

Chapter 5

Local Government in Georgia

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Developing New Rules in the Old Environment

Local Government in Georgia

Contents

1.	Overview of Local Government Reform	269
2.	Legal and Constitutional Basis	271
2.1	Territorial Structure, Levels of Self-government	271
2.2	Legal Basis of Local Government	273
2.3	Functions of Local Government	273
3.	Local Politics, Decision Making	274
3.1	Local Politics	274
3.2	Internal Structure of Local Self-government	276
3.3	Local Elections	277
4.	Functional Structure of Local Government	285
4.1	Local Administration Functions	285
4.2	Structure of Local Administration	287
4.3	Control, Supervision and Audit of Local Governments	287
4.4	Relationship between Elected and Appointed Local Government Bodies	288
5.	Public Service Provision	290
5.1	Distribution of Functions	290
6.	Local Finance, Local Property	291
6.1	Budget System	291
6.2	Legal Guarantees of Financial Autonomy	292
6.3	Current State of Financial Autonomy	292
6.4	Revenues	294
6.5	Expenditures	296
6.6	Budget Process	299
6.7	Trends in Local Finance	300

7.	Relationship between the State Administration and Local Governments	301
8.	Local Government Employees	302
9.	Legal Guarantees for Local Autonomy	305
10.	Next Steps in the Transition Process	306
11.	Territorial Autonomies	308
11.1	Autonomous Republic of Adjara	308
11.2	Autonomous Republic of Abkhazia	309
11.3	Tskhinvali Region	310
	Recent Publications on Local Government in Georgia	311
	Contacts for Further Information on Local Government in Georgia	311
	Glossary of Georgian Terms	313
	Annex 5.1: Major General Indicators	314
	Annex 5.2: Population, Settlements and Administrative Units	316
	Annex 5.3: Major Laws on Public Administration and Local Government	320
	Notes	321

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1. Overview of Local Government Reform

Local government has posed one of the most significant problems in building the Georgian state. Unlike Parliament and the government, both of which relatively well established by legislation, the structure of local governments remains vague, due to the lack of any tradition of self-government in Georgia.

The only early example of self-government in Georgia is Tbilisi, where the institution of city elders (*Tbileli Berebi*) was in place from about 1080 until 1122. Although city government emerged in the twelfth century, its development was hampered by invasions of nomadic tribes such as the Mongols, the Temur-Leng and Turkmens. Since roughly the same time, however, forms of community self-government have existed in the mountainous regions, which, unlike other districts, have continuously maintained institutions of elders (*khevisberi*).

After the annexation of Georgia by the Russian empire, the country was ruled first by military and then by civil Russian administration from 1801 to 1829. In 1841, limited self-government was introduced in Tbilisi. Georgian villages began to convene village assemblies in 1865, in a move similar to the peasant reform carried out in central Russia. About seven hundred of these assemblies appeared, made up entirely of family elders. However, no truly democratic elective bodies functioned in Georgian villages until 1917. In 1874, municipal reform was carried out in the cities, leading to the introduction of elective city councils (*satatbiro*) between 1874 and 1888 in Tbilisi, Kutaisi, Gori, Akhaltsikhe, Poti and Batumi.

Local administration was chosen by representative bodies; the mayor was elected by the city council and the village headman (*mamasakhlisi*) by the village assembly. However, the election base was limited to five percent of the population due to stringent social, age and property requirements. Furthermore, local administration functioned as a local branch of the central government rather than a local self-government body.

It was only after the February 1917 revolution in Russia, during the short-lived independent Georgian Republic, that attempts were made to democratize government and introduce principles

of local self-governance. The first elections to local and municipal self-governing bodies were held in 1919. These attempts ended when Russian Bolsheviks invaded Georgia in 1921.

During the Soviet era, institutions of local self-governance existed only in the form of puppet organizations. Neither the Constitution nor legislation acknowledged the concept of self-government. The monopolistic party system and fully centralized budget precluded the need for local initiative and local soviets of people's deputies carried out local government at all levels as bodies of state power. Furthermore, there was no separation of competencies between different administrative levels. According to the Constitution, all soviets had similar competencies and responsibilities, resulting in numerous legal battles during *perestroika*.

The Law on the Transition Period, adopted 14 November 1990, was the first of several laws designed to replace the Soviet system, among which were the following:

- Several amendments to the Constitution of the Republic of Georgia, passed throughout 1990–1991;
- Law on Elections to the Local Bodies of State Power (adopted 24 January 1991);
- Law on Local Administration during the Transition Period (adopted 29 January 1991);
- Law on Prefectures (adopted 23 April 1991).

Local administration from 1990 to 1991 generally functioned on two levels. The first level was constituted by villages, settlements and towns. The representative body was the local council (*sakrebulo*), elected for a three year term. The head of local administration (*gamgebeli*) was nominated by the prefect and confirmed by the local council.

The second level consisted of districts and cities with special status. At this level, local councils were elected for a three year term. In addition, a prefect was appointed by the Chairman of the Supreme Council (later the president of the republic) to head the district executive branch and act as the representative of the central government for a four-year term. As the highest regional state official, prefects had supervisory powers over local authorities, including village and town councils, and were entitled to annul local council decisions without appeal.

The law also specified the following categories of local government: district, town, city district, community, settlement and village.

After the coup of 1991, the office of the prefect was abolished and regional authority was transferred to district heads of local administration. The 1921 Constitution, reinstated in 1992, has not affected the development of local self-government.

The current state of local self-government is complicated by unresolved issues of territorial organization. This problem is regarded as sensitive by political circles, ethnic minorities and the public and has frequently turned critical in recent years. Widespread ethnic prejudice and unresolved socio-economic problems create additional difficulties for the state.

Relations with regions not populated by ethnic minorities are equally complex due to the following reasons:

- strong ideological opposition;
- tribal traditions, which became increasingly entrenched in certain regions in the 1990s;
- intensified confrontation between the mafia and local and central nomenklatura;
- widespread apathy and distrust of the state due to events of the last decade (the *coup d'état*, civil war and ethnic conflicts);
- economic crisis due to the disintegration of the Soviet economic sphere and the total lack of preparation for competition in the global market;
- political crisis caused by an inefficient and underdeveloped state system and a government which lacks a clearly formulated strategy in several critical areas;
- lack of priority given to issues of local government since, during independence, those in power felt that Georgia faced other more pressing problems;
- the scope of the problem. Because politicians found self-government to be so difficult to solve, they failed to develop basic principles of local self-government or a model of territorial organization for its implementation.

It should be noted that the Georgian government was both unstable and unpopular between 1992 and 1995 and at present. This, combined with the overall ignorance of the population in self-governing issues, paints a bleak picture for local self-government in Georgia.

2. Legal and Constitutional Basis

2.1 Territorial Structure, Levels of Self-government

The current system of local governments delineates two tiers of self-government. The first is made up of the smallest administrative units: villages, communes, small rural towns and district-level cities. Elected bodies at this level enjoy a relatively full degree of autonomy, with the power to create executive bodies and supervise their activities.

The second tier consists of districts and cities with special status (Batumi, Rustavi, Sokhumi, Poti, Kutaisi and Tskhinvali). This tier acts as mediator between the regions and the central government and possesses greater powers. This level is centrally-governed, not self-governed: elected bodies may monitor the activity of executive agencies such as the city hall (*gamgeoba*), but these executive officials are appointed by and accountable to the central government.

Tbilisi has special status as the capital city, as established by the Law on the Capital of Georgia. The representative body is the Tbilisi local council, which is elected by proportional ballot. The executive branch is composed of the mayor, the premier and district *gamgebeli*, who are nominated by the mayor and appointed by the president.

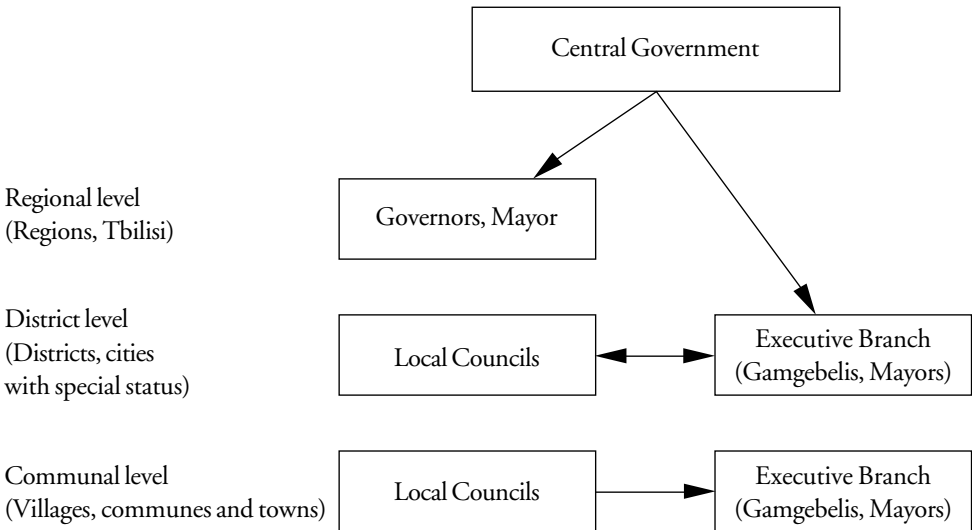
Local self-government bodies in mountainous territories have additional powers as determined by law.

At all levels of government in Georgia, central and local, town and district, elected representative institutions are forced to coexist with executive bodies not under their control.

The most important change in territorial structure was the creation of regions headed by the state commissioner, also commonly referred to as the governor. The institution of the governor is established by presidential decree rather than by legislation. Governors currently head the nine regions of Georgia (Kakheti, Shida Kartli, Kvemo Kartli, Mtskheta-Mtianeti, Meskhet-Djavakheti, Imereti, Samegrelo and Zemo Svaneti, Racha-Lechkhumi and Kvemo Svaneti, Guria).

