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**STRENGTHENING INSTITUTIONAL FRAMEWORKS FOR LOCAL GOVERNANCE PROGRAMME
2015-2017**

**STUDY
MAPPING THE OBSTACLES TO INTERMUNICIPAL
CO-OPERATION IN GEORGIA**

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Introduction

A modern system of self-governance is unlikely to function effectively without inter-municipal cooperation (IMC). Various spheres of public service require the existence of both minimal standards as well as the critical mass of service recipients and beneficiaries. These services vary across their content and character. For instance, even a small community of few hundreds (including children population) suffices for a pre-school education facility to run and function while a fire safety service operates more effectively in large settlements (with several thousand residents).

Regardless of the size of municipalities (population and area) they may be too large for the delivery of certain types of services and too small for others. Therefore, there is often the need to establish coordination between municipalities to the extent which will enable them to overcome challenges together where individual efforts cannot take effect.

Based on the above said, inter-municipal cooperation (IMC) can easily be viewed as an alternative of the vision which seeks mechanical amalgamation of small municipalities to create the required minimum demand for specific services.

Georgia has just started to make steps forward towards effective decentralization, as considerable part of the public and the political elites started to see the problems inflicted by the overly centralized system, which has failed to adequately respond to the local needs and provide quality delivery of services at a local level. In the light of intentions to devolve part of central authorities' competences to local self-governments, the implementation of inter-municipal cooperation is becoming increasingly important.

CHAPTER I. LOCAL SELF-GOVERNMENT IN GEORGIA

1. General frame of LSG in Georgia

A. History

While characterizing Georgia's local self-government system, the country's administrative-territorial arrangement must be first examined.

The country's territorial organization is still an ongoing process. The following section of the paper provides a brief overview of the development of the country's territorial organization:

Historically there were two levels in Georgia:

- The first level - town/city, borough, village and community (a union of several small and medium size villages) - there are more than 4.5 thousand on the Georgian territory;
- The second level - historical regions which represented either independent political units or administrative units of the unified countries at different times - 10-15 such entities on the modern territory of Georgia.

After the annexation of Georgia by the Russian Empire (since 1801) 25 *Uyezds* were established on the basis of historic provinces (including 18 within the internationally recognized boundaries). The first level of the local self-government consisted of self-governing towns (since the 1860s) and village communities with election based governance system and competences.

It was at these two levels that the first national municipal elections were conducted in 1919 during the Georgian democratic republic (1918-1921). However, the development was suspended as a result of the occupation of Georgia by the Soviet Russia (1921) and the country's accession to the Soviet Union (1922).

The year 1930 saw the introduction of a *Rayon* level throughout the Soviet Union. *Rayons* were smaller than regions and the need for their introduction was brought about by the requirements of the Soviet system:

- Economic functions - as the State was the sole owner of the economy, a *rayon* leader (a secretary of the local committee of the Communist Party) acted both as a head of administration and a manager of the economy;
- The exercise of a centralized control by the Soviet security services was much easier in comparatively smaller entities;
- As a rule, *rayons* would be created on any territory based on the number of the Communist Party members rather than on economic assessment or any other calculations whatsoever.

In the Soviet Union, authorities - councils (Russian: *sovyet*) of all levels (village/town, rayon, autonomous entities, allied republic, a common-soviet level) had analogous competences. The system ensured the dominance of the central bodies in decision making processes.

By the time the Soviet Union collapsed (1991) Georgia had:

- 3 political autonomies (Republics of Abkhazia and Adjara and the *Oblast* of South Ossetia)
- 75 *rayons* and towns with the rayon status (+10 *rayons* of the capital)
- 1,051 entities of the first level (towns, boroughs, village, community)

After the restoration of Georgia's independence and over the course of the first fifteen years no considerable territorial changes had taken place. The introduction of a position of central authorities' representative into the regions but without the establishment of any structural entity was the only exception (9 entities).

As a result of the 2006 reform the first level of the self-government was abolished (1,004 entities) and therefore a rayon level self-government (64 entities) remained the only level, which resulted in increased gap between the population and the local self-governments. The changes were justified by alleged ineffectiveness of small municipalities in delivering public services, even though no sufficient financial resources had ever been devolved to local self-governments.

As a consequence of the reform the average number of population in a self-governing entity increased from 4,350 to 68,050. However, the rise was not accompanied by the improvement of the quality of public service delivery and an increase in per capita funding. The period that followed saw yet further decrease in the competences of the self-governments and intensified supervision both formal and informal by the central authorities. Most of taxes (income and profit) were completely centralized.

As of today the agenda of a decentralization reform originating back in 2012 envisages the formation of comparatively smaller, homogenous municipal entities with shared interests. The formation of the municipalities should be based on pre-defined criteria and with the view of local needs.

B. Legislation

The constitution adopted in 1995 does not stipulate the country's administrative-territorial arrangement. Article 2 of the Constitution states that "Constitutional law shall determine the territorial state structure of Georgia on the basis of the principle of delimitation of powers after the complete restoration of jurisdiction of Georgia over the whole territory of the country" (Clause 3) and "The citizens of Georgia registered in a self-governing unit shall regulate the affairs of local importance

through local self-government, without prejudice to the state sovereignty, in accordance with the legislation of Georgia. State authorities shall promote the development of local self-governance" (Clause 4).

Amendments to the Constitutions enacted in 2010 defined the following principles of self-governance (Chapter VII¹): electoral rights, the obligation to consult the self-governing entity while setting up a new one or revoking an already existing entity, principles for the separation between their own competences and those delegated by central authorities, principles of delimitation of property and finances.

The principles of supervision over self-government bodies by the state authorities are also defined by the Constitution of Georgia: "State supervision over the activities of local self-government bodies shall be carried out in the manner prescribed by law. State supervision provides compliance of normative acts of local self-government with the legislation of Georgia and proper implementation of delegated powers. State supervision shall be exercised in proportion to its goals" (Clause 3 of Article 101³).

With the adoption of a new organic law (*Local Self-Government Code*) it was possible to put together the respective norms scattered in various laws and set up the basic legal framework for the new system to function properly. At the same time a tradition of exerting a strict control by the central authorities over the activities of local governments still remains in practice. However, even the State's representatives/governors have started raising concerns and demanding that the system has to be changed.

2. 1st (Municipal) Level

A. Statistics

The accuracy of statistical data on self-governments has always raised suspicions. I rely on the official data from the 2002 census and partially on the preliminary results of the 2014 census as the results will be finalized only by April 2016. There is a huge difference between the findings of these two censuses. For instance, if according to the 2002 census the country's population is 4,371,000 (which was an obvious overstatement in light of increased migration outflow), the 2014 census has shown a much realistic picture of the country's population - 3,729,500.

As of today there are 71 municipalities in the country: 12 self-governing cities (including the capital Tbilisi) and 59 self-governing communities (towns plus rural zones). All of them except for the capital Tbilisi have similar structures and competences, the names being the only difference.

