismatic leader – Mikheil Saakashvili, elected as a president in 2004 (and repeatedly for the second term in 2008). Under his leadership the majority of high public officials have been changed. He personally invited recent graduates of top western universities and “well established”, “successful” Georgian citizens pursuing their careers in USA or west European countries to return and take high positions in public administration². He also encouraged transfer of human resources from civil society (at this moment it was considered as better developed, in comparison to public sector) and business community to state agencies³, considering it as more efficient way of raising expertise within the sector and resulting radical change in political elite.

As mentioned above, with the newly formed government even ideological transformation entered in its radical phase. It was composed by pure believes in free market, and their answers to all economic and social challenges including overcome of poverty laid in market forces. Accordingly, government policies were focused to: privatize state owned companies, outsource public utility services, reduce public administration, initiate legal amendments to make market more “friendly”, lower taxes (income, profit, ex/import), abolish unnecessary license taxes, free small businesses from taxes, encourage small business loans, etc. Putting in very general terms, government picked up few vital state responsibilities to improve its performance while leaving the rest to be achieved by the market forces. In other words government choose classic way of *transformation*: overall weakening state, yet strengthening few areas. “Some muscles needed atrophy, others to develop” (Shleifer, 1997).

² For instance: Salome Zurabishvili, former Minister of Internal Affairs (previously working for French diplomatic service), Ekaterine Sharashenidze, former Minister of Economic Development (previously management consultant of private companies and international organizations in USA, UK and France).

³ For instance: Alexandre Lomaia, former Minister of Education and Science (previously head of Open Society Foundation Georgia), Lado Grugenidze, former Prime Minister (chairman of Supervisory Board of Bank of Georgia), Kakha Bendukidze, former Minister of Economic Development (previously CEO of engineering plant company in Russia).

Transformation of public sector was believed to be necessary step taken parallel to privatization and encouragement of private entrepreneurship. It was identified that transformation has to include technical as well as conceptual reform. On the conceptual level it was important to change the general understanding of public sector as a mechanism to deliver goods/services to citizens instead of machinery to serve the system and the (ruling) party. On the technical level it was important to develop strategy for building capacity to meet new demands. In 2004 two administrative units were created under the President's office in order to show political will for reform and to systematize it: the Public Service Council and the Public Service Bureau (Ninua 2007). These two administrative units were/are responsible for technical issues related to public sector reform such as: coordinating reforms between ministries, carrying out capacity research, identifying gaps (capacity, legislative) and developing suggestions to overcome them⁴. While these agencies were concerned with technical details, major directions and priorities were defined by the ruling elite: (1) fight corruption, (2) develop capacity, (3) outsource, (4) create new autonomous units⁵.

General path of public sector transformation chosen by Georgian government falls into classic understanding of New Public Management (NPM). Though it is quite dangerous to use word *classic* in NPM context, it is assumed that fundamental principles of it are already identified: "NPM refers to the use of market-type or contractual arrangement in an effort to improve public management, such as performance contracts, the creation of agencies, contracting out, internal markets or citizens charters" (Kirkpatrick et al. 2002). Here it is important to mention that number of scholars have questioned application of NPM concept to the reforms carried out in the developing world and particularly in the countries in transition. NPM is a concept used to express changes in public administration initiated in late 70s and yearly 80s in UK and USA (and later in New Zealand): a search for improvement, raise of efficiency and "getting things done better" (Manning, 2001). But in the case of the countries in transition, public sector reform implies fundamental restructure and in some cases even establishment of new agencies, thus making application of NPM term incongruous. But the fact is that NPM has already established itself wider than the context given to it by the "founding fathers" - Osborne and Gaebler in their revolutionary bestseller *Reinventing Government* (published in 1992) and its trends can be identified in almost all countries (McCourt, 2002) including Georgia. Moreover, it can be argued that principles of NPM are general guidelines – point of orientation for Georgian political elite pushing through radical reforms in public sector.

Principles of NPM were sort of tool-box for Georgian government applied during transformation process. Contracting out, establishing semi-

⁴ See Article 2, Statute of Public Service Bureau.

⁵ For instance establishment of Legal Persons of Public Law – semi private, semi public institutions established by the state to fulfill public objectives that are beyond direct state responsibility

autonomous agencies and implementing understanding of citizens as customers in public offices were major ones. Implementation of these changes became realistic with combination of the good will of the government for transformation, strong ideological aspiration and mobilization of human resources. Other necessary resources were supplied by international organizations. International donor organizations became actively involved in the process through providing financial resources and professional (advisory) assistance: “World Bank offered significant encouragement and financial support for the new government reform agenda under its Reform Support Program, and UNDP, the IMF, EU, DFID, and USAID amongst a host of others have all offered considerable funds for this effort.” (GIPA, 2007).

Changes in security sector

Security sector, which is the scope of the paper (security service delivery is considered part of security sector⁶) falls under those *muscles* that were identified to be *developed* rather than *atrophied* by Georgian government. And the above mentioned principles of NPM in order to fight corruption and improve its performance were widely applied. The following chapters of this paper will illustrate in detail the decisions and actions taken in relation to security service delivery in Georgia. They will argue that the process was shaped by bargainings and power relations between different stake-holders rather than pure ideological aspirations of the ruling elite. They will also illustrate that reform of the SPD was somehow separate from overall security sector reform process, though looking at the major changes carried out in the sector are necessary for completing the presentation of the context.

Security sector reform is a term combining reforms in police, armed forces, security companies and other actors of security system. It is a relatively new concept introduced in development discourse in late 90s and combines national as well as human dimension of term “security” (Brzoska, 2003; Wulf, 2004). In Georgia, security service reform became one of the top priorities of the government since 2004. It became a core issue of public sector transformation, as shortcomings in ensuring national and human security was recognized as one of the reasons of state failure. The reform has been drafted based on the Georgian National Security Concept identifying country’s fundamental values: “independence, freedom, democracy, the rule of law, welfare, peace and security” (Darchiashvili, 2008). Most of the strategic decisions in the sector have been shaped by (1) the country’s aspiration for NATO integration, which is Georgia’s top national security and foreign policy goal, and (2) territorial conflicts with Abkhazia and South Ossetia (*Georgia’s Democratic Transformation*, 2007). The objective of the reform was formulated as a transformation of

⁶ For full definition see *Security Sector Reform in Developing and Transition Countries* by Herbert Wulf (2004).

army, police and other military forces in democratic organizations, through eliminating corruptive activities, raising capacity and establishing transparency in their management (Darchiashvili, 2008). To put it more simply, highly motivated Georgian government, guided with liberal principles, pushed through the security sector reforms to get closer to the standards established by western democracies to be eligible for joining their club.

Reform in MoIA was in line with above mentioned general strategy developed for security sector. The concert outline of which was developed and adopted in early 2004 after international discussions held in Brussels and Tbilisi (Krunić and Siradze, 2005). The aim of the reform was formulated as an attempt to: (1) transfer MoIA from police ministry to a civilian administrative structure; (2) demilitarize MoIA; (3) create three civilian branches of uniformed (patrol) police, criminal police and border police; (4) ensure regulatory framework guaranteeing that police respects human rights and (5) establish an internal and public control over the MoIA and its structure. To achieve those goals government undertook quite severe and radical actions.

Firing 50 per cent of the MoIA's staff and replacing majority of remained members were one of the most radical decisions. Though it allowed state to increase salaries from 5 to 10 times and invest more in (1) raising their professional performance and (2) improving equipment and infrastructure (Krunić and Siradze, 2005). Ensuring public visibility of undergoing changes were paid major attention too: short reality TV show - *Patrol Police* started to be aired on daily bases, regularly updated web-page created, and telephone hot-lines established. Achievements in transformation of MoIA became major part of speeches given by members of government (including the President) to national and international audience. Involvement of international community in transformation of MoIA was very active on design as well as on implementation stages. US administration, EU, OSCE, EU member countries (mainly Germany and France) provided assistance for improving equipment and infrastructure, trainings and study visits, advises on general reform strategy and adaptation of legal framework, and other capacity building support. It is important to mention that serious flaws in the MoIA's performance such as institutionalization of changes, lack of public supervision of MoIA, violation of human rights, lack of HR management policy⁷ and others are remaining as challenges for ongoing reform. Addressing these challenges are becoming more difficult and time consuming as the momentum of revolutionary and radical changes have already been gone and threat of developing reverse process is raising, though MoIA is still considered as one of the success stories.

Transformation of the SPD has to be considered as part of MoIA's reform. The SPD was a structural unit of MoIA since its establishment in 1960s, before 2005 when it was registered as LPoPL, an autonomous public agency under the supervision of MoIA. It is logical to assume that changes in the SPD were in line with MoIA's transformation and it should be analysed from the top-down driven reform perspective. But following chapters that are based on

⁷ See also Krunić and Siradze, 2005.

field research illustrate existence of gap in this process. Field research reveals that the SPD transformation was not just a result of general plan designed and implemented by ideologically motivated strong political elite. The process in most cases has been shaped by (1) the power relations between different stake holders, (2) lack of expertise of public officers, (3) scarcity of state resources and (4) minimal (almost no) support from international donor organizations. Moreover it is quite controversial to the ideological stance of ruling elite and reveals inconsistencies in the transformation process.