The relationship between regional and local levels of government is illustrated in figure 5.1 below. It should be noted that the Organic Law on Local Government and Self-governance addresses local government at the first level, rather than self-government in general, and does not provide for any elective bodies at the regional level. As mentioned above, there is a need for a constitutional Law on Administrative-territorial Organization of Georgia to regulate territorial organization and relations between the central government and autonomous republics in the future.

Figure 5.1
Relationships between Different Tiers of Government



2.2 Legal Basis of Local Government

Unfortunately, the legislative foundation for local government in Georgia is underdeveloped and often self-contradictory due to frequent amendment. For instance, the Law on the Structure and Operation of Executive Power has been amended twice since its adoption in 1990. Furthermore, several essential areas lack any legislative basis; key fields such as regional organization and the office of regional state commissioner are determined by presidential decree, not parliamentary legislation.

The 1995 Constitution failed to stipulate a model for administrative-territorial organization. Instead, its second clause postpones settlement of the issue until restoration of the country's territorial integrity. Meanwhile, the system of local government is determined by the Organic Law on Local Government and Self-governance, adopted in October 1997. Despite many juridical flaws, this law provided the basis for the development of a relatively efficient system of self-government. The Organic Law on Local Government superseded several contradictory normative laws passed between 1991 and 1997 (in total, three laws, one resolution and eleven decrees).

The Law on the Capital of Georgia followed on 18 February 1998. Despite these positive steps forward, requirements for local elections were not specified until late summer. The Law on Local Council Elections was signed by the president of Georgia on 4 August 1998, at the same time as the Law on the Status of Local Council Members.

The year 1999 witnessed the passage of the Law on the Social, Economic and Cultural Development of Mountainous Regions and the Law on Direct State Governance. The process of dividing financial and budgetary responsibilities between central and local governments began with the adoption of the Law on Financial Bodies of the Local and State Governments.

Finally, both the Law on Public Service and the Law on Corruption and Conflict of Interest in Public Service regulate government activities in general, including those of local governments.

While a system of local government has developed at the communal and district levels over the past three years, the status of the regional level remains ambiguous. The office of regional state commissioner has no legal basis and may be considered unconstitutional. The only law to address the subject is the Law on the Fund for State Commissioners.

2.3 Functions of Local Government

Local councils at all levels of government are responsible for the following:

- reviewing and approving the local budget, making any necessary amendments, approving the budget execution report and supervising budget execution;

- approving long-term social and economic development plans and supervising their implementation;
- levying and rescinding local taxes and fees and determining tax exemptions;
- supervising the activities of executive bodies and council officials and evaluating their annual reports;
- electing the council chairman and secretary, forming council committees, electing committee chairmen, approving committee staff and making any necessary changes;
- confirming elected council members and removing them from office before their terms are up;
- reviewing reports from heads of any local government bodies created by the council or officials;
- adopting local government resolutions, amending them and supervising their implementation;
- establishing rules for the ownership, use and disposal of local self-government property;
- founding and liquidating local services and relevant enterprises;
- creating local government housing and construction funds and regulating their disposal;
- approving programs for the revitalization and development of community services and supervising their implementation;
- establishing a local information service;
- resolving issues of local importance concerning education, health care, culture and sports;
- regulating the provision of social services;
- approving agreements and contracts made on behalf of the local self-government.

In addition to these responsibilities, second-tier local governments (districts and cities with special status) and the councils of Tbilisi are charged with the following duties:

- ensuring the observance of human rights, legality and public law and order, and evaluating reports from relevant bodies and officials;
- monitoring the use of natural resources in accordance with Georgian legislation;
- approving measures for environmental protection and ecological safety;
- approving measures for the protection of cultural heritage;
- ensuring the implementation of state programs;
- approving programs to provide a social safety net and promote employment;
- approving measures to relieve the consequences of catastrophes, acts of God and epidemics.

3. Local Politics, Decision Making

3.1 Local Politics

As the political and economic elite realize the necessity of legitimizing their power, elections have become a trophy for democratic legitimacy in recent years.

The *nomenklatura* employs classic clientele methods in its relations with the population, either using intimidation or offering economic compensation in order to win elections (for example, paying

salaries and pensions, distributing food products or repairing roads). In areas where civil society is weaker, such as ethnic enclaves, or areas under the control of local autocrats, such as regions, the population tends to comply with the nomenklatura and vote as instructed.

Illegal methods are used increasingly often; these include distributing gifts among constituencies prior to elections, stuffing ballot boxes and bribing members of electoral commissions. Reports and press releases from local and international monitors provide numerous examples of these violations as well as examples of obstruction by authorities, particularly police, during virtually every election. Observers are barred from monitoring voting, campaigning frequently continues on election day, individual voters cast their ballots repeatedly at different polling stations, registration procedures are violated and the tallying of votes is rigged. Particularly in regions, the local population votes for local nomenklatura, primarily out of reluctance to offend the parties in power.

Nonetheless, voters express their dissatisfaction by the post-Soviet trend whereby citizens vote against the government rather than for a candidate, by the decrease in voter participation since 1990 and by the increase in people who do not trust local government (from fifty-three percent in 1996 to sixty-seven percent in 1998).

Party politics has a pervasive influence on local self-government. Political parties in Georgia, though diverse, can be divided into two main groups:

- Political parties created around former nomenklatura or representatives of certain regional or family clans. These parties have strong political and economic leverage at their disposal, extending to physical force when necessary;
- Political movements and groups with low membership. These parties are active only during elections or limit their activities to local civil disobedience campaigns and other ineffective protests.

Party corruption, present at every level, is at its most blatant during elections. Examples range from purchasing votes to falsifying election results during counting.

Civil society is dependent on western donor assistance and does not significantly influence public opinion. However, non-governmental organizations (NGOs) have begun to play a greater role in local self-government. This is primarily true of large cities, but has slowly spread to the regions in the past two years. Community organizations have started to emerge and some, such as the *Varketili* organization based in a district of Tbilisi, have seriously affected local policymaking and even regulate certain services.

Some local self-government bodies have begun to coordinate their activities and international organizations have been promoting the establishment of local council associations. The Association of Georgian Councils was founded in 1999, with the help of the National Democratic Institute (NDI), while the smaller National Association of Sakrebulo was created at the initiative of the district city of Gori. Association activities have thus far been limited to regular assemblies and the distribution of methodological literature. Limited financial resources and lack of experience among

local councils negatively impact the quality of activities. Nevertheless, this type of association has great potential for exchanging best practices in self-governance, improving personnel skills and developing joint programs.

3.2 Internal Structure of Local Self-government

Local councils in cities with special status consist of thirty members, while the Tbilisi city council consists of fifty-five. The composition of the remaining local councils is defined according to population by the following scale:

Table 5.1
Number of Local Council Members According to Population Size

Population	Number of Council Members
0–500	5
500–1,000	7
1,000–2,000	9
2,000–5,000	13
5,000–10,000	17
10,000–30,000	19
30,000–50,000	21
50,000+	25

Local council officials include the chairman, secretary and chairmen of local council commissions. In addition, the Tbilisi local council possesses deputy chairmen of local council commissions and chairmen of political factions.

Local council members elect a council chairman from among their number. The chairman is chosen by a majority vote of members present at the meeting, provided that the votes equal at least one third of total membership (at least one half in Tbilisi). The council chairman is responsible for:

- directing council activities and preparing for, convening and chairing council meetings;
- representing the local council to other organizations;
- coordinating the activities of standing and temporary council commissions;
- signing local council decisions;
- other duties in accordance with council provisions and existing legislation.

The council chairman nominates a candidate for the position of secretary, who may then be elected by a majority of members present at the meeting (in Tbilisi, the candidate must receive over half of the total votes). The local council secretary fulfills the chairman's responsibilities in the chairman's absence or in case of his or her resignation. In addition, the secretary performs other activities at the direction of the council or chairman within council regulations. The secretary may become a full-time salaried council employee at the council's decision.

Local councils create standing or temporary commissions as needed. Neither the functions nor number of standing commissions are regulated by law. In Tbilisi only, the number of standing commissions may not exceed five. Chairmen of local commissions must be elected from local council members, but outside individuals may be invited to be commission members. Commission activities are regulated by council provision.

According to legislation, local council meetings should take place at least once every three months. Extraordinary meetings may be called by chairmen, mayors or the premier of Tbilisi. They may also be requested by least one third of the local council or at least one fifth of all voters (at least 10,000 voters in Tbilisi), in which case the chairman is obliged to convene the meeting within a week of the demand.

Issues are decided by open vote, except for votes of no confidence or other personal matters. Most local council decisions are passed by a majority vote of members present, provided that at least half of the council is present. All meeting proceedings are recorded in the local council minutes.

3.3 Local Elections

Local council members are elected by universal, direct, equal and secret vote. Most local council elections are held in multi-mandate electoral districts according to a proportional electoral system. In territories with fewer than two thousand voters, however, elections are held according to a majority electoral system. The term of office for local councilors is three years.

In Georgia, local elections were most recently held on 15 November 1998. These were the third such elections after 1919 and 1991, excluding the purely formal elections of the Communist era. Local government bodies were elected throughout Georgia, with the exception of the Abkhazia Autonomous Republic and the Tskhinvali region (the former South Ossetia Autonomy). Overall, 1,031 local councils were elected, 654 at the communal level and 378 at district level, with a total of 10,693 council members.

All Georgian citizens of at least eighteen years of age who had been registered in the local government territory for at least three months had active voting rights. Passive voting rights were granted to citizens who were at least twenty-one years old, registered on the territory of the corresponding

council and had permanently resided in Georgia for at least five years. Military personnel participated only in elections at the second tier of local government. Internally displaced persons were not eligible to take part in local elections.

