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Georgia's Local Government Reform: How to Escape from the Soviet Past (and How Poland Can Help)

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If Georgia is to remain the leader among post-Soviet countries in terms of successful democratisation, it must conduct an effective decentralisation of power. During its nine years in power, President Mikheil Saakashvili's United National Movement rather oversaw a consolidation of power. The transfer of power to the Georgian Dream coalition in 2012 raised hopes that real decentralisation might happen. Poland has been engaged for years in the transfer of know-how and best practices in the field of local democracy building to its Caucasian partner. It should continue its support to the government in Tbilisi. This, however, should be combined with a constructive critique of Georgian reformers' actions.

Former president Mikheil Saakashvili and his United National Movement (UNM) came to power after the 2003 Rose Revolution, with the goal of creating genuine democracy in Georgia. However, the UNM itself was increasingly criticised for authoritarian practices. As a result, Saakashvili's party lost the parliamentary election in October 2012, which led to a new government of the coalition Georgian Dream (GD). Although the transfer of power was peaceful, a bitter political fight has since broken out between the coalition led by billionaire Bidzina Ivanishvili and Saakashvili's opposition party. Under the new government, the prosecutor's office arrested dozens of former officials on charges of various abuses of power.

Although the cohabitation period ended when GD's candidate Giorgi Margvelashvili won the election last October and Saakashvili left office after his second and last term, the political conflict remains tense. In particular, trials of former officials, broadly viewed in the West as selective justice, continue. However, any assessment of progress and setbacks in Georgian democracy since GD's ascent to power should pay more attention to the reform process than to the ongoing sore and murky issue of the former authorities' real or alleged abuses of power.

The last 16 months have been a period of important changes in the Georgian political system. The country ceased to be presidential republic, and now the prime minister is a main political figure and parliament plays a much more important role than in the past. Taking into account the trials of opposition politicians, the ongoing process of judicial reform is essential. However, another equally crucial and ambitious task for Georgian democracy is local government reform.

(Georgian) Dreaming of Local Government Reform

Despite the years of the discussion on necessity of local government reform since the Rose Revolution, and some often contradictory legislative moves, local authorities have remained under central government control. Soon after coming to power in October 2012, Prime Minister Ivanishvili and the ruling majority in parliament—led by the Georgian Dream party—emphasised the need to reform of local government. Indeed, the lack of establishment of real local government structures remains a real impediment to Georgian democratisation. Under current legislation, only Tbilisi has an elected mayor and the inhabitants of four other big cities have the right to elect local councillors, who elect mayors. Generally, the urban electorate, besides having more democratic privileges, is politically more conscious and independent than its rural counterpart. Inhabitants of the regions, small towns and villages do not choose municipal heads and remain financially dependent on central government.

In the months following UNM's defeat in the 2012 parliamentary election, many heads of municipalities affiliated with Saakashvili's party were sacked by members of local councils. Half of them very quickly switched allegiance from UNM to GD, which demonstrates their total political dependence on central government. The current system gives the government leverage over local administration, and therefore a tool to persuade or coerce the local electorate to vote for the ruling party. Such a situation, typical for post-Soviet countries, had been one of Georgia's democracy weak points. If the current local government reforms fail, this may continue under the GD coalition government. This issue is especially significant now, as local elections are to be held this year (preliminarily planned for May or June).

GD recently proposed a local government reform bill, which was passed by parliament at the first and second readings. Now it awaits the third and last reading. However, the bill has already met with criticism, not, surprisingly, from the opposition, but from the Georgian Orthodox Patriarch Ilia II, who condemned the new project. In his opinion, the empowerment of the regional authorities envisaged in the bill would lead to a disintegration of the country. The UNM politicians, although so far rather silent about the reform, engage increasingly in the debate. The opposition criticises a provision of the bill that allows elected local councils to vote out mayors and heads of municipalities.

At the end of the day, the most important question is whether the GD government will continue the reform. After the patriarch's criticism, some elements of the reform were annulled and the currently proposed bill does not envisage such revolutionary changes as were presented in the previous version. Moreover, much of the crucial detail will have to be specified in amendments.