Chapter 2

Security Service Delivery in Georgia

2.1 Introduction to the case: defining the market, raising question on success of SPD, what makes the case special?

The scope of the paper is upgraded security service market (afterwards referred as security market). It emerges when private and/or legal entities seek for ensuring security: preventing or neutralizing threat to themselves, their property or any other valuable. According to Georgian legislation, security service is defined as an activity “to guard and secure life and health of a person, real estate or personal property (including transfer of personal property), and other activities related to ensuring security” (Article 2; Law on Private Security Activities). In more practical terms, upgraded security services are providing manned guarding for real-estate, offices, houses, body guards, escorting transportation of valuables, and alarm systems. The crucial in this market is that customers are eager to pay extra charges (besides the taxes to support police and army) for extra guarantees. Providers of the service are private or public entities having an expertise to prevent or neutralize crime. Most of the recent academic works, concentrating on the upgraded security market focus on private security companies and apply definition introduced by Gambota arguing that it is “an industry which produces, promotes, and sells private protection” (Frye and Zhuravskaya, 2000). Though Gambota was referring to Italian Mafia, when using that definition, and above mentioned academic works are concentrated on illegal practices of private security companies, this definition is quite general and neutral and can be applied in this paper, though its scope is on legal activities of public and private institutions involved in the market.

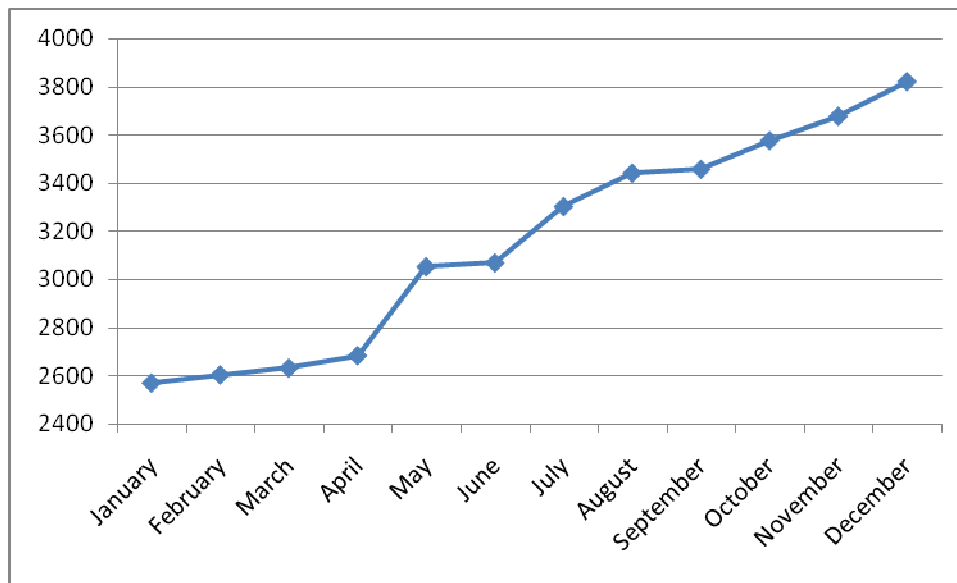
Georgian security service delivery and transformation of the SPD are interesting cases as they reveal controversy and inconsistency in strongly ideologically driven public sector reform. On the one hand public sector reform in Georgia is a top down process guided by political elite led by charismatic leader and aspired with liberal ideology. The ruling political elite is composed by believers in free market, small state, shortcomings of overwhelming bureaucracies and supremacy of private entrepreneurship over state management. On the other hand we have upgraded security service delivery market dominated by effectively managed state company. The state agency (SPD) is quite successfully competing on the market with private companies. It is becoming one of the customer friendly, high tech agencies, effectively delivering services.

The number of the customers of the SPD has been rapidly raised. Only in 2008 the number of units guarded by the SPD provided alarm systems has al-

most been doubled: it increased from 2569 in January 2008 to 3821 in December 2008⁸ (see table 1.). Market actors also argue that currently, they control more than 75 per cent of the security service market and successfully keep recruiting newly emerged customers as well as winning customers over private security companies.

Table 1.

Number of units under the SPD alarm system, dynamics of 2008:



Sources: www.spd.gov.ge (SPD official web-page)

The SPD became seen and heard everywhere: ads on TV, radio, busses, street billboards, sponsoring TV shows, sport competitions, renovated offices all around the city and new cars patrolling streets. Since 2007 the SPD started to emerge on the market as a gigantic provider. After few months it became a state company with one of the rapidly growing income: in 2005 SPD income equalled 31 million GEL (USD 18.45 million)⁹, in 2006 it rose to 41 million GEL (USD 24.4 million), 2007 – 53 million GEL (USD 31.55 million) and in 2008 it reached 65 million GEL (USD 38.7 million)¹⁰. In comparison to MoIA’s overall budget SPD’s income is quite impressive. In 2006 it was higher than 37 million GEL (USD 22 million) annual budget of MoIA. Though in following years due to rapid raise in MoIA’s budget (in 2008 it was 6 times

⁸ For more details see http://www.spd.gov.ge/portal/alias_SPD/newsid_91/callerModID_5302/tabid_2127/default.aspx (accessed September 20, 2009).

⁹ Calculation is based on the official exchange rate from the National Bank of Georgia as for November 5, 2009: 1 USD – 1.68 GEL. All calculations in the paper will be based on this rate. See <http://www.nbg.ge/index.php> accessed on November 5, 2009.

¹⁰ The data is provided by SPD.

higher than in 2006¹¹) the comparison has been changed, the share of the SPD budget remains quite high.

Search for the answer to how the SPD developed an image of success story is the main aim of the paper. It will try to understand what makes the SPD compatible on the market and what guarantees its advantages in comparison to private competitors. Is it related to better management, staff qualification, technology, power distribution, and/or legal framework? And how does it fit with the general idea of transformation.

Besides the above mentioned controversy embedded in the process of the SPD transformation that can be observed from very first glance, it is also in contrast to experiences of western European countries as well as other post-soviet republics. In almost all western European countries as well as in USA upgraded security services are delivered by the private companies and are under the regulation of liberal market principles. In number of post soviet republics there are state agencies providing upgraded security services, though they are considered less successful (in comparison to private ones) with high level of corruption. Hence, increasing the interest toward Georgian experiment.

2.2 History of the market: *development tendencies and relations among the main actors*

In Georgia, current understanding of security service market started to emerge in mid 1990s. Before all security services including upgraded ones were provided by the state. It was special security department (*arasauckebo dacva* - ancestor of the SPD) within the MoIA established in 1960s that was providing special guards for units like hydro-electric power-plants, railways and other. After gaining independence and introduction of liberal market principles, special department was re-established as SPD with the right to provide security service to non-state institutions and generate income, other than finances from state budget. Parallel to the SPD private companies started to introduce their services on the market.

The date of establishment of first private security companies is 1994-95. Before having a security company had no rationale. After the war in Abkhazia and South Ossetia, Georgia was de facto controlled by paramilitary group – *Mkbedrioni*¹². “There was no way to secure private or other property from their

¹¹ For details see Georgian State Budget of 2008 issued by Ministry of Finance of Georgia: http://www.mof.ge/budget/by_year/2008 accessed on November 5, 2009.

¹² *Mkbedrioni* was a semi-official, semi-criminal group, formed during the war in Abkhazia. Soon they gained a reputation of unpunished criminals involved in smuggling and robberies, *Mkbedrioni* was outlawed in 1995, after which part of the members got arrested, some of them died of over dosage of drug, and only few of them succeeded to re-established themselves in society.

attack, only if you were a member of the group or were lobbied/backed by any of its member”¹³. The case of *Mkbedrioni* and its influence on security market is often compared to the Russian experience in early 90s where security companies became a shelter of criminal groups attacking different private companies and then offering their services. With the fall of communist regime, when state was more or less effective in maintaining order, establishing rule of law became a major challenge for part of post soviet countries (Frye, 2002). Poor performance of law enforcement agencies in guaranteeing public security put those seeking for protection in a desperate need to substitute state service with private one, thus giving a raise to “violent entrepreneurship” (Volkov, 1999). In Russia “violent entrepreneurship” turned into classic example of protection racket: brigade of racketeers get money from a business to protect it from other similar brigades, gets share from its income and causes physical damage to those who cause financial or other losses to the business under its protection (Volkov, 1999).

Those having practical experience of working in law enforcement agencies in early 90s in Georgia, argue that the finding parallels with Russian experience have no practical evidence. On the one hand, no organized criminal group needed shelter from police. Police was corrupted and involved in illegal activities itself¹⁴. On the other hand, in independent Georgia carrying guns was never legalized: “in Russia the development of security market was conditioned by the law that allowed security companies to carry guns. Many criminal groups were registering as a security companies to have the right to carry guns. They were attacking businesses one night and next morning going to their owner and offering security. In Georgia the concept of “good guy” (*kai bichi*) was crucial. There were several cases and attempts to repeat Russian experience but all of them failed. It is also important to mention that relatively important/big businesses in early 90s were mostly illegal (mainly involved in smuggling) and in order to operate needed protection from government, accordingly they already had guaranteed security and there was no need for additional services.”¹⁵

The first demand for upgraded security was expressed by the international diplomatic missions to Georgia. Though according to the Vienna Convention on Diplomatic Relations (Article 22) Georgian government was providing guards for the offices of diplomatic missions, the issue of providing personal security (bodyguards) as well as security of their houses were not covered. This issue became an important discussion topic even on National Security Council meetings after Maria Vivierska, secretary of UN Residence Coordinator Marco Borssoti was robbed and murdered in her own apartment¹⁶. As far as state was incapable and did not feel obliged to provide upgraded security to representatives of diplomatic missions, private companies started to offer their services.