While characterizing the country's self-governing entities, asymmetry between their sizes is striking:

- Average area - 850 sqkm, minimum - 1.6 sqkm (Ambrolauri), maximum - 3,044.5 sqkm (Mestia),
- Average population - 61.500, minimum - 2600 (Ambrolauri), maximum - 1,081,679 (Tbilisi)¹.

The findings of the two censuses indicate to depopulation affecting rural zones:

- In 2002 urban population of the country was 2,282,250 while 2014 saw 2,140,126,
- In 2002 the country's rural population was 2,073,423; it dropped to 1,589,509 in 2014.

B. Bodies

¹ There are less than 30,000 residents in 50% of self-governments, while the third is the home to 20,000. Therefore, the implementation of competences which requires extensive resources (both financial and human) is unrealistic.

The municipalities have their own representative (*Sakrebulo* - council) and executive (mayor in cities and *Gamgebeli* in communities) bodies.

- The representative body - *Sakrebulo* is elected for four years by citizens of Georgia registered on the territory of a municipality through direct elections based on universal and equal electoral right and secret ballot;
- Executive body - mayor/*Gmgebeli* who is accountable to a municipal council and local population. S/he is directly elected based on universal and equal electoral rights through secret ballot.

One of the goals of the ongoing reform has been to enhance the accountability of local bodies towards local population. The visibility of local authorities was extremely poor. Findings of a survey administered in 2007 show that the public knew the mayors and *Gamgebelis* (92.4% in Tbilisi and 61.8% in the regions) better than the heads of councils (27.6% in Tbilisi, 54.6% in the regions). Council members suffer from even poorer visibility (35.6% in the regions).²

The changes to the legislation in 2014 saw the introduction of direct elections for the executive branch (mayor, *Gamgebeli*). In the first round of run-up for mayors and *Gamgebelis* the 50% threshold was introduced. In councils the threshold for political parties was reduced from 5 to 4% (which previously had been the case only in Tbilisi). The number of proportional mandates has been increased from 10 to 15 in councils with no changes affecting the capital Tbilisi (25 proportional and 25 majoritarian) and self-governing cities.

Gender balance has improved comparatively. Overall 1,550 members were elected in local councils in 2010 with only 11.1% being women. The outcomes of the 2014 elections showed that the share of female members increased slightly: out of 1,035 members elected proportionally, 160 (15.46%) are women while 85 (8.11%) from 1048 majoritarian members are female. There is only one woman among 71 *Gamgebeli* and mayors elected directly.

C. Human Resources

The Georgian legislation does not differentiate between the status of state level public employee and that of local authorities. Activities of public servants are regulated by the Law on Public Service.

Local government agencies were characterized by overstaffing and high level of politicization, as well as drastic changes to staff lists causing either a decrease or increase. Just shortly after the Rose Revolution in 2005-2006 the number of employees in self-governments decreased from 8,340 to 6,734. However, the period of curtailment was again followed by the time which saw the number of employees on the increase (especially during the run-up). Based on 2012 data, the number of servants employed at local self-government agencies has almost doubled to a total of 11,770 individuals.

The Local Self-Government Code has introduced the principle of defining the maximum number of servants (Article 156), which will remain into force at the first stage of the reform effective up to January 1, 2019. As a result of this limitation the number of officials and public servants totals 9,668 as of spring 2014.

The underdeveloped system of retraining and the low level of qualification of servants is yet another problem affecting local governments. Poor financial (on average the salary of a servant amounts to 583 GEL while a low career manager receives 908 GEL on average) or other incentives (frequent reshuffles of structures, total dependence on an immediate supervisor, absence of a learning system) prevent the development of a layer of highly qualified servants at the local level.

D. Competences

² Annual Report on Local Democracy, *Open Society - Georgia Foundation*. 2008.

Pursuant to the legislation, the competences of self-governments are divided into their own and delegated competences. The latter are delegated to self-governments based on agreements or in compliance to the rule defined by the Georgian legislation.

The own competences of self-governments include:

- *Fiscal and management issues* - adoption of budgets, introduction of taxes and duties, definition of their rates and collection, management of local property, procurement.
- *Planning and regulation of services and programs* - land and spatial-territorial planning, establishment of landscaping rules, approval of municipal programs to support employment, regulation of street trade, determining parking rules, issuing permits for construction, municipal transportation, issues related to animals, creating a favorable environment for people with disabilities, regulating the matters concerning assemblies and manifestations.
- *Communal sphere* - planning of motorways and traffic of local importance, street maintenance and lightning, providing the population with potable and technical water (which had been a competence of the central authorities since 2009), organizing drainage and sewage systems, waste collection and disposal, cemetery maintenance, territorial landscaping and greening, naming and numbering streets and squares.
- *Education, healthcare, culture and social fields* - establishing pre-school and extra school facilities and developing their statutes; organizing activities of cultural entities of local importance, setting up a municipal archive.

Issuing permits to forest utilization as well to mine local natural resources (for instance, inert materials), organizing the emergency medical assistance for local population (except for the Capital Tbilisi), heating and running water, electricity and gas provision are yet out of the local governments' scope of competences. In 2014 fire and rescue services were centralized.

E. Finances

The period between 2003 and 2012 saw the centralization of taxes: the types and payment shares of taxes including the property tax base.³ At the same time the self-governments have not received compensation. In the same period a process of centralizing the tax revenues begun - in 2008/2008 shared taxes (profit and income) were totally centralized.

Up to date self-governments' own tax revenues are scarce (only property tax remains in local budgets) and they have to rely mostly on equalization, targeted or special transfers allocated by the center. While in 2007 local incomes constituted 50% of the local budget, by 2008 this figure dropped to 15%. So the share of local budgets decreased in the consolidated budget (2002 - 30.0%, 2010 - .2.3%).

Unequal distribution of local tax and non-tax revenues is yet another problem. Self-governing cities account for more than two third of local revenues while municipalities are restricted to attract additional sources of funding as a self-governing entity can have access to loans or grants solely from the Georgian government or permitted by the latter. The owner of the largest part of the property is the State as the process of handing over the property to self-governments has long been suspended.

The improvement of transfer policy and an increase of the absolute capacity of transfers can be welcomed as undoubtedly positive developments in the sphere of fiscal relations. This is particularly true in reference to the equalization transfer, whose introduction and formula development is one of the achievements. However, the formula requires further improvement, also recommended by the

³ Between 2002 and 2003 self-governments fully or partially collected 12 types of local and shared taxes. In 2004-2005 due to the curtailment of the types of taxes and the cancellation of shared taxes, they were left with just four types of taxes.