Parties and coalitions may nominate candidates. In local councils where elections are held according to a majority system, candidates may be nominated by voter initiative groups of at least five citizens. In order to participate, political parties are required by law to present electoral lists in at least half of the districts holding elections according to the proportional system, a total of 189 local councils. Due to this requirement, the number of participating parties decreased. The Central Electoral Commission eventually registered eleven political parties and two coalitions consisting of six parties.

In comparison with the 1995 parliamentary and presidential elections, the 1998 local elections were relatively fair, notwithstanding several infringements. The governing party, the Citizens' Union of Georgia, had an unexpectedly poor showing in the local elections. Although they won over half the total number of seats, they failed to win a majority in thirty-three out of sixty-five districts and five cities with special status. This is an indication of the party's low popularity as well as the fact that opposition parties have mastered the same illegal tactics employed by the governing party in the 1995 elections. In addition, the opposition utilized the rhetoric of social populism and the population's negative attitude towards any political force in power. Finally, because the ruling party viewed local elections as less significant, they did not mobilize all its forces or rig election results on the same scale as in parliamentary or presidential elections. Consequently, opposition parties won majorities in the capital and four other major cities (Kutaisi, Rustavi, Batumi and Poti).

Despite numerous violations, the 1998 local elections clearly represented a step forward for democratic development in Georgia. For the first time since independence, the principle of self-government was implemented in the country, as elected rather than appointed executive bodies emerged at the first level of government.

Table 5.2
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties					Left-wing parties			Right-wing parties			
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc
Tbilisi	55	20	0	0	0	0	4	12	9	3	4	3	0
Abasha	19	6	0	0	0	0	2	3	2	6	0	0	0
Adigeni	19	12	0	0	0	2	0	1	0	0	4	0	0
Akhalgori	17	11	0	0	0	0	0	5	0	1	0	0	0
Akhalkalaki	21	9	1	2	0	0	0	0	1	5	3	0	0
Akhatsikhe	21	13	0	0	0	0	1	5	1	1	0	0	0
Akhmeta	19	10	0	0	2	0	0	0	0	7	0	0	0
Ambrolauri	19	12	0	0	0	0	0	0	4	3	0	0	0
Aspindza	17	16	0	0	0	0	0	1	0	0	0	0	0
Baghdati	19	7	0	0	0	0	1	1	1	7	1	1	0
Batumi	30	0	0	0	0	0	30	0	0	0	0	0	0
Bolnisi	21	17	0	0	0	0	1	0	0	3	0	0	0

Table 5.2 (continued)
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties				Left-wing parties			Right-wing parties				
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc
Borjomi	19	10	0	0	0	0	0	1	7	0	1	0	0
Chkhorotsku	19	12	0	1	0	0	0	0	0	5	0	1	0
Chokatauri	19	12	0	0	0	0	0	0	0	0	7	0	0
Dedoplistskaro	19	11	0	0	0	0	0	5	0	1	1	1	0
Dmanisi	19	18	1	0	0	0	0	0	0	0	0	0	0
Dusheti	19	6	0	0	0	0	0	13	0	0	0	0	0
Gardabani	25	24	0	0	0	0	0	1	0	0	0	0	0
Gori	25	13	0	0	0	0	1	2	3	2	4	0	0
Gurjaani	25	15	0	0	0	0	3	4	0	2	0	1	0
Kareli	21	17	0	0	0	0	0	0	1	1	2	0	0
Kaspi	21	14	0	0	1	0	0	3	2	1	0	0	0
Kazbegi	13	9	0	0	0	0	1	0	0	3	0	0	0

Table 5.2 (continued)
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties					Left-wing parties			Right-wing parties			
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc
Keda	19	0	0	0	0	0	19	0	0	0	0	0	0
Khashuri	21	12	0	0	0	0	0	2	6	0	1	0	0
Khelvachauri	25	0	0	0	0	0	25	0	0	0	0	0	0
Khobi	19	9	0	3	0	0	6	0	0	1	0	0	0
Khoni	19	5	0	0	0	0	0	1	0	9	3	1	0
Khulo	19	0	0	0	0	0	19	0	0	0	0	0	0
Kkaragouli	19	7	0	0	0	0	0	2	5	3	2	0	0
Kobuleti	25	0	0	0	0	0	25	0	0	0	0	0	0
Kutaisi	30	10	0	0	0	0	2	7	2	2	1	6	0
Lagodekhi	21	10	0	0	0	0	0	1	7	1	2	0	0
Lanchkuti	21	10	0	0	0	0	3	0	0	2	4	1	1
Lentekhi	17	0	10	0	0	0	1	6	0	0	0	0	0

Table 5.2 (continued)
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties				Left-wing parties			Right-wing parties				
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc
Marneuli	25	21	0	0	0	0	0	0	0	0	4	0	0
Martvili	21	11	0	0	0	1	1	1	1	1	6	0	0
Mestia	17	2	8	0	0	0	6	0	0	0	1	0	0
Mtsketa	21	9	0	0	1	0	0	5	3	1	1	1	0
Ninitsminda	19	16	3	0	0	0	0	0	0	0	0	0	0
Oni	17	8	0	0	0	0	1	6	2	0	0	0	0
Ozurgeti	25	13	0	0	0	0	1	0	0	4	3	3	1
Poti	30	14	0	3	3	0	4	3	1	2	0	0	0
Qvareli	19	8	0	0	2	0	0	5	1	2	0	0	1
Rustavi	30	9	0	0	0	0	7	8	2	2	2	0	0
Sachkhere	21	11	0	0	0	0	7	0	1	1	0	1	0
Sagarejo	21	12	0	0	0	0	1	2	1	0	4	1	0

Table 5.2 (continued)
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties					Left-wing parties			Right-wing parties			
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc
Samtredia	21	7	0	0	0	0	1	3	1	5	2	2	0
Senaki	21	10	0	0	0	0	4	2	2	3	0	0	0
Shuakhevi	19	0	0	0	0	0	19	0	0	0	0	0	0
Sighnaghi	21	11	0	0	0	0	1	3	1	1	1	0	4
Tchiatura	21	8	0	0	0	0	1	1	8	0	2	0	1
Telavi	25	13	0	0	0	0	1	0	2	3	1	5	0
Terjola	21	9	0	0	0	0	0	0	10	0	2	0	0
Tetritskaro	19	14	0	0	0	0	1	3	0	0	0	1	0
Tianeti	19	10	0	0	0	0	0	2	7	0	0	0	0
Tkibuli	19	9	0	0	0	0	1	1	3	1	2	2	0
Tsageri	19	9	2	0	0	0	0	6	2	0	0	0	0
Tsalenjika	19	13	0	4	0	0	0	1	0	1	0	0	0

Table 5.2 (continued)
Local Election Results in 1998

Districts	Number of Council Members	Pro-governmental Parties					Left-wing parties			Right-wing parties					
		Citizens' Union	The Lemti Political Organization	The "National Consent" Bloc	The "Sportive Georgia" Political Organization	Green Party of Georgia	Union of Democratic Revival	Labor Party	Socialist Party	National Democrat Party	Popular Party	Union of Georgian Traditionalists	The "Georgia" Bloc		
Tsalka	19	18	0	0	0	0	0	0	0	1	0	0	0	0	0
Tskaltubo	21	14	0	0	0	1	0	3	0	0	2	0	0	0	1
Vani	19	5	0	0	0	0	1	4	0	0	1	0	0	8	0
Zestaphoni	25	10	0	0	0	0	2	1	0	0	1	1	3	8	0
Zugdidi	25	11	0	0	0	0	4	0	5	2	2	1	2	2	0

4. Functional Structure of Local Government

4.1 Local Administration Functions

The local administration is responsible for the following:

- ensuring observance of public law and order;
- ensuring protection of human rights and legality;
- managing and disposing of local government property;
- regulating use of natural resources, protecting the environment and preserving the ecological balance;
- resolving issues of land use in subordinate territories;
- organizing waste disposal and recycling;
- organizing sanitation, anti-epidemic and veterinary measures;
- defining special protected environmental areas and preserving institutions of cultural heritage;
- overseeing issues of education, child care, health care, culture, sports and tourism;
- developing and maintaining power, gas, water supply and land improvement systems;
- constructing, maintaining and repairing regional roads;
- overseeing local communication networks created by local funds;
- providing social insurance and employment;
- providing relief for consequences of catastrophes, acts of God and epidemics;
- assisting in the organization of civil defense;
- creating and financing social and economic development programs;
- mobilizing human and transportation resources in cases stipulated by the law of Georgia;
- mobilizing local reserves for the Georgian armed forces;
- providing assistance to the Military of Defense by organizing military assemblies or training and supplying military units with agricultural products.

The above-mentioned responsibilities may be divided by mutual agreement between the local administration and other local government bodies.

4.2 Structure of Local Administration

The executive branch of the local council is the directorate, which may consist of a gamebeli, a first deputy gamebeli, a deputy gamebeli, a head of apparatus and directors of local services.

Communal directorates are generally comprised of three to seven members. Directorates are not established in communities with fewer than three thousand inhabitants; instead, those functions are executed solely by the gamebeli. At this level, the gamebeli is elected by the corresponding local council from its members, acts as council chairman and is accountable to the local council. The directorate structure is defined by local council provision. Upon resignation or dismissal of the gamebeli, the given directorate is dissolved.

At the district level, directorates are a division of state administration that also perform the executive functions of local government. Directorates of cities with special status are made up of seven to fifteen members, and *raion* or district directorates of five to eleven members. The *gamgebelis* of both are appointed and dismissed by the president of Georgia, who also approves the directorate structure. *Gamgebelis* at this level are accountable to both the president of Georgia and the local council.

Gamgebelis at both levels are charged with the following duties:

- to oversee preparation of the draft local budget and submit it to the local council forty-five days before the budgetary year;
- to submit social and economic development plans to the local council;
- to submit corresponding legislation to the local council;
- to implement local council decisions;
- to approve the appointment and dismissal of heads of territorial divisions of state agencies.