¹³ Interview with respondent A1.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ The information is given by the respondent A2. The author does not have any other proves of this fact other than the informant.

The next wave of raising demand for upgraded security services started in the late 90s, early 2000. It was related to improvements in economic situation of the country and expansion of business activities. According to a private company owner: “Before there was nothing to protect: nothing worthy enough that people were ready to pay extra money for its security. But after different private companies started to emerge, including banks, casinos, restaurants, different chain stores demand for security became obvious. Moreover, people became wealthier and eager to protect their property.” Linkage of rising demand with the growth of economic activities is obvious as almost 90 per cent of security service companies are concentrated in Tbilisi – the industrial and financial centre of the country. Number of relatively big companies has local branches in Batumi and Kutaisi, though their representation and activities are quite limited.

All actors whether state or non-state, agree that security market is a fast growing market in Georgia. There are three main drives of the market. First of all the security service is quite cheap. It is easily afforded by the legal entities as well as individual persons. For instance SPD provided alarm system for an apartment in the city and summer house in the countryside will cost a household 135 GEL (USD 80) monthly fee, or 400 GEL (USD 238) for providing 24/7 manned guarding for an office or house.

Second reason of rapid raise in the demand for security is due to it becoming “trendy”. Even though the criminal situation in the country has improved¹⁷, demand for security guards and alarm systems have risen: “in Georgia it is a case of prestige, it is an issue of image. Having manned guard in restaurants, shopping malls, and other places is important not because owners are afraid of robbery, but because they think it has positive effect on their image. Even for households: putting alarm system is considered as a part of good image. Even if you are not afraid of your house being robbed, many households do that. Even in all newly build houses you see that there are already security web cams installed and special places for guards allocated.”¹⁸

The other driver of the market, mainly the private companies market - is related to emergence of the industries where “presence of policemen is not welcome”. Guards provided by state agency (SPD) are public officials. Though they are autonomous agency, SPD staff members are subject of the Georgian Law on Police and share the same responsibilities as policemen. Accordingly their presence at the unit as guards is often considered as 24/7 police monitoring. “It does not mean that the companies prioritizing private security services are involved in any illegal activities. It is mainly dependant on the characteristics of industry. For instance gambling: no casino is eager to hire policemen as guards, it can be inconvenient for customers.”¹⁹

¹⁷ See official statistics from MoIA at <http://www.police.ge/statistika/statistika2007.mht> accessed on October 25, 2009.

¹⁸ Interview with respondent A1.

¹⁹ Interview with respondent A7.

Since early 2000 security service market is a growing one: with growing number of customers and providers. In 2007 an association of private security companies was established to effectively aggregate and advocate the interests and needs of market actors. Though the association has not been very active lately, representatives of private companies repeatedly admit need for such agency. The major recent shifts on the market took place in 2008. Two main reasons caused the changes in the general development tendency. The one is related to the international financial crisis: “The major problem providers face now is due to the financial crisis. Most of us (besides those working with international organizations and diplomatic missions) are linked to economic activities in the country and as far as businesses are facing problems, it directly affects demand on our service”²⁰.

Adoption of the Law on Private Security Activities in November 2008 was the other major change. As a result of adoption of the law, security service delivery became an industry where companies need a special license²¹ to carry activities. The law also introduced clear and detailed description of rights and responsibilities of actors involved in the private security market. In order to meet new requirements most of small companies failed to gain license and were closed down. Some of them managed to merge and meet license requirements after joining resources. As a result of it there are 36 private companies providing services on the market out of around 100 operating before²².

Emergence and interrelation of private security companies

Private security companies are established in two major ways. One group of companies is developed as sub units of big companies when the necessity of upgraded security is realized. Some companies decide to fulfil their demand with their own resources thus hire guards, train and equip them. In case the management of the sub-unit is successful and company owner/s finds this sector of business prospective, they expand and start providing services to other companies. The other way is when friends or former colleagues of law enforcement agencies decided to start the business after leaving their public duties. Some of them succeed to start a company, recruit customers and establish themselves on the market, while the rest fail to run business.

Most of the employees of the security companies are former staff members of the Ministry of Internal Affairs, the Ministry of Security, the Ministry of Defence and professional sportsmen²³. Among them former policemen compose the largest group. Some of the companies have specific strategies of recruiting members by prioritizing between abovementioned groups. For in-

²⁰ Interview with respondent A2.

²¹ Before security companies needed non special license to enter the market. Their activities were regulated by the general principles set for LLCs.

²² There were more than 400 LLC-s registered as security service delivery companies. But only 25 per cent of them were actually operating.

²³ Though there are no official statistic about the issue, it was repeatedly pointed out during interviews with representatives of SPD and private security companies.

stance they might avoid hiring former policemen as “in the late 90s police was considered as very corrupted institution. During that period, being fired from police meant that you were over-corrupted. Accordingly they were not welcome in my company”²⁴. These perceptions also influence cooperation between companies as they are mainly based on personal relations. They are grouped in accordance to the sector of the market they are involved in, and extent of their influence on the market. But, major drive of the relations is based on what relations their owners had before joining the market. The friendship as well as hostility on the market is developed based on the former personal backgrounds and linkages with political groups as well as customers. Some of them are considered as “active” supporters of opposition political parties, “governmental spies” or former high officials who lost their jobs as a result of reforms carried out after the revolution.

2.3 SPD – Transformation

The SPD was established in early 1960. It was established as a special unit of MoIA providing security services to “non-departmental” units – *arasauckebo dacva*. They were providing guards to special units of national importance like hydroelectric power plants, water reservoirs, railways, etc. In early 90s it was re-registered as Security Police Department with the right to provide security services to non-state entities. The income for these activities was transferred to state budget in “special funds” and was supposed to be used for the development of the department. Most of the times it was not a case. Before reforms, SPD and police in general was considered as one of the most corrupted state institutions. According to SPD high official, the income from the non-state actors was not on the disposal of the SPD and money from “special funds” was used in anything but development of the Department. Even private security company owner pointed that: “Government was successfully using SPD as comfortable/friendly Department for corruptive arrangements. SPD officials were involved in corrupted dealings themselves: it was a common practice to make unregistered deals with customers, as well as charge them more than defined in the contracts.”

In 2005 SPD was once again re-registered. It became a Legal Person of Public Law (LPoPL)²⁵. Re-establishment of the SPD as LPoPL gave greatest advantage to the Department to develop: it granted financial independence to the agency. The new status enabled the SPD to have own budget (separate

²⁴ Interview with respondent A1.

²⁵ Legal Person of Public Law is a special status given to entities established by the state to accomplish public objectives and functions that are outside of the competence of the state bodies. They can be established by a special decree of the President of Georgia, or administrative act issued by a state body (see Articles 5 -9, the Law of Georgia on Legal Person of Public Law).

from state or MoIA), charge for services and carry out own expenditures. Though it remains as non-for-profit organization it has legally guaranteed freedom in allocation as well as in spending. The major limitation faced in financial terms is that the SPD has no right to generate “profit”: all leftovers from the income, after covering all costs, have to be reinvested in its own development. Otherwise generation of profit can become a legal base for its liquidation (Article 9, Law of Georgia on Legal Person of Public Law).

Currently the SPD is a largest department within MoIA structure. SPD officials argue that with 13 800 employees all over the country it composes almost 40 per cent of the MoIA. Its staff members are considered public officials/policemen and are subject of the Law of Georgia on Police. The SPD is one of the most fast growing state agencies with 20 per cent annual growth in income. It provides security services to more than 5 000 units including state institutions, banks, national and international companies, households, etc. While in general the SPD is self-financed, it has a special unit that is supported by the state budget: Department of Diplomatic Mission Security. It is responsible for providing security services to diplomatic missions to Georgia for free. This is the obligation take by the Georgian government under the Vienna Convention and executed through the SPD²⁶.

The SPD transformation from corrupted state agency to successful market provider started after its re-establishment as LPoPL. Deputy chairperson of the SPD noted: “It was decided in MoIA to re-register SPD and Police Academy as LPoPL. I guess the authorities wanted to use the successful experience of other agencies transferred into LPoPL, like National Agency of Public Registry, Civil Registry Agency. Of course there are differences, all of them are mainly funded by the state budget, while the SPD is entirely dependent on its own earning, but the point was to encourage development from inside”. According to the SPD officials interviewed during the field research, it was comprehensive and consistent changes within the SPD that made its transformation possible. In particular elimination of corruptive activities, establishment of effective management and successful image-making strategy were the baselines of the transformation.

Very first steps to fight corruption were through replacing high officials with young ambitious and motivated people, loyal to the government. Many agree that these changes were quite effective as it gave immediate results²⁷.

²⁶ It became responsibility of SPD after 2004. Before it was carried out by Diplomatic Mission Security Department under State Security.

²⁷ For more see Georgia Human Development Report 2008: The Reforms and Beyond, by UNDP at <http://planipolis.iiep.unesco.org/upload/Georgia/Georgia-NHDR-2008.pdf> accessed on November 8, 2009; article by Lili Di Puppò at http://www.caucas.com/home_eng/breve_contenu.php?id=191 accessed on November 6, 2009; speech given by Zurab Nogaideli, former Prime Minister of Georgia in Washington, DC on April 13, 2007 http://www.doingbusiness.org/documents/ReformersClub/NogaideliSpeech_07.pdf accessed on November 6, 2009.