Council of Europe's recommendation - The Georgian Government needs to further "*improve the financial equalisation procedure (both as regards distribution and increasing the equalisation fund)*".⁴

For local authorities to implement their delegated competences the central budget allocates a targeted transfer, whose all type capacity in 2015 exceeded 855 million GEL (more than 1/10 of the central budget). In addition, the central authorities allocate special and capital transfers so that self-governments can implement municipal projects: *Municipal Development Fund* (690 million GEL - 2014) and the *Fund for Implementation of Regional Projects* (2012 - 297 million GEL, 2013 - 449 million GEL, and 2014 - 293 million GEL).

The analysis of an expenditure part of the local budgets demonstrates the presence of a series of problems. The number of servants had been on an increase based on the political conjuncture, which in turn entailed the increase in administrative costs. Up to 2006 salary payments accounted for an average 10.7% of the total costs, while by 2012 they hit on average 23% (in some municipalities 45%).

The new Local Self-Government Code increased the competences of self-governments as well as laid down legal frameworks. Local authorities now have the right to determine the upper limit of local servants' remuneration (which had been the competence of the President of Georgia). Only the upper salary limit of elected officials is decided by a resolution of the government.

At the same time, pursuant to Article 156 of the Local Self-Government Code, there are some restrictions according to which administrative costs must not exceed 25% of the budgetary costs. The restriction will remain effective up to January 1, 2019.

Yet another flaw of the local budgetary spending is its unpredictability. As the revenues of local budgets are determined by the Ministry of Finance, the changes are made far too often because of various transfers and sometimes local budgets are readjusted eight or ten times a year and changed by 100, 200 and 300%.

The flaws in procurement of various services by the municipalities also cause problems. The introduction of an electronic procurement system few years ago has considerably improved the administration of budgetary funds. At the same time, the focus is on low prices rather than on the quality of the service, which leads to a situation where the public service is forced to purchase a service of low quality but at considerably low cost. This compromise ultimately results in incurring additional costs.

Finally, issues related to the regulation of local property still stand out. As of today, the State owns most public (non-private) property while municipalities have very little in their possession. At the same time, accurate information on the property is not available to the State (the record of the last complete inventory goes back as far as the 60s of the past century).

This issue is planned to be dealt with over the course of the reform. The Government of Georgia shall prepare 'a bill of law on the identification of natural resources of local importance' before January 1, 2017 while a schedule and a rule for handing agricultural lands to self-governments must be developed before January 1, 2017 (the Local Self-Government Code, Articles 162, 165).

F. Municipal Enterprises

Pursuant to the existing legislation, self-governments have the right to set up municipal enterprises in the form of Ltd and non-profit (NP). At the same time, the capital has the right to set up an Agency - legal body of public law (LBPL).

⁴ Local and Regional Democracy in Georgia, Recommendation N334 (2013). Strasbourg, March, 19-20, 2013.

The statistical data on functional workshops and facilities are incomplete and need to be further clarified as old services are being transformed and new ones are being formed to this day.

As of today (except for Tbilisi) the number of municipal enterprises is approximately 1,060. 263 million GEL has been spent on their activities for 2015 (including 260.5 million GEL from municipal budgets). Overall 46,000 individuals are employed in these enterprises. Their remuneration accounts for 59.6% (156 million GEL) of the budget.

Most of enterprises function as non-profit entities (821), the number of Ltds is 220, with only 10 legal bodies of public law (LBPL).⁵

Pre-school and extra-school enterprises account for 31% of the total number of the enterprises. 30% operate in the sphere of culture, 16% - communal services, while 13% function in the areas of social affairs and healthcare.⁶

Commercial enterprises (water and electric power) of the business sector deserve special attention. The information on such enterprises is extremely scattered. At the same time, self-governments whose hands are tied by the law have no control over the former. Nor do they possess sufficient information on their activities.

In order to address the above mentioned problems the Government of Georgia has been planning to harmonize the legal framework (179 laws need to be harmonized with the Local Self-Government Code) to be completed by the end of 2015. At the same time, the *Municipal Development Fund* (supported by the World Bank) is about to start a program to provide an inventory and an assessment of existing enterprises.

CHAPTER II. THE LAW ON IMC IN GEORGIA

1. General legal provisions

As I have already indicated there is no tradition (except for rare exceptions) of inter-municipal cooperation in Georgia. Each and every political power ascending to the country's central government attempted to respond to the challenges in municipal service delivery through maximal centralization. Although the legislation generally made a reference to the right of self-governments to implement joint activities, however, this entry provided little clarity on procedures.

The Local Self-Government Code adopted in 2014 dedicated specific articles (20 and 21) to the matters of inter-municipal cooperation, which had not sufficed for creating a legal framework for such type of cooperation. However, changes made to the Local Self-Government Code in 2015 have brought some clarity to the definition of procedures:

- Pursuant to Article 20, municipalities have the right to set up non-profit (non-commercial) legal body or/and obtain membership of such body. Such associations have the right to cooperate with the state authorities as well as with international unions (associations).

⁵ The municipalities (except for Tbilisi) have no right to found legal bodies of public law, however, LBPL in the regions has been founded by the central authorities and handed to municipalities later on.

⁶ The document is prepared by the author based on the data provided by the Ministry of Regional Development and Infrastructure.

- Article 21 of the Local Self-Government Code grants to municipalities the right to found joint enterprises, become partners/founders of Ltds and/or their members, set up joint servants and unify budgetary resources.

Article 106¹ determining the status and forms of activities of municipal legal bodies of private law was added to the Local Self-Government Code.

- This right extends to only those enterprises that are founded by municipalities with more than 50% of share owned by the latter,
- These enterprises can receive property through auctions or direct disposal (gratuitously or with recompense),
- Transfer of property without auction, free of charge with the right of utilization for maximum two years unless the property is handed over to other public authority bodies - municipality, central authorities, legal bodies of public law (except for political parties), etc.

2. Legal provisions on IMC organizations or procedures

In spite of its general character, there is a legal framework in place which allows municipalities to actively engage in inter-municipal cooperation. Therefore, if there is the need for new and profound regulations, the respective amendments will be made to the Local Self-Government Code without adopting a stand-alone law. It is worth noting that 179 laws (from existing 630) need to be harmonized with the Organic Law of Georgia (the Local Self-Government Code) and therefore the adoption of a new law would have complicated the situation even further.

The development of necessary regulations for the above mentioned provision is another matter. The process of harmonization of legislation (to commence in September 2015) should be followed by the elaboration of subordinate legislation acts and relevant standards at a later stage.

For instance, it is important to revise the regulations of the centralized system of service procurement (a unified scheme), which prevent the municipalities from making decisions in a fast, effective and efficient manner.

At the same time, works need to continue to create a common information base and measures to be taken in order to develop guidelines for specific areas (the number of children in pre-school education system, the education and nutrition standards, etc.) and forms of activities (determining the principles and mechanisms for municipal shares, developing IMC structure and regulations for decision making, etc).

3. Other legal possibilities

A. Creation of Municipal Enterprises

In spite of the fact that a mechanism for inter-municipal cooperation is being just developed in Georgia, some self-governments have already expressed their desire to engage in cooperation and have even taken some steps forward.