The 2006 Local Government Reform: Sound Rhetoric, Little Action

The issue of local government was not totally neglected under UNM. Representatives of the public, non-governmental sector, experts, local and central government officials, and international donor organisations agreed that local government was in need of reform. The major predicament was the existence of a district government as a local extension of central government, which blocked development of local government units and restricted their independence. There were no legal mechanisms providing for a fair distribution of state resources among local government units, and local government budgets were very low.¹

One of Georgia's first steps towards decentralisation of government was the ratification of the *European Charter on Local Self Government*, by the Georgian Parliament in 2004. This Council of Europe document from 1985 promotes the idea of local government as a basic element of democracy, and emphasises the inclusion of the citizens in local democracy. It defines relations between local government and central government, and requires that the states that ratify the document obey such rules as subsidiarity, fiscal autonomy and grass roots local government.

¹ S. Murgulia, G. Gvelesiani, G. Toklikishvili, *Fiscal Decentralization in Georgia*, Center for Strategic Research and Development of Georgia, 2011, www.ald-europe.eu/newSite/public/eap/6-georgia-Fiscal-Decentralization-in-Georgia-study-eng.pdf.

The reform, implemented in 2006, in theory had to be compliant with the main rules of the *European Charter on Local Self Government*. One real development towards strengthening the independence of local government was the establishment of five self-governing cities. In 2009, President Saakashvili even supported the idea of direct elections of mayors in all the large cities, but finally this democratic institute was established only in Tbilisi. He also advocated the direct election of the governors of the nine regions of Georgia, and of the heads of local municipalities. Ultimately, though, provincial governors remained as presidential appointments, made in agreement with Prime Minister. Therefore, although the issue of local government reform was present in the rhetoric of the former ruling elite, too little was certainly done in this field.

The 2006 reform was a radical territorial consolidation: Georgia's division into 1,000 small local units was replaced with only 69 larger units. However, it was not the territorial organisation issue, but the lack of financial and political emancipation of the self-governing units, which was crucial factor of the reform's failure. Local governments remained fully financially dependent on central authorities. Besides the insignificant wealth tax, local governments lack any source of income. Local budgets are controlled by the governors. Over-sized territorial units meant even less effective administration. Finally, the reform marked a tendency toward centralisation, rather than decentralisation.²

Implementation of the reform was not preceded by wider social debate. Civil society was not engaged and remained disinterested in the local government issue. As later opinion polls showed, more than half of all Georgians admit that they were not even aware of the 2006 reform.³

A New Reform Project: More Power, but No Money

The need for deeper transformation of local government following the incomplete 2006 reform was even recognised by the UNM government. In 2009, the Ministry of Regional Development and Infrastructure was established, the aim of which was to create a National Strategy of Regional Development. Such a strategy—which was formed with help of Polish experts—was prepared for the years 2010–2017.

However, acceleration of the debate on local government happened only after GD's victory in the 2012 parliamentary election in. Then, the NGO specialists who advised the UNM government in 2006, but were ignored, became involved in the new government's work on the reform. After several months of discussions in expert groups, the Organic Law of Georgian Local Government Code was adopted by the Georgian government in October last year. It should be noted that there was no wider public debate on the reform, at least until the patriarch criticised the government's plans.

The government presented the reform as the key aspect for establishing democracy and its institutions in the country. It was underlined that the new regulations should increase the efficiency of public service delivery for the people, and maximise the engagement of the citizens in the management process.⁴ The crucial part of the new code was to give regional towns and communities more decision-making power. After the reform, towns with at least 15,000 residents were to be called "self-governing cities." A draft law envisaged the direct election of mayors of 18 towns, and of heads of all municipalities. The governors of the regions were still to be appointed by central government, but accountable not only to government, but also to the consultative councils formed of representatives of local councils. There was also a plan to create third, lowest-tier of local government: borough councils in Tbilisi and public councils in the villages.

The bill discussed in parliament does not foresee such far-reaching changes as the initial proposal. First of all, the number of towns with directly elected mayors is limited to 11. Then the role of consultative councils is to be purely advisory, thus having little impact on governors. Moreover, the councils will not

² K. Kandelaki, D. Losaberidze, I. Melashvili, T. Shergelashvili, *Extensive Concept of Local Self-government System*, Georgian Development Research Institute, Tbilisi, 2012, http://gdri.ge/modules/scribite/pnincludes/xinha/plugins/ExtendedFileManager/demo_images/self_government.pdf.

³ P. Swianiewicz, *Public Opinion about Local Government in Georgia*, Open Society—Georgia, Tbilisi, 2011.