Even representatives of private security companies (considering the SPD as their major competitor) admit that: “before reforms it was a big mess. Now there might be some corruption left on lower levels, but only looking at their pace of development, new cars, new equipment, best alarm system technologies, it is obvious that revenues are spent purposefully”²⁸.

One of the major changes initiated by the newly appointed management was to reduce bureaucratic procedures and decentralize administration: “we started delegating responsibilities to lower levels of our administration. Before chairperson was responsible for all decisions and all documents had to be signed by one person. That was creating a burden, was time consuming and we were wasting too much resources. It was kind of obstacle for our customers too. After delegating responsibilities to different administrative levels, we succeeded to raise staff motivation, make service delivery more effective and save our customers’, as well as our own time and resources”²⁹. In order to institutionalize strategic changes, the SPD established special units to carry out market studies as well as regular research of customer satisfaction. Though their capacity in the field is quite limited, the Department is starting to invest in this field as research results are paid attention while making strategic decisions.

PR was the other major issue where the SPD officials invested enormously. On the one hand their PR campaign was focused to break the link between newly transformed SPD and old corrupted one. The SPD policemen as well as policemen in general were associated with corrupted officials, usually known for creating problems than solving them. In order to change the public perception, SPD PR campaign focused on positive messages. They became sponsors of different sports competitions, TV shows. “while choosing TV show to become sponsors, our priority was a “light show”, meaning that it should not have been a political talk-show or any other heavy programme. That’s why we choose “Night Show” [a weekly comedy show]. It is one of the best viewed shows, and has very positive reaction in the population”³⁰. On the other hand PR campaign was aimed to develop new image of SPD as highly professional customer oriented institution. They started aggressive advertising of the products with the focus on well trained staff, best technology and equipment, price – sales and special offerings. Advertisements are aired on TV channels as well as in radios, different leaflets and information booklets are published and distributed, SPD staff members also conduct door-to-door campaigns to inform and recruit new customers.

Doubts on fair competition

It is important to notice that non-state actors, in particular private security companies and opposition parties are a bit sceptical toward “real” baseline of successful transformation of the SPD. They do agree that fighting corruption,

²⁸ Interview with respondent A1.

²⁹ Interview with respondent B3.

³⁰ Interview with respondent B3.

carrying out reforms in administration and image-making strategies were effective, though they consider other factors as crucial in guaranteeing the SPD success on the market. “It is a legal framework, in particular three laws: Law on Private Security Activities, Law on License and Permission Fees and Law on Firearms that guaranteed success of the SPD. These laws does not create environment for fair competition on security service market, they put the Department in privileged position in comparison to private security companies”.³¹ Moreover, some actors argue that the SPD is using other advantages of being state institution to influence its position on the market. These advantages include monopoly over providing security services to state institutions (ministries, libraries, museums, etc), and usage of young military servants as their human resources (guards). The salaries of these young people are very low and after charging customers the same fees as for professional guards, the SPD is generating very high revenue. Besides these relatively minor advantages, laws remain main concern of all non-state actors of the market.

The right to keep and carry firearms is among the most frequently discussed issues. According to the Georgian legislature carrying firearms is prohibited other than for staff members of specially authorized state institutions (MoIA, the Ministry of Defence, the State Security). This prohibition is also affecting private security companies. Law on Private Security Activities defines the arms that are allowed and can be on the disposal of private security companies are: cold-steel, teargas and electro shock equipment³². In comparison to private companies, the SPD has no such limitations and they enjoy freedom to use firearms as the equipment for their guards. Accordingly for customers prioritizing armed guarding, have no other choice than use services from the SPD thus putting private security companies in disadvantage position. One of the results of this limitation is that private security companies gave up competition on the body-guarding sub-sector of the market: “neither for customer, nor for us it makes any sense to provide bodyguards. It is impossible to neutralize armed threat without firearm. Attackers to a person are usually armed with guns, and in case you do not have at least the same weapon, all you can do is die, rather than fight for your customer. That’s why we and almost all other security companies decided not to provide body-guarding services.”³³

Limitation to use sirens on cars is another disadvantage for private companies. Before the legislative amendments³⁴ they enjoyed the right to have sirens on company cars and in case of emergency violate traffic regulations. As far as this right is only limited to police, ambulance, and army, private security companies cannot guarantee their customers to provide prompt response on emergency call. “We have obligation to be on the spot within 4-5 minutes after

³¹ Interview with respondent A7.

³² Article 2, the Law on Private Security Activities.

³³ Interview with respondent A1.

³⁴ It is referred to the changes carried out in 2004.

an emergency signal. With no privilege to violate traffic regulations, it is quite challenging”³⁵.

Extremely high license charges and bank guarantees are usually next on the list of complains. The LLC seeking the license to deliver security services has to pay 50 000 GEL (USD 30 000) fee and present 200 000 GEL (USD 120 000) bank guarantee³⁶. There are different views around this issue, some argue that it finally put an end to the mess on the market. Before security service delivery was not licensed activity, many small companies and charlatans were operating undermining the overall image of security companies. These companies were re-registering annually to avoid taxation, were hiring guards for 3 months probation, than firing them without paying salary. Accordingly their charges for services were extremely low (also low quality) thus damping prices and creating distortions on the market.

Though licensing put positive regulatory frame on market behaviour, number of actors argues that fees are extremely high. It is high in comparison to both: other local license fees and charges for security services in other countries. For instance, 5 year license to provide security services in Estonia equals USD 335, in Moldova – 520, Ukraine – 75, Russia – 50³⁷. Moreover, in order to start a bank in Georgia one needs to pay 500 GEL (USD 298), 100 to 200 GEL (USD 60-120) for construction company and 15 000 GEL (USD 8 928) for oil company³⁸. The 200 000 GEL (USD 120 000) bank guarantee is also considered as unrealistic amount. “In order to present 200 000 GEL (USD 120 000) bank guarantee you have to present almost 700 000 (USD 415 000) or even 800 000 GEL (USD 476 000) property liability to the bank”³⁹. In practice all these high fees are translated into reduction of suppliers on the market. Many small companies were not able to pay license fees or failed to present bank guarantee. Number of medium-size companies merged to combine resources and save their place on the market. Even the biggest private companies admitted that it was a challenge for them and mentioned that these charges will restrict entrance to the market. “Not many businessperson will make his/her mind to join the market. It needs high investments, profits are expected only after 3 years, entrance fees are enormously high and even license does not give any special rights – right to carry firearms, use sirens on the cars, etc”⁴⁰.

The other complain to the legal framework is that the SPD is a supplier on the market and at the same time responsible for control over execution of legal requirements by its competitors – “a classic case of interest conflict”⁴¹. The SPD has legal responsibility to monitor the work of private security companies and private security companies are obliged to provide regular reports of their

³⁵ Interview with respondent A2.

³⁶ See Article 3, the Law on Private Security Activities.

³⁷ Data is provided by respondent A7.

³⁸ See Article 7, the Law on License.

³⁹ Interview with security company A7.

⁴⁰ Ibid.

⁴¹ Interview with Vakhtang Khmaladze, Republican Party (respondent C1).

work to the SPD. Moreover the SPD has the responsibility to press charges in case of violation of norms defined by Law on Private Security Activities. Major suppliers of the market admit that so far the SPD has never abused its power or somehow purposively applied it to damage its competitors. According to a representative of private security company: “after the Law has been adopted, chairman of SPD invited us [meaning major suppliers of the market, L.S.] on the meeting and quite frankly admitted that the SPD has no interest to oppress private companies. Moreover, they do recognize our special place on the market and are not going to limit or somehow win it over”.

Member of Parliament of Georgia as well as officials in SPD admit this flaw in the Law, though do not consider it as a serious problem. They argue that decision was made because of scarce resources. One of the authors of the Law, MoP said: “if we were supposed to create a special unit to control private security companies under the supervision of MoIA or the Ministry of Justice, it was going to cost us too much. Here we have the SPD which already is in the field, is experienced and has enough resources (whether financial or professional). Accordingly we assigned monitoring functions to the SPD”. In contrast to government officials opposition leaders and number of private security companies, consider it as enormous threat: “It is a bomb put in the system. The fact that current officials are not blowing it up, does not guarantee us that after they are changed it will not be used against us. We should not be depended on a good will of high officials”.⁴²

⁴² Interview with respondent A7.

Chapter 3

Three stories of transformation

During the research different opinions and motivations were expressed by interviewees in relation to the transformation of the SPD and adoption of the Law on Private Security Activities in the fall of 2008. Based on the points expressed by interviewees, it was possible to accumulate them and develop different narratives that illustrate processes developed on different arenas of policy making. All of them have its own rationale, though it is difficult to argue which of those best represent the truth. After thorough assessment and evaluation of the information given by different actors: why they gave the story they did, why they formulated it the way they did – it is possible to group them and develop three stories.

Each of the stories is based on different theoretical principles and assumptions. They have different angles from which they try to understand and explain developments around the SPD transformation. In particular, they look at different arenas of decision making and policy formulation assessing motivations, objectives and interests involved and their power-relations. To make analyses comprehensive, three different frameworks are developed, based on and resembling the principles of Allison's study of the Cuban Missile Crisis presented in his impressive book: *Essence of Decision*. Allison tried to understand and explain decisions made by Soviet and US administrations in October 1962. The complexity of the event pushed him to analyse different arenas of decision making and policy formulation in these countries. He used three different levels of analysis showing that explanation of social events with only one perspective is insufficient. Separately they might give some sort of explanation, and even can be used for predictions, but they will be superficial neglecting major points shaping the development. Social events are more complex than a single theory, analytical framework or perspective can illustrate, accordingly application of several seems a simple way out.