For instance, several municipalities (Borjomi and Kareli) have already started thinking to establish a shelter for homeless animals and a rabies prevention joint service (non-profit). The municipalities in the Kakheti region (Telavi, Gurjaani) have also applied to the Ministry of Regional Development and Infrastructure for recommendations on similar matters.

Pursuant to the resolution N690 adopted by the Government of Georgia on April 14, 2014 on *Rabies Prevention Activities for 2014-2018* the Ministry of Regional Development and Infrastructure was

supposed to obtain relevant information from the self-governments and develop recommendations on measures to be taken with this regard before August 15, 2015. The recommendations prepared by the Ministry for organizations to monitor the populations and the number of stray animals suggest the development of a public-private partnership (PPP). An emphasis must be put on setting up relevant services by larger cities, which will also serve neighboring and comparatively weak municipalities. There is a track record of success in some cities (Tbilisi and Batumi) and 0.47% of local budgets have been spent in this regard.

The need for setting up joint municipal enterprises is particularly dire in those municipalities which have been created as a result of the new legislation and following the division of previous self-governments into rural (self-governing communities) and urban (self-governing cities) entities (14 in total).

For instance, the city of Zugdidi and Zugdidi community (the Samegrelo-Zemo Svaneti region) managed to keep a joint service for waste management. Other areas also require the resolution of the issue: a municipal swimming pool of Ambrolauri city also serves the population residing in Ambrolauri community while the swimming pool is maintained from the budget of the self-governing city of Abmroaluri. The infrastructure of pre-school and extra-school education in some self-governing cities (i.e. Gori) also accommodates the needs of neighboring municipalities, while the latter do not share the financial burden of maintaining this infrastructure.

B. Other Forms of Inter-municipal Cooperation

Regional Advisory Councils at governors' offices in the regions, stipulated by the new Local Self-Government Code, provide yet another mechanism for cooperation between the municipalities. *The Councils* comprise officials of self-government bodies (Gamagebelis/mayors, heads of the councils and their deputies) and the State's representatives-governors of the region. *The Councils* are responsible for reviewing issues pertaining to development and planning, as well as projects of specific regional importance. *The Regional Advisory Councils* took effect in the end of 2014.

Other mechanisms for cooperation have little presence mostly due to a series of problems:

- The future status of majoritarian membership of the Parliament elected from the municipalities is not clear yet (since the Soviet period most of majoritarian MPs consider themselves as "guardians" of a rayon and frequently engage in confrontations with local authorities. It takes a constitutional reform to change the status quo and although in the pipeline, but it is not yet clear when the changes will be made and which form they may take).
- The role of self-government associations is still underestimated. One of the results of 2005-2006 reform was the centralization of self-governments' representation. There was and still is only one association of self-governments (National Association of Local Authorities of Georgia - NALAG) where all municipalities of the country are members. The monopolistic approach undermines the efficiency of the Association and enhances the level of politicization. There are almost no other associations based on sectoral or territorial principles and if any their role is close to being minimal.

CHAPTER III. MUNICIPAL REFORM IN GEORGIA

1. A general debate: amalgamation or cooperation?

Due to the presence of circumstances touched upon in the previous chapter there were no debates around IMC in Georgia. Discussions revolved mainly around the territorial arrangement, the number

of levels and the size of municipalities. However, these discussions involved only a small group of politicians and experts. Eleven different models have been elaborated concerning the territorial arrangement, focused on the following issues:

- The size of a self-governing entity or in other words where self-governance should be implemented: in every settlement (more than 3,700 entities)⁷, in communities existing before 2006 (1,000 entities), on the territories of former Soviet *rayons* (60-70 entities) or in historically developed regions (10-20 regions);
- The number of levels of self-governance - how many levels should there be (one or two). If there were to be two levels, which of the following pairs would be the most appropriate: settlement-rayon, community-rayon, community-region or rayon-region.

A. The size of a self-governing entity

By the beginning of the 21st century there was almost an overarching consensus that the existing 1,000 entities were far too much fragmented (ten per cent of them had less than 500 residents, while only 1,000 resided in a quarter of them) and therefore, they had to be incorporated in larger entities. There were different approaches to the issue: 1. Diminish 1,000 self-governing entities to 200-300, or 2. Abolish the first level and bring the self-governance to the second, rayon level (64 entities).

Based on the analysis of these approaches, some of CSOs, with the participation of a wider community of experts, developed and introduced a concept of administrative arrangement and separation of competencies in Georgia and the capital - Tbilisi.⁸

A new power, the coalition Georgian Dream appearing on Georgia's political scene in 2011-2012, based its vision on those principles which had been identified in the concept developed by the group of CSOs back in 2005.

A group of authors of the 2005 concept, under the aegis of *the Georgian Development Research Institute*, revised the concept introduced as a *Broad Concept of the Development of Georgian Self-governance System* in the beginning of 2012.

Both old and new legislation concerning the regulation of the self-governance system stipulated the creation of new municipalities or the possibility for their unification (the Local Self-Government Code, Articles 10-13) based on an initiative of the Georgian authorities, as well as self-governments and some groups of the population.

These norms have never been implemented in practice. For instance, when in 2009 the community of Jvari and its surrounding villages demanded that the rayon be separated from Tsalkenjikha (Samegrelo-Zemo Svaneti region) and filed their demand in full compliance with procedures and rules, the central authorities completely ignored this request.

B. The issues related to regional arrangement

The issues related to regional environment have always stirred controversy in Georgia. Resolving these issues has always been complicated because of its overly politicized nature. Some groups of the society fear that the institutionalization of a regional level will eventually lead to not only provoking separatism in the regions densely inhabited by ethnic minorities (Samtskhe-Javakheti and Kvemo Kartli), but also may serve as a precondition for disintegrating Georgia into sub-ethnic regions (Samegrelo, Svaneti, etc.)

⁷ This implies all territories under the Georgian jurisdiction except for the occupied territories.

⁸ A conceptual model of Georgia's administrative-territorial arrangement and for delimitation of administrative, financial, property and legal competences between the levels of authority, *Georgian Young Economists Association*, 2005.

At the same time the need to implement specific social-economic projects in the regions is coming to the fore. This task is extremely difficult to fulfil in the light of unified approach employed by the central authorities. Small municipalities having limited capacity to provide broader services have been requesting to bring up certain competencies to a regional level.

On March 1, 2013 the Government of Georgia by its resolution N223 approved the *Key Principles of the Decentralization and Self-Governance Strategy of the Government of Georgia for 2013-2014*, which stipulates the introduction of self-governance elements into the regional authority.

The first stage of the reform saw an increase in the number of self-governing cities (from five to twelve) as a result of which seven more self-governing cities (Telavi, Mtskheta, Gori, Akhaltsikhe, Ambrolauri, Ozurgeti and Zugdidi) were added to existing five (Tbilisi, Rustavi, Kutaisi, Poti and Batumi).