⁴ Ordinance no. 223, 1 March 2013, "The Main Principles of the Strategy on Decentralization and Self-Government Development of the Government of Georgia for 2013–2014."

have any legal status as entities under public law. The councils are not given the right to request that central government sacks the governor. The establishment of borough councils and public councils is not included in the new bill. All these limitations to the reform were explained by government officials as a response for criticism of the patriarch and some conservative politicians. These critics, not to be confused with UNM, which supports the changes, highlighted the risk of separatism stemming from too strong regional authorities.

Although the proposed changes offer far reaching decentralisation and local government reform, the project is not well-prepared, there are still lots of details that must be fleshed out.⁵ Lots of questions have been left unanswered. It seems that the weakest point of the new draft is the lack of explanation of the changes in competence and financial powers of local government units. It is impossible to consider local government reform without the creation of local fiscal autonomy. Currently, only 5% of all local units' revenues are their own income, in comparison to Poland, where, on a municipal level, this was about 45% in 2006–2011.⁶ The financial issues are to be resolved in the second phase of the reform, by the Ministry of Finance, by amendments to the main bill. The same agenda is proposed for the documents specifying the competence of new local governments.

The important disadvantage of the draft law is not only the matter of a poorly drafted document, but also the way in which the new regulations are presented. The government ignored some of the important postulates of civil society. It was not able to convince international donors to support the reform. The latter tend to perceive the cost of the reform as too high, and the possible benefits as too small. The current debate failed to concentrate on crucial issues such as local governments' functions and competences, and financial delegation.

How Poland Is Helping

The debate on the need for local government reform has been stimulated largely by external experts. In addition to the Committee of the Regions, the experts from the Council of Europe, and many European countries, Poland has, for many years, offered help in the development of the new reform, and support for local development and ideas of local government.. The advantage of assistance from various Polish institutions stems from Poland's not so distant experience of carrying out local government reform. For the Polish experts, it is easier to understand the problems of the post-Communist state, with its legacy of a centrally planned economy. Polish local governments have, for years, been involved in transferring of their transition period experience.

Polish help has evolved over time, from projects and conferences presenting experiences of Polish local government reform projects, to much more active forms of support, engaging participants in workshops, and role play, as well as development projects, all the way to the preparation of "live" documents and procedures, which were later implemented.

Since 2006, in the framework of the Ministry of Foreign Affairs foreign aid programme, in which NGOs, government entities, local governments and the Embassy of Poland in Georgia also took part, funds allocated to development aid for projects with Georgian partners have remained among the highest in comparison with other recipients of Polish aid. In 2008, such support amounted to PLN 4.842 million. In 2009 it was PLN 5.9 million, and in 2010 PLN 7.5 million. The following years reached PLN 6.9 million (2011), PLN 6.5 million (2012), and 6.8 million (2013)—plus €0.14 million in small grants.⁷

The Polish Ministry of Regional Development has been actively involved in support for the Georgian Ministry of Regional Development and Infrastructure of Georgia since 2009. Experts from the Polish

⁵ P. Żuber, *Expected benefits and costs of self-government reform in Georgia*, 20 December 2013, document from the expert.

⁶ P. Żuber, *Analiza zakresu i przebiegu prac nad reformą decentralizacyjną w Gruzji w okresie marzec–grudzień 2013 r.*, document from the expert.

⁷ Ministerstwo Spraw Zagranicznych, "Polska pomoc – Gruzja," www.polskapomoc.gov.pl/Gruzja,17.html#2008, accessed 7 December 2013.

Ministry helped in the preparation and implementation of the Country Strategy of Regional Development for 2010–2017.

Ministerial, local and regional authorities were included in the projects. The government of the Autonomous Republic of Adjara was one of the important partners on the Georgian side. The joint Polish-Georgian project for the development of the labour and human resources market has been completed in the republic. Thanks to the project, the Ministry of Adjara has established cooperation with two Polish voivodeship (Pomerania and Lesser Poland).⁸

Besides the cooperation of the above mentioned regions, some other local government units have also begun to cooperate. The number of established partnerships is not large, and many are limited to occasional meetings of local authorities. A positive example of active cooperation is, however, Poznań, which since 2009 has been running joint projects with Kutaisi. Using funds from development aid, projects for the management and operation of the infrastructure of Georgia's second biggest city have been implemented. Another positive example of cooperation may be seen in contacts between Gdynia and Rustavi. Both were once industrial cities (Gdynia, shipbuilding, Rustavi, the metallurgical sector). Today, Gdynia shares experiences of solving problems associated with the collapse of industry.