Looking at the same event, from different perspectives is baseline of the analysis of the case and this chapter. Each sub section starts with short overview of the academic works demonstrating theories relevant to the perspective around which narrative is developed. With identification of major theoretical principles and assumptions the starting point for each story is defined. Also the specific questions are formulated at the end of each framework to structure the narrative. For illustrative purposes, stories are introduced with citations from Allison's (1971) book introducing chess play from three different perspectives to metaphorically explain the main assumptions used in the analysis.

3.1 Story one: Strong and capable state

State – driver for change

“Imagine a chess game in which the observer could see only a screen upon which moves in the game were projected, with no information about how the pieces came to be moved. Initially, most observers would assume that an individual chess player was moving the pieces with reference to plans and tactics toward the goal of winning the game” (Allison, 1971).

When looking at and trying to analyze reforms and/or policy shifts in a country the first institution to look at is the state. Moreover, when a country is going through a state-building process it can be assumed that the state is a major force driving the change. Accordingly *state* is the first answer coming to mind to the questions: who did initiate, plan and steer the reform?

The policy making arena that the following narrative will try to look at is based on state-centric perspective. It assumes that though considering public policy as a game with only one player – the state, is quite naïve, it still remains as major and most autonomous one with the right to make final decision. Accordingly the perspective relies on the “statist” or state theories that consider state as the centre of the policy development process. It will follow the definition of Hall (1993) who combines one type of state-centric theories and suggests that “policy is generally made by public officials operating with considerable independence from organizations like interest groups and political parties that transmit societal demands” (Hall, 1993). Moreover, he refers to Sacks and argues that states exercise “substantial autonomy” in formulating policy goals (Hall, 1993). Even Evans (1992) discussing problems and solutions embedded in state as an institution involved in development, admits that state “remains central to the process of [. . .] change”. Moreover, he argues that even economists and those believing in market forces admit the essential role of state in the process of structural transformation, though “restricted” (Evans, 1992). Migdal (2001) is also among those examining state as a driver of change. His scope of analysis is more concentrated on central interest of the state: to expand its power and maximize autonomy (Migdal, 2001). In this perspective to explain state behaviour with rational choice model seems quite eligible.

As far as Allison (1971) developed comprehensive analytical framework to apply rational choice theory while explaining state behaviour, it will be used as a pillar for this perspective. Though Allison’s model is designed to explain state behaviour on international arena, with minor modification it can be adapted to intra-national environment. The fundament of the perspective is that humans are rational actors. Some refer to them as “economic men”, where “economic” has the meaning of “rational” (Simon, 1955). They are purposive and intentional; and have a clearly defined hierarchical system of values and preferences (Simon, 1955; Friedman and Hechter, 1988; MacDonald, 2003; Kitschelt, 1986). This system guides the actions of a human to reach the “highest attainable point of his preference scale” (Simon, 1955) with minimum effort. These

three aspects (a. being rational, b. having hierarchal system of values and c. trying to gain maximum satisfaction with minimal costs) are considered to be the major principles of the theory.

Application of the rational choice theory to the behaviour of social groups, entities, organizations, state, etc is often questioned. The theory was initially developed to explain individual human behaviour with no ambition to broadening the scope to social groups. Scott (2000) mentions that social structures cannot be reduced to the actions of particular individuals and refers to Parsons, who was the first to challenge the theory and its application to social behaviour.

Regardless of radical differences in opinions among political scientists rational choice theory remains one of the most widely applied theories to study “issues as diverse as voting, intralegislative bargaining, political party organization, social movements, nuclear deterrence, the origins and effects of international institutions, and theories of justice” (MacDonald, 2003). Moreover, almost everyone, whether supporters or critics of the theory, agrees that it offers the simplest and most powerful way to explain and predict social events (Friedman and Hechter, 1988; Tversky and Kahneman, 1986). Accordingly, its application to analyze behaviour of social institutions, and in particular the state, is quite common. For Allison (1971) too, the above mentioned confusion is minor. He chooses the general concept of “rationality”⁴³ and applies it to the state in order to explain its behaviour.

In the Rational Actor Model of Allison (1971), in the International System Theories of Kitschelt, and in the analysis of transformation of post communist countries in South and East Europe by Schimmelfennig (2000), the state is considered as a unitary rational actor. It is a self-interested, egoistic institution that chooses “the behavioural option which promises to maximize their own utility” (Schimmelfennig, 2000). Assuming state being a unitary actor is often questioned, though political environment of Georgia during the SPD transformation provides enough bases to consider it so. Public sector reforms, including SPD transformation is driven by strongly consolidated ruling elite. It is consolidated as it is composed by members sharing common ideology, experience and aspirations. Moreover, decision making process in the elite is quite centralized and the power is concentrated in small group established around the charismatic leader.

The final dimension of this perspective refers to the public policy making process and understands it as a “planning process”. It is based on the discussion of the importance of planning for rational actor by Bratman (2000) and argues that the key for policy making is goal, aim, aspiration. Policy is a part of a general plan that directs actors’ efforts to meet goals and aspirations (Bratman, 2000). In most cases it is a problem that needs to be solved. Accordingly, policy is a part of means-end relation, where goal/solved problem is an end and actions, initiated by the policy, are means to get there.

⁴³ “Rationality refers to consistent, value-maximizing choice within specified constraints” (Allison, 1971).

To summarize the dimensions of the *statist* perspective and present the starting points of the first arena of policy formulation it will be assumed that: 1) states are unitary actors; 2) states are rational actors; 3) states have hierarchical system of preferences that motivate their actions; 4) states are major actors of the policy making process; 5) policies are developed based on thorough study of the problem, development of all possible alternatives and choosing the best option considering cost-benefit relation. The questions that the following story will try to answer are: 1) what was the problem; 2) what were the values applied to approach the problem? 3) what were the alternatives; and 4) how did the state respond to the problem?

State interests come first

The story explains the developments in Georgian security service market and, in particular, reforms in the SPD as a primary achievement/responsibility of the current administration. Relevant legislative amendments as well as strategic changes in public administration are considered as a part of an overall state building plan introduced by the administration. The story is based on understanding the state as an institution to create and secure a liberal environment for the market to generate growth. This belief is a dominant political stance in current Georgian government and can be considered as a system of values defining state priorities and actions.

The case of the SPD falls in two major responsibilities of the state: ensuring national security and encouraging economic development. On the one hand the aim of the state is to ensure security for its citizens, so that they feel relatively safe from any kind of intrusion (whether national or international). On the other hand it is important that state creates a friendly environment for economic growth through encouraging free market transaction as it is believed to help solve a number of burning social problems. These aims as well as policies toward reaching them were developed in accordance with a liberal system of values/preferences dominating the administration: the state guaranteeing security of markets and regulating markets to ensure equality, also being open to involvement in case of market failure.

Accordingly, one pillar of transformation that affected the security service field is related to the foremost priority of the state - internal security and establishment of rule of law. Georgian state as a rational actor and “power maximizer” tried to re-claim monopoly over the use of violence and effectively control “misuse” of firearms in society. After the wars in Abkhazia and South Ossetia and the civil war in Tbilisi in the early 90s, different weapons were widely dispersed in society. A number of special police operations were held to reveal and seize unregistered weapons. To prevent repetition/re-occurrence of the early 90s events, the state imposed strict regulations on the right to keep and carry firearms. These restrictions were also imposed on private security companies as providing a legal base for the establishment of large armed groups was considered a threat to state security.

Parallel to overall state security aspirations, adoption of the Law on Private Security Activities is also part of a general state policy to regulate and

guarantee equality on the market, as well as protect the rights of (1) providers, (2) customers and (3) employees. According to the authors of the law above mentioned reasons combined with “motivation to improve tax collection environment”⁴⁴, motivated them to initiate legislative changes. They argue that fraud was a common practice in this field: a company registering and regularly re-registering to redistribute profit and escape paying profit tax. These companies were not only involved in tax fraud, but also creating market distortions through exploiting staff members, damping prices, and escaping responsibilities taken vis-à-vis customers. Thus, lack of regulation was causing direct or indirect damage to customers as well as to suppliers and job seekers. “We were thinking that all these flaws would be finally regulated by market forces: supply-demand relation. But that did not happen and that’s when we decided to intervene.”⁴⁵

Non state actors who believe that the success of the SPD and recent legislative amendments became possible due to a consistent state policy, point out other motivations rather than security or market regulation issues. Their point of view mainly falls under the motivation of state to maximize its autonomy and power described by Midgal (2001) in *Strong States, Weak States: Power and Accommodation*. One of the representatives of private security companies involved in this sector for more than 10 years, mentioned that national security is just a good cover for other political and economic motivations. Thirty or even 100 security companies, having the right to carry and use firearms can never endanger a state having well-trained police and army on its disposal. Even the argument of security companies having potential of becoming a shelter for organized criminal groups is not acceptable. “This is the argument for those who never worked in the police force. While chasing organized criminal groups, the most difficult part of the investigation is to find links between suspects and identify their relations. For that you need tons of time and money: spying, listening to phones, etc. Accordingly, when you have an officially registered entity, their control and identification is much easier. You have the MoIA, the Ministry of Finance and other state agencies monitoring their work”⁴⁶.