Pursuant to the Local Self-Government Code, the Government of Georgia shall prepare and submit to the Parliament proposals about the formation of new municipalities upon prior consultations with self-governments and interest groups. The proposals shall be submitted before October 2016.

In the course of adopting the new legislation and as a result of the influence of a number of political factors, some articles have been removed from the bill of the Local Self-Government Code. The articles concerned:

- Granting the status of self-governing city to all Georgian towns (20 entities with population more than 10.000) - Section I,
- Forming regional level - Regional Advisory Councils to consist of the representatives of municipalities within a region - Section VII,
- Implementing the bulk of territorial optimization before the municipal elections in 2014 - Section VIII9,

The period since the past two years has demonstrated that the resolution of these issues is a precondition for successful operation of the system. Therefore, it is expected that debates around these issues will resume, which in turn requires strong support.

2. IMC in progress in Georgia

There are no known reports on IMC in Georgia. Specific reports mostly supported by donors (UNDP, USAID, EU, GTZ, OSGF, etc.) focused largely on local communities' perceptions of self-governments and the services they provided to their constituencies.¹⁰

When it comes to researching IMC related issues in Georgia, the EU supported program Georgian Applied Research Facility - Regional Development (CARF) is the only exception. The program aims to develop 10 policy papers including the one on inter-municipal cooperation and the first draft of policy papers is expected by the end of 2015.

It can be concluded that existing researches are far too fragmented and the absence of a state strategy up to date has undermined a process to involve relevant research and development of programs.

⁹ A bill - The Organic Law of Georgia "the Local Self-governance - Local Self-Government Code". Available at: <http://www.mrdi.gov.ge/ge/news/selfmanagment/529db93c0cf276b73b39d851>.

¹⁰ A research on the satisfaction level with public services of Georgian population, ACT, 2014.

3. Special status of the capital city

The structure and the list of competences pertaining to the capital city Tbilisi differ from those of other municipalities.

Structural differences:

- There are 50 members in the representative body - the council - and unlike other municipalities their work is paid,
- The mayor of Tbilisi has wider competences and authorization than other mayors and Gamgebelis,
- For instance, she or he has the discretion to set up legal bodies of public law (Tbilisi is the only city which is entitled to set up such bodies),
- The capital has the collegial executive branch - the government of the capital city.

Additional competences in addition to those shared with other municipalities:

- Provision of emergency medical services,
- Utilization and cleansing of drainage and sewage system.

Up to 2014 the solid waste management was also within the competencies of the capital city, but is currently under the responsibility of the central authorities.

Problems that the capital faces are of the same nature to some extent as the ones other municipalities have to cope with. In general, the interests of cities and those of small rural municipalities often differ. Cities which serve as administrative centers of self-governing communities (rural municipalities), spend disproportionately large share of local budgets than villages. For instance, part of the cities with more than 15,000 residents (8 out of 13) consume 70-80% of budgets (some go as far as 90%) while the population in the cities account for maximum 50% of the total number of population in the municipality (the share of city population is one third in eight towns). As a result, budget per capita spending in municipal centers is at least twice as much and sometimes thirty six times much as per capita financial resources allocated to villages (on average 10.5 times).¹¹

Tbilisi faces the same problem. The biggest part of the city's budget is spent on meeting the needs of the large central districts while the peripheral (not so prestigious) districts and villages under its constituency are overlooked.

In the bill of Local Self-Government Code it was stipulated to create a self-governance of lower level in the capital's districts, with comparatively limited competences than those of municipalities, but which would have been able to resolve some issues of local importance (mostly commodities). However, this article was removed during the discussions of the bill of the Local Self-Government Code. On the other hand, Tbilisi's self-government managed to maintain the right to create certain structures as mechanisms of public participation at its own discretion.

4. The actors of IMC

As of today both supporters and opponents are not happy with the way the reform has been proceeding:

- Supporters of the reform (civil society, population particularly in the regions) argue that the reform has failed to reach the goals laid down in the government's strategy of 2013.
- Opponents of the reform, on the other hand, hold that the reform has involved too much of compromise and there is a dire need to restore the pre-reform status quo in a number of areas.

¹¹ The Reform of Local Government, presentation, MRDI, November 6, 2015.

A. Authorities

The visions within the government of Georgia and between the ministries differ to large extent. A part of sectoral ministries argue that it is only under a highly centralized government system and their direct supervision that the country can manage to overcome pressing problems. Those who are willing to carry on with the reform rely mostly on public support. The positions of the latter have considerably strengthened after former Prime Minister Ivanishvili made a supportive statement.

In the recent period (since spring 2015) a new tendency has come to the fore: the level and extent of resistance from sectoral ministries has decreased. In light of the inefficiency of the centralized system, a part of them agree to devolve some of competences to self-governments:

- The Ministry of Education and Science of Georgia plans to first delegate and then devolve as their own (from 2019) the competence involving school maintenance and administration to self-governments.
- Testing waters to delegate emergency medical assistance to the municipalities has already begun at the Ministry of Labour, Health and Social Affairs of Georgia
- The Ministry of Justice plans to hand legal service centers in large villages and towns over to municipalities, etc.

Political powers (regardless of party affiliation) present in the Parliament of Georgia can be divided into the following groups: a group with liberal values, those upholding ethnocentric and traditional values, supporters of libertarian ideology, representatives of old party-nomenclature system, groups with shared mercantile interests and finally the ones without any ideological stand. The diversity makes it difficult to proceed with the development of the legal framework with regard to profound changes.

For the past five years, self-governments in Georgia have tended to refrain from being proactive because of their total dependence on the centralized state system. The recent period has seen some positive developments in this regard as locally elected politicians have already started to push their own programs. An increase in financial sources of the self-governments and less strict supervision, both formal and informal, from the central authorities have positively contributed to strengthening these trends.

However, weak capacity of associations of self-governments and their centralized character (please refer to Paragraph 2.3 above).

B. Society

The role of political parties with regard to issues related to self-governance is quite weak as they are not in the focus of their majority. Decentralization tends to come to the fore just during the election run-ups. Opposition constantly criticizes the ruling coalition and it is therefore less likely to recognize (not to mention full support) and acknowledge right steps of the ruling party fearing to lose already scarce political dividends. Non-parliamentary opposition spectrum enjoys even weaker public support.

A scope of civil society organizations (CSOs) is quite broad in Georgia. However, there are just few organizations working on decentralization and most of them are not very well aware of specific issues. In this context CSOs support the statements fostering the reform but they still have a long way to go in order to turn themselves into multipliers of decentralization ideas for the benefit of wider public.

It is true that there are many high-class professionals within the country's academia, but most of them are not familiar with the self-governance standards and therefore shape their own opinion by their specific fields of knowledge (economics, welfare, environmental studies, etc.).

