

# IMC Implementation in Georgia



Ministry of Regional Development and  
Infrastructure of Georgia

*July, 2016*



# Legal provisions related to IMC

- Article 21 of organic law - Local Self-government Code
  - Municipalities are allowed to create joint organizations (LLC, non-commercial entities, PPP) and the rules for their functioning are defined (articles 20, 21, 106<sup>1</sup>)
- Municipalities have other mechanisms of cooperation too – Regional Advisory Councils
- Government encourages implementation of joint projects by municipalities – *from the state fund for regional development, Village support program.*



## Key Issues Related to Efficient Service Delivery in the Process of Decentralization

- Service Delivery Aggregation and Economies of Scale
- Achieving Financial Sustainability in Utility Management



# Service Delivery Aggregation and Economies of Scale

- Economy of scale is critical consideration due to capital and staffing needs;
  - E.g. served population greater than 100,000 is economically efficient in water supply sector.
  - Most municipalities in Georgia are well below 100,000 as total population.
- Increased aggregation of service areas, while still maintaining shared local government ownership is preferred.

## Examples of Aggregation Initiatives in Similar Developing Countries - Water supply sector

Country	Area (Sq. Km.)	Population	Municipalities	Utilities
Romania	238,391	21,300,000	42 Regions 319 Municipalities	Target 42
Bulgaria	110,994	7,364,574	28 Regions 264 Municipalities	Target 28
Kosovo	10,908	1,700,000	7 Regions 30 Municipalities	7



## Examples of IMC in practice

- Rehabilitation of the local roads connecting two municipalities
- Shelters for homeless dogs
- Education/sport services (special education, swimming pools etc.)



# Are Georgian municipalities ready for inter-municipal cooperation and corporate governance?

- Despite the rational and fact-based realities of economies of scale is frequently reluctance, amongst local government officials, to move toward aggregation as a better structure for cost-effective service delivery.
- Some doubts is due to a lack of confidence in receiving fair treatment in a “collective arrangement”, particularly when a municipality is small compared to the other municipalities being served by the aggregated entity.
- The loss of the authority to provide political patronage employment for whatever reason.



## Following Steps

- Draft law on water supply and sewage under development
- To ensure in-practice implementation of the mechanisms put in laws





**Thank you!**