The owners of relatively small private security companies, consider current developments as a result of state capture by the ruling party and misuse of state agencies to control and weaken opposition parties. It used to be a common practice for Georgian political parties to use private security companies’ employees for different party activities. They were called “zonders” – a group of young physically well-trained people, who are ready to “be aggressive” during demonstrations or other rallies if needed. “By having an effective control tool [meaning the SPD] over private security companies, the state can keep them away from involvement in political life. In case they identify staff members of any concrete security company as being involved in those rallies, they can use sanctions afterward”. On the one hand this is a positive development as it lim-

⁴⁴ Interview with Zaza Gelashvili, Member of Parliament (respondent B4).

⁴⁵ Ibid.

⁴⁶ Interview with respondent A7.

its violence in political disputes, but on the other hand it violates the rights of expression for private security companies' staff: "in order not to be seen at a demonstration, we ask our staff members not to participate, even though as citizens they might agree with it"⁴⁷.

Social and economic motivations are also mentioned by SPD official and opposition party representative. The SPD is a state agency with relatively high income. As far as security market is considered growing, the SPD's income is believed to rise accordingly. Opposition party member considers the SPD's economic aspirations quite dangerous: "the state is not an enterprise; it should monitor and control them, and not behave like one. Here we have the case of police having a commercial organization as its department with an extremely high income. Police is an institution that has to be financed by tax payers' money and has to be accountable to them and not to discrete customers"⁴⁸. Nevertheless the SPD officials deny pure economic motivation and put focus on social responsibility of their Department as state agency. As mentioned above, the SPD is the largest department in the MoIA structure, consisting of 40 per cent of its total staff. Any radical changes in the SPD, mainly a decrease of its staff number, might have severe social consequence, on top of those already caused by the firing of 50 per cent of the police officers as a result of MoIA's reform. "In case we were a profit-oriented institution, I would have initiated firing a big part of our human resources. But we do realize our social responsibility"⁴⁹.

The question to which the case fails to give a clear-cut answer is related to the alternatives. No alternatives to the policies implemented, besides of "doing nothing", were mentioned in interviews with public officials. The general impression from the interviews was that the policy has been developing throughout the years based on the experiences of other initiatives carried out by the previous administration. For almost all officials interviewed, the path chosen by the state was not surprising as it was in accordance with its value system and reflected the general line of the strategy. It is reasonable to assume that not many alternatives were discussed based on the above mentioned ideological, social and resource constrains. The state was responding to the challenge while under pressure of a serious lack of professional and financial resources as well as time. Opposition parties and other interest groups also assume that no alternatives were discussed when changes were adopted. They themselves have different perspectives on how to improve the security service delivery field, though none of them were considered or even shared.

⁴⁷ Interview with respondent A5.

⁴⁸ Interview with respondent C1.

⁴⁹ Interview with respondent B3.

3.2 Story two: Institutional fight – bureaucracy rule

Bounded rationality of bureaucratic elite

“A pattern of moves can be imagined that would lead some observers, after watching several [chess] games, to consider an assumption: the chess player might not be a single individual but rather a loose alliance of semi-independent organizations, each of which moved its set of pieces according to standard operating procedures” (Allison, 1971).

The policy formulation arena that this perspective is looking at is relationships between state organizations. It assumes that policies are formulated as a result of inter-organizational bargaining. Thomas and Grindel (1994) refer to it as a conflict in bureaucratic arena that has an influence on the outcomes of reforms. Organizations are important because they form government; are semi-feudal social structures, pursue relatively specific goals and have life of their own (Allison, 1971; Hesterly et al, 1990). The analytical lenses that this part of the paper is suggesting to develop is based on the principles of organizational and bureaucratic theories. This perspective mainly follows the analytical line developed by Allison, fulfilled with other assumptions expressed based on his thoughts.

Allison himself, names this analytical framework – Organization Process Model, and bases his argument on assumption that though governments make major decisions on policy strategies, it is state organizations that actually finalize and carry them on. Actions taken by the state can be understood as “outputs of large organizations functioning according to standard patterns of behaviour” (Allison, 1971). The definition of bureaucratic theory that this perspective will follow was formulated by Krasner (though he himself had serious doubts on its applications):

“It is exceedingly difficult if not impossible for political leaders to control the organizational web which surrounds them. Important decision result from numerous smaller actions taken by individuals at different levels in the bureaucracy who have partially incompatible national, bureaucratic, political, and personal objectives” (Krasner, 1972).

This statement combines all major principles of bureaucratic theory. The foremost is a failure of political leadership to control and impose policies on public offices. Heywood (2002) says that the problem of control of bureaucratic power is the most pressing contemporary problem that “no political system has found easy to solve”. The crucial point of this principle is that bureaucracies possess power. Power is generated from different sources: their strategic position in the decision making process, control of knowledge/expertise and information, continuity of holding office. In other words, bureaucrats specialize and generate expertise in the field relevant to a state organization they work for. This mainly happens due to the fact that they have a day-to-day focus on the issue and time to upgrade experience in contrast to

political leaders they stay in office longer than electoral terms. In addition, bureaucrats have a strategic position in the decision making process. They are advisors to political leaders on policy issues and even have a monopoly over providing them with relevant information (Heywood, 2002; Peters, 2001; Nonaka, 1994; Long, 2001). The latter gives them an unbalanced power to manipulate information based on which decisions are made, as well as to shape and push for favourable decisions. Heywood (2002) assumes that the power possessed by bureaucrats is not always deliberately used to manipulate political leaders and their decisions, but admits that their preferences' can significantly structure policy debates and outcomes. In contrast to Heywood, Peters (2001) is less naïve and more direct in his assumptions, and argues that bureaucrats can control the decisions made by political leadership. He advances his argument while discussing quasi-autonomous state organizations (developed as a result of reforms in line with new public management principles) and argues that it "provides the type of freedom for bureaucratic entrepreneurs to use their positions for advancing their own interests and the interests of their organizations" (Peters, 2001).

Other dimension of bureaucratic theory relevant to this perspective is linked to the motivations of senior bureaucrats while exercising their power over policy formulation process. This issue is elaborated by Wise in his article *The Public Service Culture*. He identifies three major categories of motives: affective, norm-based and rational motives. Affective motives are rooted in an individual's emotions and beliefs. According to this approach, people join public service because they love society and are eager to serve it (Wise, 2000). Normative-base motivation argues that public servants are motivated with the sense of duty toward society and loyalty toward the government; while rationalists argue that personal gain and need fulfilment is crucial when one decides to join public service (Wise, 2000). It is important to mention that when referring to rational motivations of bureaucrats, most scholars refer to the phenomena of gaining social status, power to participate in decisions, respect and acknowledgement. They have reservations over financial motivations as public offices are considered to be non-profitable. But in this perspective this reservation will not be applied, as, the SPD is an autonomous public agency exercising the freedom to manipulate with increasing financial resources under its disposal and channel its distribution.

The final aspect of this perspective is related to the policy development process. In line with Allison's Model of Organizational Process, it is assumed to be "bounded". The concept argues that the policy formulation is not linear and is far from "ideal" assuming that policy decisions are based on thorough study of the problem, development of alternatives and comparison of all related costs and benefits. On the contrary, policy formulation is a process where (1) problems they try to address are complex and impossible to solve with one policy; (2) not all possible alternatives are developed and best among them selected, rather the "good enough" is chosen; (3) bureaucrats involved in the process are surrounded by constraints (time, resources, capacity) and motivated with own interests (Lindblom 1959, 1979; Long, 2001; Forester, 1989).

These points together with the major characteristics of organizations presented above can be considered as our departing point to look at the second

story on SPD transformation. The questions that this story will try to answer are: which public offices were involved in the process? What were the emerging issues on stake? How did involved organizations respond to emerging challenges? What motives were directing bureaucratic elite actions?

MoIA the winner

This is the story stretching out over all actors involved in this field. It develops around MoIA and its competition with the State Security and private security companies. It suggests that the SPD transformation and all major developments around the security market were rather a struggle of one state organization for domination, than a well-planned state intervention. Most of the decisions were reactions to emerging needs and policy discussions shaped by the bureaucratic elite in MoIA. In other words it was a fight for dominance and maximizing influence won by one Ministry against other state and non state institutions.

The major battle that MoIA won in fight for domination was over private security companies. Soon after the security market started to develop, security companies were initiating drafting the law on private security and detective activities. They asked for the creation of legal bases for their existence and work, short-circuiting confusions around their rights or responsibilities: whether they have the right to use pistols, cold-steel, detain people, put on hand cuffs, etc. However, all their initiatives were facing serious resistance from MoIA. "There was a general fear that some well-organized, legally-based armed groups would be formed which could at any given point use their power against the state. This was very good argument - but not enough - to mask the real motivation: not to give space to competitors on the market"⁵⁰. Despite MoIA's resistance a first draft of the proposed law was introduced to Parliament in 1998-99. It passed two hearings but was never adopted. Majority of respondents interviewed during the research admitted that it did not pass into law because of effective closed-door bargaining carried out by MoIA.

All other attempts faced the same faith, and by early 2003 even public debates faded away. All draft laws were putting MoIA in a very uncomfortable position. On the one hand, they were creating a friendly environment for private security companies. Security service delivery is a quite profitable industry and MoIA did not want to lose and/or share income with private companies. On the other hand, all draft laws were combining security services with detective activities. The latter was the most important issue for MoIA as it was giving the same legal power to evidences presented by a private detective as over those presented by police (during court hearings). With these changes MoIA was losing its power and monopoly over security service delivery, as well as over investigation. Accordingly heads of the Ministry were determined to resist

⁵⁰ Interview with Vakhtang Khmaladze, Republican Party, (respondent C1).

any attempt to squeeze their space on the market and in courts, and to put them in the fragile position.