In addition, *gamgebelis* of the second level must:

- maintain public order in the district;
- monitor issues of legality and human rights in the district.

The directorate formulates the draft budget, prepares social and economic development programs and grants preliminary approval to economic transactions for sums over GEL 5,000 (approximately USD 2,500). All directorate decisions are approved by a majority of officials present. The first deputy *gamgebeli* oversees economic affairs and fulfills the *gamgebeli*'s duties in his or her absence, while deputy *gamgebelis* head different branches of executive activity. Local governments also establish agencies to manage various functions within local government competence. The heads of such agencies are appointed by the *gamgebeli* in coordination with the local council.

All local government bodies and officials may initiate legislation within their defined competence. Second tier *gamgebelis* draft legislative statements after consulting members of the directorate. The directorate may draft legislative statements only in cases specified by law or the local council.

The executive branch in Tbilisi is structured somewhat differently. Because the city is divided into eleven city districts, the municipality of Tbilisi consists of the directorates of Tbilisi and its districts. Local self-government is implemented only through the Tbilisi municipality council; there are no representative bodies in the city district governments

Other Tbilisi government officials include the city government premier, deputy premier, *gamgebelis* of Tbilisi districts and heads of individual city communal and public services, who are nominated by the mayor of Tbilisi and approved by the local council. The only exceptions are the city premier and city district *gamgebelis*, who must be approved by the president of Georgia. The structure and operation of Tbilisi government are defined by law and presidential decree. The government implements local council and municipality decisions and formulates capital budget projects and social and economic development programs.

The mayor is a citizen of Georgia and a resident of Tbilisi appointed by the president of Georgia. The mayor is responsible for the following:

- submitting an organizational chart of the city government for approval to the local council;
- submitting candidates for city premier and city district *gamgebeli* for approval to the president of Georgia;
- appointing and dismissing deputy premiers, heads of apparatus and heads of Tbilisi city services in coordination with the local council;
- appointing and dismissing heads of other public services;
- suspending implementation of city government provisions when necessary and requesting their annulment from the local council;
- suspending or annulling decisions of the city premier and *gamgebeli*;
- consenting to the appointment and dismissal of heads of territorial divisions of state agencies.

The Tbilisi City government is led by the city premier, who is accountable to the president of Georgia, the local council and the mayor. The city premier is responsible for the following:

- submitting programs of social and economic development to the local council in coordination with the mayor;
- formulating draft legislation and submitting it to the Tbilisi local council;
- fulfilling mayoral duties in the mayor's absence.

There are no more than three deputy premiers, each of whom direct branches of local administration. Provision of public services is directed by department heads, who are responsible to the mayor, the city premier and the local council.

Organizational support is provided by the local government apparatus, or administrative staff. This is led by a head of apparatus, who is appointed and dismissed by the *gamgebeli* in coordination with the local council. The head of apparatus submits the administrative staff structure to the local council, while the *gamgebeli* appoints staff employees.

4.3 Control, Supervision and Audit of Local Governments

Control over local government activity may be divided into three categories: public control over local councils, local council control over the executive branch and central government control over local governments.

1. *Public control over local councils.*

Local council members are obliged to meet with voters at least once every three months and report on their activities at least once a year. Local council meetings are open to the public. Closed meetings may be if held they involve information which is secret or restricted by law. According to the new Administrative Code, citizens may request any necessary public information from government agencies and attend non-closed council sessions. In practice, citizens do not exercise these rights.

2. *Local council control over the executive branch.*

Gamebelis report on their activity to local councils once a year. In addition, the local council creates a commission on oversight, made up of at least three council members, in order to supervise executive activities. This commission monitors the registration and collection of taxes, the legality of expenditures and their correspondence to the local budget and reports on its activity to the local council every three months. The commission also presents an annual report to the local council during approval of the local budget execution report.

3. *Central government control over the local government.*

The central government has the most effective means of control at its disposal. Legislative control is exercised by the prosecutor's office, economic control by the chamber of control and control over specific functions by the relevant ministries, such as the Ministry of Internal Affairs or the Ministry of Finance. Courts play a very limited role in resolving conflicts between central and local governments. In practice, all such cases are decided by the president of Georgia.

The mechanisms of control available to the central government far outweigh the others. Although the mayor of Tbilisi, for example, is accountable both to the president and to the local council and citizens of Tbilisi, voters and the city council have no legal mechanisms to influence city hall, apart from generally defined rights. Presidential displeasure, on the other hand, means possible removal from office.

However, the state government is not willing or able to exercise control over local government finances, either over local budgets or the use of transfers from the central budget. No state or independent auditing system exists, a situation conducive to corruption and the resulting depletion of already limited finances.

4.4 Relationship Between Elected and Appointed Local Government Bodies

According to current legislation, local councils monitor the activity of local administrations and local officials and review annual reports from heads of local services.

Communal local councils approve the directorate structure and candidates presented by the mayor. In theory, a local council may issue a vote of no confidence in the gamebeli, a directorate or a directorate official. A motion of no confidence may be put to council vote at the initiative of one third of its members; the motion passes if supported by one half of the local council. The local council is also authorized to suspend or revoke decisions of the directorate or gamebeli.

In exceptional circumstances, a district local council may apply to the president of Georgia to dismiss its gamebeli by majority vote. A motion of no confidence may be introduced against the gamebeli at the request of at least one third of the council members or against the directorate or a directorate official at the request of at least half the council. The decision is passed if supported by a majority vote. Upon a vote of no confidence, the directorate or directorate official is considered to have resigned.

Within a week of being presented with a local council resolution, the *gamebeli* is authorized to send it back to the local council with suggested revisions. The local council must vote upon the recommendations within a two-week period. If they are not passed, the local council votes again on the original version and may adopt it by a simple majority vote.

The Tbilisi mayor has the special right to appoint an acting deputy premier, head of apparatus or heads of local services for up to six months if the council does not approve the mayor's candidate after two attempts and fails to elect their own candidate within two weeks.

In reality, these mechanisms of control do not function, especially at the district level. District *gamebelis* and mayors of cities with special status are appointed by the president and represent the governing coalition. Although local governments have passed votes of no confidence, not one has received presidential approval.

Local councils are thus unable to implement effective control over the executive branch. At the district level, high administration officials are appointed by the central government. At the first level, they are a member of the majority party. Therefore, they retain their local council membership even when faced with votes of no confidence and have the opportunity to retrieve their status through party deals within the council.

Executive authorities are indifferent to political debates in the local council. This is true not only of the regional state commissioners, who are not formally accountable to local councils, but also of heads of district administrations. It has become common practice for both to disregard local council decisions and occasionally apply their own pressures on local council policy.

The following contradictions to the European Charter of Local Self-government are inherent in the current state of local self-government in Georgia:

- Heads of district-level local governments are appointed by the president rather than elected by the population or local councils, in contradiction to article 2(3);
- No elected representative bodies function at the regional level, while the governor's authority is steadily expanding, in contradiction to article 2(3);
- Local representative bodies are unable to deal with many issues within their competence, in contradiction to article 6(4);
- Central government control over local self-government institutions runs counter to legal requirements, in contradiction to article 2(8);
- The government delegates a range of responsibilities to local self-governments without assigning the requisite financial resources, in contradiction to article 2(9).

Although Georgia has not yet joined the European Charter of Local Self-Government, it must still observe European conventions as a member of the Council of Europe. However, the overwhelming majority of Georgian authorities remain unconcerned about this issue. Meanwhile, in the absence of real legal instruments, local councils respond to blatant violations of principles of self-government with hopelessness and pessimism rather than active protest.

5. Public Service Provision

Local governments encounter a host of problems in the provision of public services, among which are the following:

- Local self-governing bodies are poorly informed and lack skilled staff. Thus, even the small role assigned to them by legislation is often beyond their reach;
- Many bureaucrats derive advantages from the current situation and are thus unwilling to implement any real reforms;
- Local governments face pressing financial difficulties due to the lack of funds and their obligation to pay a high proportion of local revenues to the central budget;
- The cost of public services is very high and quality very low. No optimal model exists for allocating human, material and financial resources and concepts of strategic planning and market demand analysis are alien to local officials;
- The majority of the population of Georgia cannot afford these services;
- There are no truly independent alternative systems, such as various specialized services, agencies and companies.

Private initiative is weak and the government does little to encourage it. This situation stems from the Soviet era, when the propaganda of a socially oriented society and the monopolization of all vital social functions by the Soviet system created the illusion that the state would act indefinitely as the agent of public good.

Political circles in Georgia have recently begun to emphasize the need to decentralize public services. The process of privatizing communal services is already underway, with former directors generally becoming the new owners. However, the Georgian government must create the legal basis for effective reform of the state system in the near future to meet the requirements of international financial and political organizations.

Also, the unclear division of competencies between various governmental agencies has led to bitter confrontation, a trend which promises to continue in the future.

In view of these problems facing local government, the present stage of development remains unclear.

5.1 Distribution of Functions

Some types of public services are shared between the central and local governments. Examples of these include health care and education. Both federal and municipal programs exist in these fields; federal programs are financed directly from the central budget, while the local government may fund additional programs or extend federal ones. The remaining expenses are covered by consumers.

The local government budget partially covers expenditures on public service. However, the central government retains control over the most important functions, such as health care, education, public

safety and tax collection. Few local self-government agencies are able to develop independent programs due to lack of funds. Even when services are partially financed by local budgets, the central government still has the legal and political leverage to implement its own public service policy.

Two types of executive institutions exist at the district level, municipal agencies and territorial ministry agencies. The first category includes housing departments and municipal transport, while the second includes the police department and department of education. Heads of both types are members of the directorate and are accountable to the *gangebeli*, the representative of the central government. Only heads of municipal agencies, however, are accountable to the local council. Heads of territorial ministry agencies often refuse to provide documentation or necessary information to the local council.