Media involvement, rather weak, is yet another issue. As a matter of fact most of the Georgian media seek and highlight scandals rather than promote conceptual matters.

In general the population are not much concerned with the self-governance. They are not happy with the quality of local services delivered to them but this rarely stirs engagement in decision making process as very few actually hope that they will be able to solve any problem whatsoever.¹²

The above said does not necessarily mean that there are no active public groups when the environment and circumstances allow them to do so. For instance, most of the population especially in the regions welcomed the news on the upcoming reform. A movement to support the idea of creating their own municipalities began in two Georgian towns (Zugdidi and Gori) where the local population had been demanding a status of self-governing cities for more than two decades. Demands to grant the status of self-governing cities were also made by initiative groups representing the population of numerous settlements (Jvari, Chiatura, Zestaponi, Brojomi, Sagarejo, Kobuleti, the high mountain community of Tusheti).

In July 2015 amendments concerning the additional mechanism for public participation (village gatherings, etc.) were made to the Local Self-Government Code. Practical implementation of these articles and a new stage of invigorating public participation are expected to start from autumn 2015.

5. Role of donors and international organizations

In light of the absence of the State's long term visions, international organizations found it difficult to develop their own long-term strategies. Activities of donor and international organizations largely depend on the State's policies as a result of which:

Projects targeting self-governance and regional development, supported by such donors as EBRD, WB, ADB, DFW, EU, USAID, JBC, EIB, GIZ, UNDP, were fragmented and disconnected from each other.

It should also be noted that the government's initiative to kick off with the decentralization reform was met with skepticism by international organizations as there was a likelihood that the reform would be just a façade like it had happened before. However, the period that followed saw some changes in these attitudes. Presumably, if the Georgian government manages to develop a strategy for IMC, the chances that donors (in particular EU and EBRD) will support this effort are high.

CHAPTER IV. ASSESSING IMC IN GEORGIA

1. Level of equipment in basic public services

The quality of service delivery was far from being high in Soviet Georgia. The situation became even worse after restoring the country's independence in 1990s as a result of total collapse of the state structures. The transfer of the whole series of services to private companies, without any mechanism for control by the authorities, deprived self-governments of any means to protect public interests.

Collecting taxes rather than quality appeared to be in the core of public service delivery. The ambiguity of service delivery is caused by unequal access to public goods for all groups. Therefore,

¹² 2007 and 2008. Annual Report on Local Democracy, Open Society - Georgia Foundation, 2007 and 2008

even though in the past decade financial resources spent in the regions increased almost tenfold, actual progress in public service delivery has never been achieved.

Paragraph 1.2 above deals with the status quo of municipal enterprises. Sadly no other data were available because of scarcity of relevant materials. However, one conclusion that can be made with a high level of certainty is that there is a dire need for development in every competence under the authority of self-governments (local road infrastructure, water provision, preschool education, waste disposal, etc.).

2. Domains where IMC is most needed or would be easy to implement

The problems pertaining to public service delivery are clearly demonstrated when specific directions are analyzed:

Water provision and maintenance - Pursuant to the new Local Self-Government Code, water provision and maintenance is now a competence of self-governing entities. However, there is neither regulatory act (to be prepared by the Ministry of Regional Development and Infrastructure) nor relevant standards. Issues related to water provision and sewage maintenance of cities and largely populated areas are still under the responsibility of a centralized state company and funds allocated to self-governments with regard to this matter are far from being sufficient (approximately 5-6% of local budgets). There is no control of drinking water safety parameters and quality, as due to the reforms in the past ten years the laboratories for drinking water quality control were shut down almost everywhere.

Roads of local importance - Since 2008 the construction and rehabilitation of roads of local importance are done in a centralized manner because of scarcity of financial means in local budgets. Since 2008 the development of infrastructure has become one of the State's top priorities.

Waste disposal and residue collection - Existing normative acts are incompatible and outdated. Residue removal is more or less organized in self-governing cities and administrative centers of self-governing entities, which is not the case in villages where the service, if any, is provided poorly. Fees for residue removal cover only 30-40 % of the budgetary spending of the municipalities.

Transportation of commuters - According to the new legislation, municipalities now have the right to determine permitted routes. However, there has not been any practical implication of this right.

Social assistance and healthcare - rendering social assistance is a so-called optional competence to be exercised under social programs. Social and healthcare programs account for 6- 8.5% of local budgets.

Kindergartens - approximately 5-7% of local budgets are spent on preschool care facilities. The funding covers only 60-70% of expenses, because of which beneficiary families had to pay the rest of money up to 2013. As a result of legal changes, now pre-school facilities are fully funded (including maintenance and development of infrastructure) from local budgets. Issues related to internal structures of these facilities are not yet clear. There are cases when only one childminder takes care of several dozens of children while equally the same number of individuals work for the administration of the facility.

Cultural facilities - in 2005 the central authorities started to hand over a series of facilities (libraries, etc.) to self-governments. Most of these facilities were in devastating conditions. As local budgets (since 2012 such costs accounted only to 3-5% of total costs) had no financial means to operate them, most of these facilities (mostly village libraries) were shut down.

Permits - Since 2005 the absolute majority of administrative services has been centralized. As of today local municipalities are only authorized to issue permits for constructions.

In order to identify more specific priorities, it is critical that a comprehensive needs assessment be administered.

3. Need to create or improve the law on IMC?

First of all, a holistic state strategy needs to be developed and then to be followed in the development of regulations and standards of specific municipal services.

At the same time, programs implemented in various areas need to be connected. Coherence between the Regional Development State Program and the potential IMC strategy is of particular importance in order to avoid overlapping and duplication. In other words, IMC should implement those programs which are not among the priority lists for the Regional Development Program (for instance, investments, tourism development, etc.) and the implementation of which is possible without setting up regional level structures.

While developing IMC strategy, the plans elaborated by the Government of Georgia with respect to the development of local self-governance should also be embedded in the strategy:

- A set of changes envisaging the separation of the State and municipal competences should be prepared by autumn 2015
- The Ministry of Regional Development and Infrastructure is supposed to develop terms and conditions of legal relations between municipalities, the Georgian National Energy and Water Regulatory Commission and private providers before September 1, 2015;
- A bill of law on the identification of natural resources (including water and land) should be developed before January 1, 2016.

4. IMC and accessibility to services or management

These issues have already been dealt with in previous paragraphs. More in-depth analysis is not possible at this stage due to the lack of relevant information.

5. Cross-border IMC

Pursuant to Article 22 of the Local Self-Government Code, municipalities can cooperate with foreign self-governance bodies as per the European Outline Convention on Trans-frontier Cooperation between Administrative Communities or Authorities and the Georgian legislation.

The practical implementation of such cooperation is about to start in the country. The first Euro-region Georgia-Armenia has already been established, which implies programs of cooperation between the neighbouring regions of the two countries. Two contests have already held and winners identified. However, for this instrument to set in motion, it is critical that relevant regulations are developed at the State level.