The third major issue for MoIA was - the right to train guards. According to the laws drafted in late 90s, all guards were supposed to be certified. They (whether serving for the state or for private companies) were obliged to go through special trainings and earn certificate annually or at least once in every two years. "MoIA and State Security Department could not find consensus over the training centre. It was going to be a new mass production factory - like a conveyer belt, with an extremely high income. It could have had 10 000 trainees/guards to host and certify annually."⁵¹

The Law on Private Security Activities with its current formulation put an end, at least temporary, to all above mentioned initiatives/challenges threatening MoIA's dominant position. The Law has been drafted and lobbied by *security service elite* composed by SPD's legal advisors and MoPs loyal to SPD⁵². Apart from some positive regulatory aspects, it institutionalizes SPD dominance on the market. It restricts access of private security companies to fire-arms, and establishes SPD as their control agency. Moreover, the Law says nothing about private detective activity, thus maintaining the monopoly of police to carry out investigations and present evidences to court. The only privilege that MoIA did not gain was the certification of guards.

Apart from the general organizational motivation to survive, expand and dominate policy debates, top officials from MoIA and SPD might have had a personal stake/interest in advancing their organizational positions. The first and foremost is financial interest. Though MoIA as well as the SPD are public non-profit institutions, SPD has a special status that gives it freedom to generate and distribute income. Its budget is not dependant on and limited to donations from state budget. It is determined by its performance on the market. In case SPD succeeds in advancing its position on market, it will generate more income, thus raising salary for bureaucrats involved. The other motivation - gaining power - is directly related to the SPD scope of work. The SPD is one of those institutions having the right of executing the purchase of large numbers of arms, and equipment and technologies related to security activities. This right and practice gives enormous political as well as military power to those bureaucrats directly involved in weapons procurement.

The third type of motivation, which can be identified in relation to the SPD transformation, is social status/respect. Considering police in general⁵³, and the SPD in particular, as effective state organization, raises public respect and toward its staff members. Parallel to this general tendency high officials enjoy more advancement in their social status. Heads of the departments, in-

⁵¹ Interview with respondent A2.

⁵² One of the initiators and authors of the Law was Member of Legal Issues Committee of Parliament of Georgia, former chairman of SPD.

⁵³ For more detailed information about public support and perceptions on police work see International Republican Institute's public opinion poll results of February-March, 2009 at: <http://www.iri.org/ge/eng/engmain.htm> accessed on October 21, 2009.

volved in relations with top customers enjoy having personal contacts with top managers of banks, national and international companies, diplomatic missions, etc; while those involved in leading PR campaigns establish close relations with TV celebrities, artists, sportsmen. Moreover, the power to decide which TV programs to sponsor, which sports competitions to organize, whom to involve in those competitions, when and where to air commercials, provides them with an access to non-bureaucratic elite from “financer’s” position.

The fact that MoIA is becoming more and more powerful institution is considered alarming. Though significant improvement of criminal situation and public satisfaction over the work of police is one of the biggest achievements of current government⁵⁴, the rising power of police is a concern repeatedly pointed out by opposition political parties. “This Law on Private Security Activities, as well as other reforms done in MoIA monopolizes all power in one institution thus creating a monster without alternative power to balance it. In case they misbehave there are no mechanisms or tools to stop them”⁵⁵.

3.3. Story Three: Power game

Playground for mighty

“The pattern of [chess] play might suggest to an observer an assumption: number of distinct players, with distinct objectives but shared power over the pieces, could be determining the moves as the resultant of collegial bargaining” (Allison, 1971).

The third narrative that will be developed around the Georgian security service market is based on most complex assumptions over policy-making in comparison to previous two stories. The baseline of this perspective is looking at policy formulation process as an arena of conflict, bargaining, negotiations between different state and non-state actors. Allison (1971) thinks that neglecting this point while explaining social events is naïve and best illustrates his point by citing James Forrestal, first Secretary of Defense of US administration (1947-1949): “you can no more diverse government from politics than you can separate sex from creation”. According to Allison, policy decision making process is a playground with multiple players called politics. Players have their own agendas and interests. Some of those interests match, while others oppose each other. Accordingly all players try to “pull and haul” so that governmental decisions as well as its actions are in accordance to their interests (Allison, 1971).

Allison (1971) bases these assumptions on the theoretical principles of “pluralist politics”. He argues that, policy decisions are not made by indepen-

⁵⁴ See Georgia’s Democratic Transition, 2007

⁵⁵ Interview with Vakhtang Khmaladze, Republican Party (respondent C1).

dent political leaders, on the contrary (1) they are made as a result of bargaining among different organizations and individuals involved in the issue, (2) everyone involved in the process are motivated by their own personal, organizational and/or national interest, and (3) they are positioned in hierarchal structure based on the power and resources they possess (Allison, 1971).

Together with the Allison's analytical framework, our perspective will be based on principals highlighted by the theories focusing on "policy networks". Definition of which applied in this paper will be the one suggested by Kenis and Schneider. It can even be considered as a summary of contributions made to the paradigm throughout 70s and 80s:

"Political networks are mechanisms of political resource mobilization in situations where the capacity for decision making, program formulation and implementation is widely distributed or dispersed among private and public actors. Policy network is described by its actors, their linkages and by its boundary."
(Kenis and Schneider, 1991; pp 41).

The major point of this definition is that players involved in decision making process are state and non-state actors. This argument is common for theorists favoring whether pluralistic or policy network perspective. The second point of the definition is *linkages* and *boundaries* of the political network that shapes the structure of actors' relations. For Kenis and Schneider (1991) these concepts are related to communication channels, information exchange, expertise, and mutual recognition that are not equally accessible for all those having a stake. In other words it refers to hieratical structure of policy formulation arena and differences in power possessed by the actors. The issue of hierarchy and power distribution among players is one of the major dimensions of Allison's analysis, as well as important point for almost all policy network supporters. The power and ability are unequally distributed and relationships between actors are asymmetric that shapes the contexts in which decisions are made (Forester, 1989; Smith, 1997). One illustration of it is that networks are highly restrictive – not all actors having a stake on the issue have access to it (Smith, 1997). Some use the word "exclusion", others "insiders" and "outsiders", to show that not everyone has a say in the network (Colebatch, 2002). Smith (1997) uses concepts of "core and periphery" and "primary and secondary" to describe the structural relationship between players and admits that there is also a "third layer of groups" that have a stake, but no representation. "Not all those with an interest in a policy question will necessarily have a place at the table, and even if they do, not all seats are the same" (Colebatch, 2002).

Allison (1971) considers unequal power distribution among players as a crucial point of the analytical framework and presents quite detailed elaboration on the sources of this power. According to him the major three ingredients of power are: (1) bargaining advantage, (2) skill and will in using bargaining advantage, and (3) other players' perceptions of the first two. Bargaining advantage itself include the following aspects related to the issue: control over resources, expertise, control over information, advanced interpersonal relations skills, etc. In following analysis of the SPD case the focus will be on financial and political resources, as well as status, previous experience (often referred as

“baggage”) and communication abilities as source of power for involved and/or excluded players.

Based on above illustrated theoretical discussion, the entry point of our case is combination of following assumptions:

- State actions are results of negotiations and bargaining between different players;
- Players are state and non state actors;
- State as well as non state actors are not monolithic, they act motivated by own interests that often oppose or contradicts others’;
- Players have different power and accordingly influence on outcomes of the negotiations;
- Players are hierarchically positioned based on the resources (political, financial, personal) they possess.

The questions that our story will try to answer are: (1) which actors were involved and/or excluded from the discussion/decision making process? (2) what were the interests and favorable outcomes pushed by actors? (3) what were the resources utilized by the actors? (4) what strategies were applied?

Money makes the world go round

The baseline of this storyline is that developments in security service market and transformation of the SPD are results of interactive process involving state (MoIA, SPD, Legal Issues Committee of Parliament of Georgia) and non state (private security companies, alarm system distributor company, opposition political parties, local and international NGOs) actors. As far as motivations and actions carried out by state actors are illustrated in previous sub-chapters, here main focus will be on interests and strategies of non-state actors.

Everyone in Georgian security market agrees that the security service delivery is quite profitable business. The annual turnover in the market is varying from 150 to 200 million⁵⁶ and for Georgian standards it is quite large business. Thus it is not surprising that interest of powerful business elite toward the field has been rising: “the market is already well established, supplier-customer relations regulated, so it is time to take over”⁵⁷. According to some market actors, the Law on Private Security Activities was initiated by 3-4 business group owners, who have close relations with high government officials. The idea was to draft law, so that only 3 or 4 largest companies will survive and take control over the market. The initial draft was stating 50 000 GEL (US\$ 30 000) as li-

⁵⁶ Rough figures are given by private security company owner, unfortunately in the interview the currency was not specified. As far as in most cases that specific interviewee was refereeing to Georgian currency, we might assume that here he refers to Lari.

⁵⁷ Interview with respondent A1.

license fee for 5 years and asked for 500 000 GEL (USD 300 000) bank guarantee, which was supposed to result in most of the companies closing down.