For several years, the state budget continued to finance enterprises formally subordinated to local self-governments, mainly communal facilities. Heads of these enterprises consequently ran up unjustified expenses, since any debts were covered by the state budget. In 1999, this rule was abolished. As these enterprises gradually became private companies, the government was able to divest itself of unprofitable enterprises. The new owners of privatized services are generally the former heads of administrations or their relatives and quality of service is very poor. There are no accurate statistical data on how many enterprises were privatized.

The concept of transferring control over local services from the district to the regional levels has privately been gaining currency among the *nomenklatura*. If the district administration becomes an elected body, one of the conditions of Georgia's entrance into the European Community, the central government will doubtless attempt to assume real means of management, as is already the case at the first level of local government.

6. Local Finance, Local Property

6.1 Budget System

Throughout the 1990s, Georgia had no considered economic or fiscal policy at the central or local levels, resulting in state budget deficits for the past six years. Consequently, the system of local finance developed haphazardly as the government passed various legislative acts to ratify already existing practices.

The budget system in Georgia is defined as the consolidated state and local government budgets. Prior to 1997 the state budget was defined as the consolidation of the central budget, budgets of special state funds and communal budgets; currently, the state budget consists of only the central budget and budgets of special state funds. In fact, Georgia has a four-tiered budgetary system. The first tier consists of the state budget, the second of consolidated budgets of autonomous republics, the third of budgets of districts and cities with special status and the fourth of communal budgets. At present the state budget, communal budgets and budgets of the autonomous republics are

independent of one another. Local budgets have own revenues and discretion over expenditures with the exception of special purpose transfers and loans from higher-level budgets.

The budgetary system prior to 1997 is too dissimilar to the current system to allow comparison of specific budgetary items. Therefore, this discussion is limited to a detailed analysis of data after 1997.

6.2 Legal Guarantees of Financial Autonomy

The 1996 Law on the Budget System and Budgetary Powers (hereafter referred to as the Law on the Budget System) significantly increased the degree of local government autonomy in determining and implementing financial and fiscal policy. In order to ensure the integrity of the Georgian budget, local governments are legally required to adhere to common principles such as budget classifications, general forms of budget documentation, general principles of the budgetary process and the common monetary system. Nevertheless, local governments are guaranteed an adequate measure of independence by article 8 of the above-mentioned law.

The law also stipulates that the state budget of Georgia, budgets of territorial units and budgets of the Autonomous Republics of Abkhazia and Adjara are independent of one another. Budgets at all levels have the authority to regulate sources of revenue relevant to own and long-term economic norms defined by the law. Full discretion over their use is granted to the highest authorities of Autonomous Republics of Abkhazia and Adjara and local representatives elsewhere in Georgia. State government bodies are not allowed to interfere in budget rights of lower authorities. Certain agencies, such as the State Chancellery, the Ministry of Finance or the State Prosecutor's Office, have the right to interfere in financial activities of local self-governments only if the State Audit Chamber has found serious breaches of law.

Article 29 (2) of the Law on the Budget System also stipulates that local authorities and administrative bodies of the Autonomous Republics of Abkhazia and Adjara and other territorial bodies of Georgia independently draft, adopt and implement relevant budgets.

6.3 Current State of Financial Autonomy

Unfortunately, the legislative basis of local finance in Georgia is highly unstable. The Law on the Budget System, for instance, has been amended nineteen times since its approval. The same is true of the Law on Long-term Economic Norms for Distribution of State Taxes to Budgets of Territorial Units and the Autonomous Republics of Abkhazia and Adjara (henceforth referred to as the Law on Distribution of State Taxes). Although the ostensible purpose of the law is to establish long-term norms, it is amended annually, sometimes twice or more per year. This instability greatly diminishes the actual level of local autonomy.

Under current legislation, local representative bodies adopt rules for the formulation, consideration and term of approval of the local budget within general limits established by the law. However, both

the central and local budget processes rarely correspond to legally stipulated conditions. Violations have become so common that they no longer attract notice.

The local administration is responsible for formulating and executing local budgets, while representative bodies are authorized to supervise budget execution and make any necessary amendments to budget revenues and expenditures without increasing the marginal quantity of the budget deficit. Moreover, if local budget expenditures exceed revenues, the local administration may sequester up to ten percent of the local budget without council permission. To sequester more than ten percent of the budget requires local council consent. If revenues exceed expenditures during implementation of the budget, the remainder is handed over to the relevant local administrative departments or agencies, to be used at their discretion rather than transferred to the budget.

The greatest constraint on the financial autonomy of local governments is the reliance of local officials on the central government that has appointed them. Accordingly, local governments do not submit to supervision by representative bodies, and local interests are not always reflected in local financial and fiscal policy.

Despite these shortcomings, local authorities are relatively financially independent from the central government, as evidenced by the decrease in transfers from the central to local government over the past three years (see table 5.3). While all sixty-one territorial units of the budget system received transfers in 1998, two units (Poti and Rustavi) were not allocated transfers in 1999. In that year, thirteen budgets covered expenditures with own revenues. Although fifty-nine out of sixty-one local governments will be assigned transfers, there is no explicit policy on subsidies. Nor is there detailed information on the actual distribution of subsidies among regions.

Table 5.3
**Share of State Subventions in Local Budget Revenues,
1997–1999**

	1997		1998		1999	
	[USD millions]	[%]	[USD millions]	[%]	[USD millions]	[%]
Local budgets, including subventions from the state	158.6	100.0	177.2	100.0	161.1	100.0
Local budgets, excluding subventions from the state	120.4	75.9	152.2	85.9	140.7	87.4
Subventions from the state budget	36.5	23.0	21.7	12.2	17.9	11.1
Bank loans	1.0	0.6	1.0	0.6	1.0	0.6
Other sources of income	0.7	0.5	2.3	1.3	1.5	0.9

If the central government even slightly increases the percentage of general state taxes to be paid to local budgets, an overwhelming majority of districts will no longer depend on transfers from the central budget. However, the central government is unlikely to relinquish this important mechanism of control over local self-governments and bureaucrats are equally unwilling to lose illegal income received from transfers. In addition, the former Soviet mentality is entrenched in local governments, which continue to request transfers regardless of need.

6.4 Revenues

Revenues of municipal governments are classified as follows:

1. State tax revenues
2. Local tax revenues
3. Revenues from local levies and other non-tax revenues
4. Revenues from privatization of state property
5. Other non-classified revenues
6. Transfers from the central budget
7. Loans from the central budget

1. *State tax revenues*

State taxes are shared among central and local budgets according to the Law on Distribution of State Taxes. This income source is currently composed of ten taxes, which altogether made up 62.4 percent of local budget revenues in 1998 and sixty-seven percent in 1999.

2. *Revenues from local taxes*

Local representative bodies may introduce five local taxes and establish their rates within margins determined by the Tax Code. These taxes are levied on economic activity, gambling establishments, resorts, hotels and advertisements. This type of revenue comprised only 5.9 percent of local budget income in 1997, 4.7 percent in 1998 and 4.9 percent in 1999. The tax on economic activity is the most significant local tax, since all economic agents must pay one percent of their total revenue. More detailed statistical data on local tax revenue are unavailable. The small share of local taxes in local budget revenues is another factor limiting the degree of financial autonomy.

3. *Revenues from local levies and other non-tax revenues*

Local levies in Georgia are governed by the Law on Principles of the Levy System and the Law on Local Levies. A local levy is defined as an obligatory payment to the local budget by natural and legal persons, for the right to carry out certain activities for a period of time established by local authorities. Local levies are imposed on the following activities: trade, public advertising, use of restricted public places, local transportation, initiating construction or renovation of a building, parking and tenders.

Unfortunately, there are no statistics on the total amount of all local levies, let alone a breakdown of revenues according to specific levies. The only available data are presented below as the

share of levies and non-tax revenues in total local revenues (table 5.4). At present, this amount is negligible, comprising only 2.86 percent of total local budget revenue in 1999. These levies have the potential to be used far more effectively. Against the current background of corruption, however, collections of levies are more likely to find their way to individual officials' incomes.

Table 5.4
Local Budget Revenues, 1997–1999

Type of Revenue	1997		1998		1999	
	[USD millions]	[%]	[USD millions]	[%]	[USD millions]	[%]
Total own tax and non-tax revenues	124.3	78.3	155.7	87.8	144.2	89.5
1. State tax revenue	95.2	60.0	110.7	62.4	107.8	66.9
VAT	4.3	2.7	16.7	9.4	15.9	9.9
Excise	2.8	1.8	1.6	0.9	3.9	2.4
Customs duty	0.0	0.0	2.5	1.4	4.0	2.5
Profit tax	19.5	12.3	20.9	11.8	17.6	11.0
Income tax	37.1	23.4	34.2	19.3	30.0	18.6
Land tax	11.6	7.3	14.2	8.0	12.3	7.7
Tax on the use of natural resources	2.0	1.3	1.5	0.8	2.6	1.6
Tax on environmental pollution	0.0	0.0	4.8	2.7	8.3	5.1
Property tax	12.1	7.7	13.5	7.6	12.2	7.6
Tax on the transfer of real estate	5.1	3.2	0.8	0.5	1.0	0.6
State fee	0.7	0.4	0.0	0.0	0.0	0.0
2. Local tax revenue	9.4	5.9	8.4	4.7	7.9	4.9
3. Local levies and other non-tax revenues	4.1	2.6	8.1	4.6	4.6	2.9
4. Revenues from privatization	9.8	6.2	18.3	10.3	15.8	9.8
5. Other unclassified revenues	5.9	3.7	10.2	5.7	8.0	5.0
Total transfers and loans from the central budget	34.4	21.6	21.5	12.2	16.9	10.5
6. Transfers from the central budget	33.4	21.0	20.5	11.6	15.9	9.9
7. Loans from the central budget	1.0	0.6	1.0	0.6	1.0	0.6
Total local budget revenues	158.7	100.0	177.2	100.0	161.1	100.0

Other non-tax revenues include rent for state or municipal property and dividends from partially or fully-owned municipal enterprises. Exact statistics of these revenues do not exist. Nevertheless, given that central budgets do not receive any of these revenues due to corruption, we may venture a guess that local budgets do not either.