In perspective, the Georgian authorities should work hard to become signatories to other protocols as well, more specifically the Protocols I and II. As for the Protocol III, this is rather a long term perspective and the full affiliation will be possible when not only Georgia, but also its neighbouring states have created the relevant legislative and institutional environment.

6. IMC in the energy efficiency sector

Programs designed to improve energy efficiency failed to hit a political agenda within the first two decades since the restoration of Georgia's independence. A series of challenges which the country had been facing (economic collapse, armed conflicts) prevented incumbents from developing and implementing a long term strategy in the field.

Only recently the Georgian authorities have started developing an energy policy in general, but not without flaws. The major emphasis is put on extensive development of hydropower, and power plants are being built at a rapid pace facing the resistance of environmental organizations.

At the same time the Georgian government plans to provide the country's population with energy carriers during the decade. It has been declared that Georgia's lowlands should be completely covered with gas networks. As for the high mountain regions, setting up of gas infrastructure is extremely costly and cost ineffective. Therefore, use of sun and wind energy as alternatives to gas is being discussed.¹³

As the process is totally centralized (the Ministry of Energy), the competences of self-governments are equal to zero and mostly limited to issuing specific licenses and permits.¹⁴ However, at the same time they are eligible to implement specific activities in the field of energy efficiency (Article 16, the Local Self-Government Code).

There are no specific researches to describe the programs implemented by self-governments for energy efficiency in the country. Few studies refer only to some activities implemented by the state. Nevertheless, it is now possible to identify few success stories and it is promising to see an increase in their number.

- At the initial stage specific activities were supported by various donor organizations (UNDP/GEF SGP - Energy efficiency program in Racha-Lechkhumi and Kvemo Svaneti region; USAID - pilot projects on energy efficiency and renewable energy sector; EBRD - pilot projects for businesses in energy efficiency and renewable energy sources; UNDP - the use of biomass, etc.);
- At the next stage Georgian municipalities gradually start engaging in international programs. In 2010-2013 the capital city together with 6 self-governing cities joined the Covenant of Mayors (Brussels, 2009). The engagement is further supported by the fact that relevant standards (ISO 50001:2011 - *energy management system*) are based on the so-called Deming Cycle and therefore easily compatible with other ISO standards;
- A number of municipalities and in particular big cities (Tbilisi, Rustavi, Kutaisi) have implemented a series of projects ("sanitation" projects for public institutions, weatherization of kindergartens, etc., energy efficiency networks of street lighting, etc.).

One of the main problems the energy efficiency sector faces is the absence of a specific institute founded by municipalities because of financial resources.

At the same time many municipalities are willing and ready to implement relevant measures, provided that there is adequate support for this.

- High mountain municipalities (Oni, Ambrolauri, Lentekhi, Tsageri, Tianeti) are ready to test waters in such fields as construction and rehabilitation/reconstruction under green principles (insulation, diode eco-bulbs, energy efficient heating systems, etc.), agriculture, timber industry, tourist industry, usage of solar and small rivers energy;

¹³ Main Directions of the State Policy in Energy Sector of Georgia. Available at: <http://www.energy.gov.ge/projects/pdf/pages/MAIN%20DIRECTIONS%20OF%20THE%20STATE%20POLICY%20IN%20ENERGY%20SECTOR%20OF%201047%20eng.pdf>.

¹⁴ The Law of Georgia on Licenses and Permits. Available at: http://forestry.gov.ge/files/%E1%83%A4%E1%83%9D%E1%83%A2%E1%83%9D/licenzirebisa%20da%20nebarTvebis_Sesaxeb.pdf.

- Small and medium size cities (Russtavi, Kutaisi, Telavi) as mentioned above, have been implementing energy efficient construction works in public establishments and raising funds from international sources.

Under such conditions it is relevant to create a relevant inter-municipal institution (i.e. an inter-municipal agency for energy efficiency and use of renewable energy sources or other form) to aim at supporting the investment policy as initial costs of energy management system total 2-3% of energy provision expenses incurred by municipal budgets and have a short efficiency period (less than a year).

Other perspective activities may include:

- Assessment of opportunities available in the country;
- Raising funds from additional sources;
- Supporting the development of relevant human resources;
- Cooperating with public organizations in order to raise awareness of broad public and encourage public participation;
- Implementing energy efficiency projects and disseminating information on successful cases throughout the country.

CHAPTER V. PERSPECTIVES + CONDITIONS OF PROGRESS

1. Help to create a friendlier environment for IMC

As noted in Paragraph 3.4 above, a number of representatives of the central authorities were not particularly enthusiastic to support decentralization and more specifically IMC because of the following circumstances:

- The willingness to maintain over-centralization in the structures of central authorities
- Organizational selfishness of the sectoral ministries - implementing a reform requires additional human and time resources, which has become a luxury after the introduction of the so-called 'narrower belt' policy.
- The mentality dominating the political class - devolution of power to the local level is primarily linked with the issues of low level of qualification and the fear for corruption (both political and economic) at the local level

However, recent changes in dispositions and attitudes observed within the ministries (please refer to Paragraph 3.4) give some grounds for optimism.

In addition to the ministries, some of the parties in the ruling coalition (i.e. the Republicans) and the President of Georgia have also expressed their support to the reform. Representatives of the State in the regions (governors) have expressed their support to the development of effective and efficient structures at the regional level and devolution of their own competences to the regions.

The government of Georgia has been actively working towards the regional and local development. On October 31 the Government set up the *Commission on Regional Development and Local Self-governance Reform of Georgia*, chaired by the Prime Minister who presented the strategies on regional development in the regions. This points out to the priority importance of these issues for the State.

2. Financial issues

I have already mentioned above that the sectoral ministries are slowly changing their attitudes in favour of devolving more rights to self-governments, and the Ministry of Finance is one of the stakeholders of the process.

As long as two years ago, the Ministry of Finance was one of the fiercest opponents for increasing the financial base at the local level because of alleged savings of public funds. Therefore, the Ministry was quite reluctant to agree with the idea to leave part of tax revenues to the self-governments. The recent period has seen the Ministry of Finance proposing to keep not only the income but also other state taxes at the local level. However, the idea is currently at the initial stage of discussion.

I assume that the changes in the attitude of the Ministry of Finance stem from the problems related to tax mobilization. Self-governments receive a fixed share from the central budget in the form of equalization transfer and other allocations. This method was favoured by the central authorities as long as taxes and other revenues were on the increase and funds left after allocating their fixed shares to the municipalities were at the disposal of the central authorities. In the light of diminishing the budget revenues the Ministry of Finance sees little sense in handing over a fixed amount (which increases from year to year) of money to self-governments. It'd rather central and local authorities proportionally share the responsibility when financial revenues are on their downfall to not allow doing otherwise.