The fact is that the plan did not work. As soon as draft law was introduced for discussion in Parliament, relatively large private companies started negotiations with the authors – the SPD and Legal Issues Committee. They used personal linkages as well as techniques of “closed door” informal persuasion and succeeded to reduce bank guarantee from 500 000 to 200 000 GEL (USD 300 000 to 120 000) and make license permanent. As a result of those negotiations more than 30 companies “survived” the legislative amendments and maintained their status on the market. Owners of security and access systems distributors went even further. Through effective use of personal contacts and status (coming from previous job experiences), as well as expertise in the field and skills of persuasion, they succeeded to escape all legal constraints imposed by new law. As a result of informal discussions and formal exchange of argumentative letters the special decree issued by Parliament of Georgia released security systems distributor companies from the regulation framework of the Law on Private Security Activities⁵⁸.

In contrast to relatively large companies, small providers of services failed to ensure representation of their interest in decision making process. One might even argue that they were excluded from discussion: all of them were against adoption of the Law in its current formulation as it endangered their existence. Main cause of exclusion can be found in their failure to mobilize, organize and structure own argumentation. “They were just putting emphasis on the fact that many people will lose jobs and stay unemployed, which was not well supported argument”⁵⁹. Moreover, they refused to use the most effective channel of influence that “outsiders” usually apply – going public. They asked opposition political parties and NGOs to address the issue, while trying to stay in shadow and remain anonymous. “Representatives of several private security companies came to us separately and asked for help. We expressed our positive attitude and suggested to organize public debates including experts and media. But they refused”⁶⁰. As a result of limiting complains and objections to the principles of the Law within own community, small providers of the security services failed to gain license to continue operation on the market, and only few survived after joining its resources with other companies.

Most of the opposition parties and relevant NGOs (including Georgian Young Lawyers Association and Georgian office of Transparency International) neglected the developments on the market and legislative amendments stating that it was not among their priorities. They remained reluctant even after being specifically addressed by representatives of private security companies. “Only Labour Party made a small public statement on TV based on our com-

⁵⁸ Article 2, the Law on Private Security Activities.

⁵⁹ Interview with respondent A7.

⁶⁰ Interview with Vakhtang Khmaladze, Republican Party (respondent C1).

plain. But it was not well formulated and was in line with their general populist remarks”⁶¹.

Regardless of some negative changes on the market and affects of the Law, pluralism of suppliers on the market has been maintained. But some market actors, mainly those believing in “conspiracy theories” think that the battle is not over yet. Moreover, they argue that it is on its starting point. Small group of powerful private entrepreneurs with links in government still are in a position to radically change situation on the market. The Law put private companies under the control of the SPD and established on the first glance insignificant sanction mechanisms. While monitoring the work of private companies, the SPD can put fine on them in case guard does not have special ID card issued by the SPD; is not wearing a jacket as a part of uniform and etc. “These things happen often, sometimes guards forget to bring their special ID cards on duties, or they take off jackets because it is very warm). And if that happens 5 times within a year, they have all legal bases to terminate our license”⁶². In other words as soon as there is a “will”, the SPD can eliminate all its competitors within few months. Moreover, if there is the “will” and “push” state can introduce minor changes in legislation, make private security companies eligible to carry firearms and then privatize the SPD. This scenario is more gradual, less painful and accordingly less visible. Those who believe in this story, admit that the chance of it happening is quite low during coming few years: “As long as current Minister of MoIA is in the office, he will never let to privatize the SPD. He understands the importance of power and resources coming from this Department. But it can happen any time he is gone”⁶³.

⁶¹ Interview with respondent A6.

⁶² Ibid.

⁶³ Interview with respondent A1.

Chapter 4

Conclusion

Presented paper had an ambition to contribute to the wide academic discussion over public sector reform with the focus on countries in transition. More specific objective was to find an interesting case and analyze it in order to identify crucial points and characteristics that play important role in the transformation process. It was also assumed that the findings of the paper could contribute to clearer illustration of achievements, challenges and constraints faced by Georgian state since fall of Soviet Union, thus drawing lessons for Georgian as well as other countries' public sector that find Georgian experience relevant.

To fulfill the ambition the paper was concentrated on a case of Georgian Security Police Department reform as interesting and controversial example of "successful" transformation. The SPD case was introduced in relation to security service delivery market development. The first part of the paper was focused on describing the context in which transformation has been carried out. Changes on ideological, political and sector level were presented followed by overview of history, characteristics and legal framework of the market. The descriptive part of the paper was finalized by presentation of reforms carried out in the SPD. While changes in the SPD have been taking place since its establishment in early 1960s, the focus of the paper was on the radical reforms initiated and implemented from 2005. Illustration of transformation in the SPD made obvious the controversial issues related to it. In particular it revealed existence of different perspectives of causes, reasons and motivations behind the transformation. Accordingly this last point has been chosen as a focus for analysis developed in following parts of the paper.

Three different perspectives were applied in order to understand what triggered the SPD transformation and major developments in security service market. These perspectives were developed in line with the Allison's (1971) analysis of Cuban Missile Crisis of October, 1962. Need for looking at the same facts from several different angles derived from the complexity of the issue. Thorough analysis of the occurrences around the SPD is difficult to fit in one narrative, as chance to lose crucial points is very high. Allison was one of the innovators of using different perspectives to understand and explain social events and it was repeatedly applied afterwards. Even some scholars, whose works are referred in this paper (Forester, 1989; Kitschelt, 1986; Astley and Ven, 1983) are addressing different theoretical and analytical frameworks to express (1) complexity of social occurrences, (2) impossibility to develop perfect practically applicable theory (that is why all of them are ideals and distant from reality, thus imperfect), and (3) illustrate all major points they think are relevant for analysis.

All three perspectives are looking at different arenas of the policy formulation. They are developed on different theoretical principles, but they are not contradictory. Moreover, they complement each other and as Forester (1989) puts: they are cumulative. All of them try to answer what, when, why, who and

how questions related to the reasons, causes and triggers of the transformation. The first perspective tried to look at the reform from state-centric perspective and focus attention on state actions and decisions assuming that it is dominant actor of policy formulation process. The second perspective introduced dimension of organizations and bureaucracy as important players of decision making process having influence on all levels of policy making process. The second perspective asked questions directed to motivations of bureaucratic elite while shaping policies and pushing decisions in accordance to their interests. The third perspective widened the scope of analysis and included non-state actors. The last story was based on assumption that state organizations are not alone in policy making process, on the contrary, they are surrounded by a space where game of politics is played. In other words agenda setting, policy formulation, decision making and implementation is carried out as a result of negotiations and bargaining carried out between number of public and private actors.

Applications of different perspectives as well as general conclusions derived from them are not new for academic world, though done infrequently. The complexity of public sector reforms in countries in transition have been widely addressed and following statements are quite common: (1) when analyzing transformation one should look at settings; history; contexts; actors; motivations and interests of actors; resources and tools available for actors to advance their interests; dominant ideologies; political culture relative to the case. (2) Reforms cannot be repeated as all above mentioned factors are important and their coincidence only in a specific time period can result the same outcome. (3) Experience of different public sector reforms can serve as a general guideline rather a specific blueprint to be repeatedly implemented. The SPD transformation overview made it obvious that Soviet experience, domination of liberal ideology in political debate, and current political culture determined the development; while multi-actor involvement and hierarchal division of power among them shaped the security service market in Georgia and the SPD transformation in particular. Accordingly presented paper in general can be considered as just one more prove or illustration of these axioms already establishing mainstream in public administration studies.

Parallel to general conclusions that can serve as a check-list for other sectors and countries, the specific conclusions concerning the SPD might be an interesting point for Georgians to consider. The SPD is fast growing institution with large human and financial resources. Its power has been increased by recent legislative changes, creating foundation for it becoming a classic monopoly on the market. Any misleading in the market or any failure will be blamed on the SPD and the state, which may jeopardize all other achievements (decreasing corruption, improving services, etc). Creation of anti-monopolistic or other mechanisms to balance the SPD power might become a priority in further actions to be initiated.

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Annex I

List of interviews

In-depth interviews were conducted as a part of field research carried out in Tbilisi, Georgia in July, 2009. Interviews were conducted in person with audio recording. Most of the interviewees asked for keeping their identities anonymous, accordingly the list of interviews presents only codes used in the paper to identify the sources.

For better illustration and identification means, interviewees are grouped in three:

(I) Representatives of private security service and alarm system distributor companies – **Group A**

A1 – owner of the company, interview conducted on July 16, 2009.

A2 – director of the company, interview conducted on July 21, 2009

A3 – owner of the company, interview conducted on July 17, 2009

A4, A6, A5 – co-directors of the company, joint interview conducted on July 22, 2009.

A7 – director of the company, interview conducted on July 22, 2009.

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(II) Representatives of state institutions: the SPD and Parliament of Georgia – **Group B**

B1 - SPD official, interview conducted on July 10, 2009.

B2 – SPD official, interview conducted on July 17, 2009.

B3 – SPD official, interview conducted on July 20, 2009.

B4 – Zaza Gelashvili, Member of Parliament of Georgia from United National Movement, interview conducted on July 23, 2009

(III) Representatives of civil society – **Group C**

C1 – Vakhtang Khmaladze, Republican Party, interview conducted on July 27, 2009.

In addition to interviews conducted in person, small telephone consultations were also carried out throughout the research. In particular telephone interviews were conducted with representatives of the MoIA's Analytical Department, Georgian Young Lawyers Association, Transparency International Georgia, and Delegation of European Commission to Georgia.