Additional support for Georgian local government reform comes from numerous training courses and internships organised within the framework of projects of Polish local governments, the Ministry of Regional Development, and well as the Academy of Public Administration Programme of the Eastern Partnership. The main objective of the programme, implemented by the National School of Public Administration in Warsaw and financed by the Ministry of Foreign Affairs' development aid since 2011, is to strengthen the administration of both central and local governments in EaP countries, including Georgia. Topics such as private-public partnerships, social communication, public sector economics, project management, institutions, and EU law, are presented in the form of lectures and workshops led by practitioners and experts.⁹

Another form of Polish support—crucial from the point of view of the current reform—is the presence of Piotr Żuber, Polish expert from the Ministry of Infrastructure and Development, who has, since the beginning of 2013, been the principal advisor to the Deputy Minister of Regional Development and Infrastructure of Georgia. This expert, financed with Polish aid from the MFA, examines in detail the situation on the ground and the problems faced by local government reform, and also meets the people who are responsible for its implementation. The advisor may also give an opinion on the ministry's reform proposals and suggest innovative solutions.

Recommendations

Although it has passed the first and second readings in parliament, the reform project is still being debated. Because of the approaching local elections, the ruling coalition will try to pass the bill as soon as possible. The crucial elements of the reform, concerning the competence and fiscal powers of local governments, will most probably have to be specified in amendments. Public understanding of the aims of reform, as well as initiation of wider public debate, as well as the involvement of various social groups and more civil society players, especially from the regions, are fundamental for its success. Consensus on the national level is also necessary, in order to overcome resistance of the conservative politicians both from within and outside the government.

At the same time, central government should proceed with the delegation of power to local governments. The current reform bill is considered a half measure, not only by some of the Georgian NGOs involved in drafting the original bill, but also by foreign, including Polish, advisors to the Georgian government.

⁸ Ministerstwo Infrastruktury i Rozwoju, "Podsumowanie współpracy polsko-gruzińskiej w obszarze rozwoju regionalnego," www.mir.gov.pl/rozwoj_regionalny/Inicjatywy_i_wspolpraca_miedzynarodowa/Inicjatywy_dwustronne/Gruzja/Strony/Podsumowanie_wspolpracy_polsko_gruzińskiej_251013.aspx.

⁹ Krajowa Szkoła Administracji Publicznej, "Program Akademii Administracji Publicznej Partnerstwa Wschodniego," www.ksap.gov.pl/ksap/content/view/660/94.

Regardless of the final form of the bill, the Georgian parliament should clearly define the fiscal powers of local governments. Leaving the latter at the mercy of officials from Ministry of Finance would mean no real empowerment of the regions.

If the reform continues, the Georgian government will need further help from other countries. Besides financial aid, there will also be a lot of conceptual and organisational work to be implemented. Polish experts, using their experience, can help to prepare analyses of the effectiveness of the financial system, the coordination of the work of different local entities (such as NGOs, local companies and local government), the effectiveness of the local tasks, and preparation of the decentralisation reform promotion programme.

Another important thing is the coordination of Polish aid. The support should be planned in cooperation between governmental experts, academic specialists, and representatives of Polish local and regional authorities, in order to find the most useful projects and adequate means of support. It is highly recommended that support for different forms of training, especially active ones such as role playing and workshops, is maintained. Such support should be addressed both to officials from the Ministry of Regional Development and Infrastructure and to representatives of local authorities.

Better coordination of foreign aid is also very important for the Georgian government. The EU, and institutions such as USAID, German GIZ and the Open Society Foundation offer huge financial support for the development of local democracy in Georgia. This support should, however, be better coordinated on the Georgian side. The establishment of an official post, the holder of which is responsible for such coordination, would help to achieve better results.

The EU is currently concentrating on regional development in Georgia, seeing this as a key to development and to the democratic process in Georgia. However, the Eastern Partnership's tools should also be used to support Georgia's local government reform. The government is supposed to prepare the Regional Development Programme this year, as a condition for receiving budget support for 2015–2017. Obviously, local governments should play an important role in the completion of this programme.