In addition to the above said there is yet another positive factor which may take care of the financial aspect of IMC for local municipalities: when it comes to financially incentivizing IMC, we should keep in mind that, pursuant to the rule on allocating funds for infrastructural projects from the centrally funded programs to be implemented in the regions¹⁵, this mechanism has already been set up and there will be no need for the central budget to develop other mechanisms for the purpose to incentivize the cooperation between the municipalities.

There have already been some successful cases of inter-municipal cooperation between the projects under the *Fund for Implementation of Regional Projects*. In 2013 two municipalities of Imereti region (Tskaltubo and Tkibuli) implemented a project on the rehabilitation of road infrastructure through proportional share (2/3 and 1/3 respectively). In 2015 a similar project proposal has been submitted by Mtskheta and Dusheti municipalities (Mtskheta-Mtianeti region).

It is planned to continue the financial stimulation of ICM through capital transfers. In this case the activation of EU support mechanisms such as CoE/EU Easter Partnership Programmatic Co-Operation Framework (2015-2017) will increase the motivation of both self-governments and central authorities.

3. Human resources issues

Low qualification of available human resources is one of the key challenges for self-governments. In order to overcome this shortfall, Article 101 of the new Local Self-Government Code rules that self-governments must allocate at least 1% of the payroll budget line for training activities for public servants.

By the Resolution N959 of May 29, 2014 the Government of Georgia approved the Concept for Continuous Learning of Public Servants in Local Self-Governments and the action plan for the implementation of the concept.

¹⁵ Resolution N23 of the Government of Georgia on *Approving Procedures and Criteria for Selecting Local Self-governments and Regional Projects to be Funded from the Fund under the State Budget of Georgia for Regional Projects of Georgia* (signed on July 2, 2013). Available at: <https://matsne.gov.ge/ka/document/view/1842752>.

According to the concept, Vano Khukhunaishvili Center for Effective Governance System and Territorial Arrangement Reform shall develop standards for curriculum to be reviewed by the Board and approved by the Ministry. The curriculum to be developed according to the standards will be registered in a program register and learning priority directions for public servants will be identified through the analysis of permanent needs in order to elaborate the annual curriculum plan.

Learning programs will be funded from municipal budgets (1% of salary budget line) as well as by the state budget, donor organizations and other funds raised by the Center.

Pursuant to the Resolution N319 signed on July 7, 2015 by the Government of Georgia on *Approving the Principles and the Rule for the System for Continuous Learning for Local Servants, Competences of Agencies Involved in this System and the Operation of the System*, it is determined that a relevant normative act must be laid down before December 31, 2015 concerning needs assessment, the development of curriculum and standards, as well as monitoring procedures for Vano Khukhunaishvili Center for Effective Governance System and Territorial Arrangement Reform.

While implementing the IMC program, stakeholders should bear in mind the above mentioned circumstances, as well as the fact that the Government of Georgia has been working on the bill of a new law on regional development and public service, the adoption of which is stipulated under the agenda of the Association Agreement of 2015 with the EU.

4. Need, will or pertinence to adopt an explicit national policy?

As a conclusion, in order to implement IMC principles in Georgia, stakeholders need to support all the activities dealt with in the paragraphs above.

In addition, the work needs to be developed in the following directions:

A. Developing regulations

- First of all a dialogue among the stakeholders requires support, so that a consensus is reached on the creation/development of those institutional and financial mechanisms which will contribute to implementing IMC in Georgia
- The central authorities to develop an action plan in this area
- Start developing regulations and standards (through technical assistance of international institutes and primarily of the Council of Europe) in order for the self-governments to implement their competences based on needs assessment

B. Application of the Existing Mechanisms

- Apply already existing resources in the process of developing IMC:
- *Regional Advisory Councils* operating in the regions
- An instrument of twin towns/cities
- Various programs supported by donor organizations (for instance EU supported Georgian Applied Research Facility - Regional Development (GARF) program, etc).

C. Financial side

- International and donor organizations to start providing long term and consistent support to the decentralization and by doing so help the Government of Georgia to achieve the objectives set (for instance, study tours of practitioners working in local municipalities and civil society representatives in both EU and Eastern Partnership countries)
- Plan joint activities in municipalities and implement IMC pilot projects

D. Engaging new actors

- Involve municipalities in the State funded programs (at least at the initial stage for the sake of providing information)

- Support thematically united self-governments based on territorial (regional) and thematic (cities and rural areas) principles to coordinate better
- Involve coalitions of civil society networks, which will enable CSOs to receive and disseminate information on ongoing changes and become providers of specific services (social, educational, cultural, etc.) at the local level if the need be.

ANNEXES

1. Municipal Enterprises (Except for Tbilisi)

Source: Expert assessment of MRDI materials

Region	No of municipalities	Municipal Enterprise	Budget for 2015 (MLN GEL)	Number of Employees	Juridical Form			
					LBPL	LTD	NP	Other
Adjara	6	102	60090103.0	6176	1	21	72	9
Guria	4	58	14285900.0	3152	1	7	50	
Imereti	12	190	40994627.0	9995	4	42	144	
Kakheti	9	124	26735499.4	6473	1	24	99	
Mtskheta-Mtianeti	5	64	9896175.0	1861	1	25	38	
Racha-Lechkhum Kvemo Svaneti	5	56	5641504.0	1573		8	48	
Samegrelo-Zemo Svaneti	10	148	36949705.0	6402	1	35	111	
Samtskhe-Javakheti	7	79	11379432.0	2158		10	69	
Kvemo Kartli	7	94	37400429.0	5204	1	22	71	
Shida Kartli	5	145	19642333.0	3507		26	119	
Total	70	1060	263015707.0	46500	10	220	821	9

2. Municipal Enterprises by types (Except for Tbilisi)

Source: Expert assessment of MRDI materials

Field	Quantity	%
Education (pre-school etc.)	310	30.5
Sports	180	17.7
Healthcare and social protection	131	12.9
Culture	126	12.4
Commodity	117	11.5
Other	57	5.6
Transportation	25	2.5
Water provision	23	2.3
Archive and information services	18	1.8
Tourism	11	1.1
Projection	10	1.0
Agriculture	6	0.6
Environment	2	0.2

3. Interviews

1. Giorgi Toklikishvili, Director, Bureau of Public Service and Vano Khukhunaishvili Center for Effective Governance System and Territorial Arrangement Reform
2. Giorgi Tsakadze, Head of Department for Development of Self-Government and Regional Policy in the Ministry of Regional Development & Infrastructure
3. Irakli Kakhidze, Head of the Legal Department in the Ministry of Regional Development & Infrastructure
4. Mamuka Abuladze, Ministry of Regional Development & Infrastructure
5. Kakha Djamburia, Gamgebeli, Lagodekhi Municipality
6. Vakhtang Zarqua, Chairman, Energy Efficiency Foundation
7. David Jikia, Mayor, City of Rustavi

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