4. *Revenues from privatization of state property*

Funds from the privatization of state or municipal property also form a small share of local budgets, comprising 6.18 percent in 1997, 10.32 percent in 1998 and 9.84 percent in 1999. The process of privatization of small and medium enterprises in Georgia is essentially finalized, so revenues from this source will significantly diminish or disappear altogether.

5. *Other non-classified revenues*

This type of revenue includes the repayment of loans by sub-budgets as well as other income not classified elsewhere in the budget. Considering that this type of revenue forms five percent of total revenues, more precise data should be available, but unfortunately are not.

6. *Transfers from the central budget*

Transfers from the central budget have been tending to diminish, a clear indication of progress in developing local financial autonomy. The majority of administrative-territorial units are capable of balancing their budget with own revenues and therefore should not be financially dependent on the central government. Assistance from the central government is necessary mainly in mountainous regions and administrative units with problems due to natural, social or migratory circumstances that are too great to resolve solely with own revenues.

Under current policy, however, fifty-nine out of sixty-one administrative-territorial units receive transfers from the central government. Consequently, districts in true need do not receive appropriate assistance, since most funding has been diverted to districts better equipped to solve budgetary difficulties on their own.

7. *Loans from the central budget*

Unlike transfers, loans were extended to only sixteen districts, making up 0.6 percent of total local revenues. Five to ten years ago, loans were non-repayable, following practices established under communism. Over the last three years, however, the practice of loan redemption has been instituted, mainly due to pressure from the International Monetary Fund.

6.5 Expenditures

Because indices of several expenditures do not exist, this section examines current indicators only.

The Georgian Parliament has not yet approved the execution of the 1999 state budget, since the Extraordinary Parliamentary Commission is still reviewing the legality of several incurred expenses.

This makes it difficult to analyze the financing of various expenditures. Nevertheless, it is clear from available data that neither central nor local budgets have an investment character: state expenditures over the past three years have not gone to capital expenditures, bonds and covering of internal debts. Sub-budgets have been allocated insignificant credits from major budgets.

In addition, expenditures do not always match revenues. Although environmental taxes comprised 6.76 percent of total local revenues in 1999, expenditures on the environment only make up 0.01 percent of total expenditures.

Under current legislation, authorities in territorial units implement the budget with the assistance of local finance and tax departments. The budget is implemented according to monthly and quarterly schedules of revenues and expenditures. This schedule is prepared by local finance and tax services or, if they do not exist, by the head of local administration. Budget implementation should correspond to the budget approved by the representative body of local authorities.

Representative bodies elect inspection commissions from their number to oversee the legality of local budget implementation. The commission monitors the collection of revenues according to schedule as well as the legality of incurred expenses and their correspondence with the local budget.

Local administrations are obliged to present a report on the execution of the consolidated budget in the relevant territory to the Department of Statistics and Chamber of Control, the highest state controlling body. The frequency of budget reporting and forms for all levels of budgets are jointly determined by the Ministry of Finance and the State Department of Social-Economic Information.

Table 5.5
Central and Local Expenditures, 1999

	Consolidated Central and Local Budgets		Central Budget		Local budgets	
	[USD millions]	[%]	[USD millions]	[%]	[USD millions]	[%]
Total expenditures	942.0	100.0	624.0	100.0	159.9	100.0
Education	89.8	9.5	17.6	2.8	45.6	28.5
Social assistance	203.1	21.6	172.6	27.7	6.9	4.3
Family assistance	3.8	0.4	0.0	0.0	2.5	1.6
Health care	24.4	2.6	10.8	1.7	8.0	5.0
State or municipal programs	9.0	1.0	0.0	0.0	5.8	3.6

Table 5.5 (continued)
Central and Local Expenditures, 1999

	Consolidated Central and Local Budgets		Central Budget		Local Budgets	
	[USD millions]	[%]	[USD millions]	[%]	[USD millions]	[%]
Culture and sports	35.6	3.8	17.6	2.8	10.3	6.5
Culture	13.1	1.4	0.0	0.0	8.5	5.3
Sports	2.8	0.3	0.0	0.0	1.8	1.1
Economic services	72.6	7.7	0.0	0.0	47.2	29.5
Utilities and communal flats	42.5	4.5	3.5	0.6	25.1	15.7
Water supply	3.9	0.4	0.0	0.0	2.5	1.6
Veterinary services	0.7	0.1	0.0	0.0	0.5	0.3
Agriculture	12.1	1.3	10.7	1.7	0.1	0.1
Transport and communications	27.6	2.9	24.7	4.0	0.1	0.0
Management of roads	0.3	0.0	0.0	0.0	0.2	0.1
General administration	27.7	2.9	0.0	0.0	18.0	11.3
Legislative and executive bodies	21.3	2.3	0.0	0.0	13.8	8.6
Supreme councils of autonomies	6.5	0.7	0.0	0.0	4.2	2.6
Administrative duties	1.0	0.1	0.0	0.0	0.6	0.4
Land use and land cadastre	0.6	0.1	0.0	0.0	0.4	0.2
Tax collection	0.4	0.0	0.0	0.0	0.3	0.2
Other state administrative affairs	19.7	2.1	0.0	0.0	12.8	8.0
Military commissariat and civil defense	0.6	0.1	0.0	0.0	0.4	0.2
Law-enforcement bodies	77.0	8.2	52.2	8.4	12.2	7.6
Archives	0.2	0.0	0.0	0.0	0.1	0.1
Registry offices	0.1	0.0	0.0	0.0	0.1	0.1
Other expenditures	366.1	38.9	314.3	50.4	10.1	6.3

6.6 Budget Process

The local and central budget processes are regulated by the Law on the Budget System. Local representative bodies are authorized to adopt their own provisions on the budget process within limits set by the law. As this occurs rarely, local budgets are generally formulated, considered, approved and amended as specified in the above law.

Draft budgets are prepared by financial departments; if they do not exist, that task falls to the local administration. Local authorities draw up drafts of district, city, community, village and settlement budgets and a draft of the consolidated budget for the territorial unit.

At the beginning of each budget year, the financial department presents forecast indicators of expenditures and revenues of territorial unit budgets to the local administration. Based on this information, municipal governments decide on the parameters for revenues and expenditures for the new budget year. The financial department accordingly draws up a detailed draft budget with specified revenue sources and expenditures and submits it to the municipal government. Once approved by the local administration, the budget is sent to local representative bodies for adoption.

In order to prevent budget deficits, the law stipulates that local budgets must contain a reserve fund composed of excess revenue, for financing extraordinary expenses during the year. If the reserve fund is utilized, it must be replenished at the first opportunity, as the balance is carried over to the following year. This requirement is a theoretical one: as a rule, it is the marginal deficit that is determined rather than the budget reserve. With few exceptions, budgets of all levels in Georgia have accumulated alarmingly large internal and foreign debts. Foreign debt alone exceeded GEL 2 billion in 1999, a year in which GDP was equal to GEL 2.5 billion. Internal debts are currently being tallied.

The Georgian government allocates almost no grants from the state budget, since the state itself relies on grants and other forms of assistance from international organizations and foreign governments. The central government does grant subventions, subsidies and transfers from sub-budgets in order to finance special purpose programs. Municipalities may only apply for loans from the Georgian investment market after submitting the necessary information to the State Chancellery and receiving presidential approval.

Heads of local administrations seek to obtain transfers from the central government by any means possible. The Autonomous Republic of Ajara, for example, appropriated state taxes collected on its territory, violating the Law on Distribution of State Taxes. Presented with a *fait accompli*, the central government legalized the appropriated revenues after the fact. The municipality of Tbilisi, citing the precedent of Ajara, demanded and received a similar privilege. While other municipalities retain sixty percent of taxes on profit and income, Tbilisi retains eighty percent. In practice, therefore, there is no distinction made between legal and illegal methods of distributing funds between different level budgets. In these circumstances, personal relationships between municipal heads and higher-level governments count for everything.

Municipalities distribute transferred revenues at their own discretion, though not always within their rights according to law.

6.7 Trends in Local Finance

The generally accepted reason for the lack of state revenues is rampant corruption, which ruins the state financially while corroding its legal and ethical foundations. It will be worthwhile to discuss measures to increase local and central budgets only when the government manages to defeat corruption and decrease its influence over the economy and other public processes.

Data on the mobilization of revenues in the central and local budgets paint a clear picture, which hardly needs comment.

Table 5.6
Share of State and Local Budget Revenue in GDP, 1997–1999

	1997		1998		1999	
	[USD millions]	[%] of GDP	[USD millions]	[%] of GDP	[USD millions]	[%] of GDP
GDP	4,519.0	100.0	4,863.0	100.0	5,475.0	100.0
Consolidated state and local budgets	599.6	13.3	606.3	12.5	488.1	8.9
State budget (and special funds)	456.4	10.1	428.9	8.8	327.0	6.0
Local budgets	158.6	3.5	177.4	3.6	161.1	2.9

The practice of selling government bonds is not yet established in Georgia.

Regardless of several serious shortcomings, the banking system is the most developed and progressive sub-system in Georgia. Municipalities extend loans very rarely and for minor sums. More significant was the municipal practice of issuing guarantees on large commercial loans, a flawed practice which is now used less frequently.

The Law on Bankruptcy Proceedings has many serious flaws and is awaiting drastic amendment in Parliament. Currently, bankruptcy proceedings are initiated in the local courts; higher courts may be involved only after the local court issues a ruling.

State and municipal property are not yet clearly differentiated, although steps have recently been taken to this end. For example, the Presidential Decree on the Transfer of State Property to Local Authorities took effect from 25 May 1999. The Law on Financial Bodies of Local and State

Governments, adopted 22 June 1999, is another progressive law which should positively affect the development and improvement of local management systems.

Meanwhile, municipally-owned enterprises have become less prevalent. The General Administrative Code, effective from January 2000, obliges government bodies to solve their economic problems through public tenders and contracts, rather than by creating enterprises.

Table 5.7
Ownership of Enterprises, 1999

	Number of Total Enterprises	Percent of Total Enterprises
Total enterprises	12,596	100.0
Privatized	9,747	77.4
State-owned	2,411	19.1
Municipally-owned	111	0.9
Other	327	2.6

In conclusion, local authorities undoubtedly have a certain degree of financial autonomy, though by no means large. The only prospect for further development of local financial autonomy is through considered initiatives, complementary to state interests, at the central level. Unfortunately, this is a rare occurrence in Georgia.

7. Relationship Between the State Administration and Local Governments

According to legislation, local self-government bodies and officials are delegated responsibility for executing certain state government functions, but the central government retains control of important services. The relevant minister and the head of the state department appoint and dismiss heads of territorial divisions of central agencies, their deputies and other public servants in coordination with the local government body.

When appointing heads of the district police, the department of education or the department of health care, for example, the ministries do not confer with either the local council or the *gamgebeli*, although the *gamgebeli*'s approval is required by law. Conflicts between heads of territorial offices of the central government and heads of district administration sometimes occur, even though *gamgebelis* are appointed by the central government and therefore represent the ruling party. These conflicts spring from personal incompatibility, which usually originate in the agencies' intentions to impose

full control over the district. In most cases, similar appointments are made through informal agreements with the head of local administration. Many heads of territorial offices of the central government consequently belong to local nomenklatura.

The status of these territorial agencies represent another gray area in the system of government. Although they are territorial divisions of central ministries, not executive branches of the local government, they are supervised by district *gamebeli* and their heads are represented in the directorate.

At the first level of self-government, the local council has the authority to appoint and dismiss local officials, including mayors and heads of local self-governments. This should not be taken to indicate that self-government is implemented to a higher degree at the first level, since meager local budgets and a real lack of rights nullify the significance of this authority.

Conflicts between various levels of government are solved by the Georgian president and the judiciary system within its sphere of competence. There few precedents of settling conflicts through legal mechanisms, however. The central government does not typically interfere in the everyday activities of local self-governments unless a particular self-government body has violated the interests of the Tbilisi nomenklatura or has blatantly flouted law. Consequently, local administrations, which are staffed mainly by local nomenklatura, are able to use their offices in favor of local mafia clans.

According to legislation, the state office coordinates local government activities. Legislative disputes among the various state divisions are resolved by the relevant ministers and heads of departments. If they are not able to reach an agreement, the president of Georgia settles the affair.

Finally, the regional state commissioners, or governors, are steadily increasing their power in regions. *Gamebelis* are increasingly resentful of the governors' right to nominate heads of district administrations, as they prefer not to have a mediator in their often informal relations with the central government. A governor's power often depends on personal factors, with certain governors delegated a wide range of authority from the center. The population has a mixed attitude towards this institution, and confidence in the governor seems to be dropping, in many cases transforming into intense dislike. Some regions have witnessed serious confrontations between the governor's staff and local political forces.

In conclusion, self-government bodies, particularly elected ones, have no real power despite their legally granted rights.

8. Local Government Employees

The rights and responsibilities of local council members are defined by Georgian legislation. Council member status begins upon certification and ends on the first meeting of the newly elected council or on early termination from office. The vote of a council member may not be influenced. Local

council members receive no compensation and execute their responsibilities while continuing their former employment.

In the past, council members and candidates possessed the same immunity as a member of Parliament whereby they could not be charged with criminal offenses, arrested, searched or imprisoned on the relevant local territory without a warrant signed by the local council chairman. If caught committing a crime, the individual no longer possessed immunity and the council chairman was immediately informed. This immunity was frequently abused during election periods, so the Parliament of Georgia rescinded this article in 1999.

Local councilors also face certain restrictions. A councilor cannot concurrently fill a position requiring nomination or approval by Parliament, the president or supreme representative bodies of autonomous republics. Nor may a councilor hold positions in the Office of the Procurator, the State Audit Chamber, law enforcement bodies or defense agencies. Finally, councilors are also not allowed to hold any executive offices in local self-government bodies, except that of village, community and city *gamgebeli*.

The law also defines the status and rights of local self-government personnel. Employees of the council, town hall and local administration are considered to be public servants.

The local hierarchy of public service is headed by state political officials. The term “official” refers to the state commissioner and deputy commissioner; heads of district local representative bodies, cities with special status and city districts; and heads and first deputy heads of local administration in districts, cities with special status and city districts. Officials are not allowed to pursue outside paid employment other than scientific, pedagogical or creative activity. They and their family members are not permitted to hold shares in the charter capital of entities over which the official has control or influence.

The civil service includes public servants, support personnel and non-staff personnel. Official status may be granted by election or appointment of any citizen of Georgia who has attained the age of eighteen, has at least a secondary education and command of the national language of Georgia. Any additional requirements are established within legal limits by the head of the relevant institution or his or her superior.

In order to prevent conflicts of interest, public servants are subject to a number of restrictions. Public officials are not allowed to engage in entrepreneurial activities, to hold more than one office in state or local government institutions, to pursue other employment or to belong to a representative or legislative body at any level.

Although the legislation on public service has been systematized, this is not reflected in the current situation. Georgian government in general and local self-government in particular is characterized by a lack of expertise among local government staff and a marked clientele-feudal tendency inherited from the Soviet era.

The Georgian government is pervaded by qualities characteristic of a patrimonial society; nepotism, regionalism, tribalism, clannism and regional and national clientelism. Corruption and personal connections play an important role in the hiring process. According to legislation, employees must be recruited through an interview process. However, appointments are usually made directly by the agency head, especially for those offices that produce lucrative bribes. When interviews do take place, testing procedures are disregarded in favor of relatives or friends of high-ranking officials. There is little or no transparency throughout the process.

Bureaucracy at the local government level can be classified into the three following groups:

1. Former Communist nomenklatura. Although the structure of the regional political elite has not yet been studied, the structure of the central government may serve as an example. Individuals who held high positions in the Soviet era constitute forty-one percent of high ranking officials in the current central government. In addition, the proportion of former *Komsomol* (Soviet Youth Organization) functionaries has been steadily increasing, from fourteen percent in 1997 to eighteen percent in 1999. These proportions are almost certainly much higher in regions.
2. "Bureaucratic bourgeoisie." The groups which have most benefited from privatization seek protectors among influential government officials. These officials often bring together the interests of local nomenklatura, newly emerged entrepreneurs and mafia clans.
3. Local elite. This social stratum has begun to play an active role and includes local Soviet nomenklatura and heads of current local administrations, for example, former chairmen of collective farms, heads of farms, the "red directors" (pro-soviet industrial managers) and heads of communal services. This group's showings in the 1995 and 1999 parliamentary elections sent a clear message to the central government that they may not be disregarded.

An overwhelming majority of bureaucrats are part of the former Soviet nomenklatura, particularly in regions. This mentality perpetuates an authoritarian style of governance combined with features of the late Soviet system such as gerontocracy and corruption. Illegal conflicts of interest often occur, with local council members continuing to work in executive agencies even though they are prohibited from doing so by law.

In addition, the lack of expertise among public servants poses a severe problem. The only government institution to deal directly with this issue is the regional policy and governing service of the State Chancellery. In addition, the Institute of Public Administration, an independent qualification center, and various NGOs organize training courses. Taken together, they are still an inadequate basis for the necessary system of training. Furthermore, local government officials have no motivation to learn new management methods, since they take a political rather than a professional view of their obligations.

9. Legal Guarantees for Local Autonomy

According to current legislation, local self-government resolutions are binding upon citizens, local government bodies and any enterprise, institution or organization on the subordinate territory. Georgian citizens, local self-government bodies and local officials have the right to appeal acts passed by the state or local governments that infringe on rights of local self-government.

Resolutions may be initiated by local council members; beyond that, the law does not specify. In the Tbilisi local council, draft legislation may be submitted by local council members, commissions, factions, the mayor of Tbilisi, a city premier or a petition signed by at least five thousand residents. The local council is obliged to decide upon the draft at the next meeting.

However, there remains a wide range of legal restrictions on local councils. Council resolutions may be rescinded by council decision or by order of the court. Bodies of state administration that have transferred specific rights to local self-government bodies may also veto any local government resolutions within the sphere of transferred powers.

The council mandate shall be terminated if:

- the number of council members is reduced by more than a half;
- the council fails to elect the head of the administration within two months;
- the council has not approved the local budget within two months of the beginning of the fiscal year.

If the local council is suspended, dissolved or otherwise terminated before the official end of its term, the local administration is dissolved as well.

Local administrations decisions are suspended or abolished through different procedures at the first and second levels. At the first level, resolutions of the relevant local administration or head may be suspended by the local council or the head of the regional administration for up to one month. At the district level, resolutions may be suspended by regional state commissioners for one month in cases determined by the law. These resolutions may then be annulled by the court, or in specific cases, by the President of Georgia. District councils are entitled to apply to the relevant state body for the suspension or cancellation of a district administration decision and receive a response within ten days.

Local councils may be dissolved or temporarily closed if local council activities are judged to threaten the country's sovereignty, its territorial integrity or the constitutional rights of governmental agencies. The president of Georgia is also entitled to impose direct rule over a territory and assign a *gamgebeli* to implement it.

The legislative framework for the protection of local government rights remains unfinished. Although the Organic Law on Local Government states that normative acts on mechanisms of legal protection are to be adopted by mid-1998, none of them have been developed yet.

Although the legal framework is incomplete, the reality is still worse. An overwhelming majority of local councils, particularly at the first level, are ignorant of their rights. Where there are more politically sophisticated local councils, typically in larger cities, they interact with the administration purely along political party lines. For example, if different parties are in power at various levels of self-government, the higher level will cancel any decisions of the lower one on party basis alone.

At present, the judiciary plays an insignificant role in resolving issues of local self-government. However, several precedents of local-government related lawsuits give rise to the hope that the role of the judiciary will continue to grow.

10. Next Steps in the Transition Process

In discussing local government in Georgia, the following conclusions must be drawn:

1. Local governments lack autonomy in decision making and real power to implement their decisions. Despite formal recognition of ownership rights, they are unable or unwilling to exercise their authority and effectively supervise subordinate institutions.
2. Local government reform is initiated from above by the central government and lacks a corresponding basis in society. In practice, councilors and local officials do not fully comprehend the concepts of decentralization and democracy.
3. On one hand, low public awareness, together with incompetence in the state apparatus, creates the potential for populist demagoguery. On the other hand, the low level of political education allows the central government to maintain sufficient control on the local population and to discredit the authority of newly elected local councils.
4. The population does not in fact participate in local government processes, since local residents view the local government as a representative of central authority rather than a government that represents their interests.
5. The prevalent black market, a mafia-controlled economy and the chronic deficit of central and local budgets seriously impede the process of reforms.

Future prospects do not seem much better. As the process of reform continues to be drawn out, it is increasingly unlikely that the government will enjoy the same levels of popular support as in 1989–1992. The crisis in legitimacy triggered by the coup, the military defeat in the war, the drop in living standards and the spread of corruption has transformed the initial enthusiasm into cynicism. Between sixty-seven and seventy-five percent of the population distrusts the government and has no hope for the future, according to opinion polls conducted by independent mass media and research organizations since 1993. State structures are therefore unstable and dependent on foreign powers such as

Russia; on internal factors such as corruption, the mafia, bureaucracy and retrograde processes; and on personal factors such as the question of succession to the presidency.

The legislation base must be finalized and adapted to real circumstances in order to secure efficient activities in the future. So far only NGOs have promoted these initiatives, albeit weakly. However, the state is becoming more interested in these activities as the current social, economic and political crisis continues to deepen and the Georgian government faces stricter demands from international organizations such as the World Bank and the IMF. There have already been several precedents of successful western-style lobbying of laws by NGOs, such as the law on the privatization of lands owned by industrial enterprises.

In addition, the central and local governments must make efforts to inform citizens and involve them in the governing process. Unfortunately, much of the population is either completely ignorant of concepts of local self-governance or are skeptical about proposed solutions.

Although no nationwide surveys on this issue have been conducted in Georgia for the last three years, some regional studies shed light on popular attitudes. According to a survey of five hundred respondents in the Mtskheta district carried out by the International Centre for Civic Culture, the population is ignorant of local council activity: 53.6 percent of respondents felt that nothing had changed since the local elections; only 7.9 percent felt they had a voice in the governing process; 70.6 percent had never applied to a local member of Parliament to solve their problems; and fifty percent had no idea what documents were required for everyday activities (building permits, et cetera).

Respondents were equally ill-informed about the local budget process: ninety-five percent knew nothing about the local budget, while 68.4 percent did not know how the budget was spent. Respondents also voiced low confidence in local government, with 43.1 percent answering that only a small part of the budget was spent properly and 20.4 percent claiming that budgetary funds were spent improperly overall.

When asked if they would pay bribes in their relations with government agencies, 11.2 percent said yes, while 59.2 percent replied that they would if there were no other option. Only 29.3 percent said they would refuse.

When asked about local administrations, 66.4 percent of respondents supported elections of *gamgebeli*, while only 15.5 percent thought that they should be appointed; 18.6 percent responded that it made no difference. In comparison, a survey carried out by the Caucasian Institute for Peace, Democracy and Development in 1997 found that 90.7 percent of respondents favored local administration elections, while only 9.1 percent supported the state appointment of *gamgebeli*.

The multitude of problems facing the system of local government urgently requires attention from the government, society and international organizations. Unfortunately, the party in power at the

central government level turns a blind eye to these problems and regards any local initiative as opposition party maneuvers, regardless of their merits.

On the other hand, the following factors operate in favor of local government reform efforts:

1. In February 1999, Georgia became a member of the Council of Europe. One of the main preconditions of membership was the requirement that all levels of local self-government become elected within three years.
2. There is a clear drive for self-governance in a number of regions and cities due to the central government's inability to effectively address local problems. Despite the consolidation of control from above, there is a gradually increasing desire for greater independence among districts. This sentiment is common both to opposition parties and to local offices of the ruling party, though the latter protest only tacitly against central government policies
3. Although council members are overwhelmingly inexperienced, the creation of local councils in 1998 was in itself a progressive step, and will provide a school of experience for over ten thousand councilors as well as a means to promote democratic principles within the state system and throughout society.

To further the development of local self-government, it is essential to improve legislation, decentralize the governing system and strengthen institutions of civil society such as interest groups, political parties, the mass media and the third sector. Only by advancing in these areas and by solving economic problems, such as the development of local small and medium-sized businesses and the creation of new employment opportunities, can the government guarantee the establishment of truly democratic self-government in Georgia.

11. Territorial Autonomies

Soviet Georgia contained three autonomous territories. Two of them were based on ethnicity (the Abkhaz Autonomous Republic and South Ossetian Autonomous Region), while the Adjarian Autonomous Republic was based on religion, a unique precedent in the Soviet Union.

When the national liberation movement emerged in Georgia, it was met by strong opposition from the two ethnic autonomous territories, who demanded the change of their political status.

11.1 Autonomous Republic of Adjara

The Autonomous Republic of Adjara is the only autonomy currently under Georgian jurisdiction. Over eighty percent of the Adjarian population is of Georgian origin, so ethnic conflict with the rest

of Georgia is not an issue. However, this region has become a second political center in opposition to the government installed in Tbilisi. The struggle for spheres of influence between the two camps of former Communist nomenklatura often erupts into legal battles. When the Adjarian autonomy does not find central government decisions to be expedient, it simply refuses to implement them.

In the last local elections, for instance, the leadership of Adjara designated the mayor of Batumi and district heads as elected positions rather than appointed ones, violating the Law on Local Government. This should not be interpreted to mean that Adjara is more democratic, since elections were carried out by the former Soviet method, whereby over ninety percent of the population voted for a candidate who had in effect been appointed. This move was, therefore, primarily intended to curb the influence of the central government and the president.

Conflict between the two political centers is not always inevitable. For example, in the spring of 2000, the Supreme Council amended the Adjara constitution to change the title of their territory to the Autonomous Republic of Adjara. Tbilisi did not react to this amendment negatively. However, the division of legislative responsibilities between the center and the autonomy remains a serious problem.

11.2 Autonomous Republic of Abkhazia

Abkhazia received the status of autonomy by the 107th clause of the 1921 Constitution of Georgian Democratic Republic. Most of the population of Georgia agrees that the Abkhaz should be granted autonomy.

At the time of independence, ethnic Abkhaz constituted only seventeen percent of the population of Abkhaz Autonomous Republic, while ethnic Georgians in Abkhazia constituted forty-six percent. Nevertheless, pursuant to the regulations cultivated under Soviet rule, ethnic Abkhaz enjoyed certain privileges in the state government personnel policy.

In response to the restoration of the 1921 Georgian Constitution by Georgia's Military Council on 23 July 1992, the Abkhaz Supreme Council reinstated the Abkhaz Constitution of 1925, implying the secession of Abkhazia from Georgia.

Abkhaz separatists offered armed resistance to Georgian forces, eventually developing into a war during which they received assistance from the Russian military and North Caucasian mercenaries. In September 1993, Abkhaz separatists sealed their victory over Georgian armed forces. Due to ethnic cleansing launched during the war, the Georgian population in the region has been wiped out, and more than 200,000 Georgian residents of Abkhazia have become refugees or displaced persons.

Independent Abkhaz legislation and state institutions are currently operating in Abkhazia, with a system of local government developed after the war. On 23 November 1996, a parliamentary

election was conducted in Abkhazia. According to formal Abkhaz sources, the voter turnout was eighty-one percent, with 180,000 voters out of 220,000 participating in the ballot. No international observers monitored the elections, as the Georgian government declared them illegal.

The local elections, held on 14 March 1998, laid the foundation for the development of a system of self-government in Abkhazia. Local council elections for both the first and second level of local government were held by the majority system and characterized by a large number of candidates. Elections were not held in areas depopulated by ethnic cleansing. Local administrations were formed solely by central authorities (*sokhumi*), with local administration heads appointed by and accountable to the president.

The Georgian government does not recognize the legitimacy of the Abkhaz separatist government or the current system of governing.

11.3 Tskhinvali Region

The South Ossetian Autonomous Region was created under Bolshevik rule on 20 April 1922. Prevailing opinion in Georgian society at the time held that this was a reward to local Ossetians from the Bolsheviks for their assistance in establishing Soviet rule in Georgia.

Ethnic Ossetians constitute about seventy percent of the region's population. Roughly 60,000 Ossetians remain out of the 105,000 Ossetians residing in Georgia prior to 1990. In that year, armed conflict began when the South Ossetian establishment conducted elections and the newly elected Supreme Soviet declared the South Ossetian Republic without consent from Tbilisi. In December 1990, Georgia's Supreme Council formally abolished the South Ossetian Autonomous Region, a decision which led to escalated violence.

The armed conflict was limited, ending on 24 June 1992, and was characterized by mixed success on both sides. The Ossetian side succeeded in establishing political autonomy on the territory populated by ethnic Ossetians.

No changes have been made in the South Ossetian system of local self-government since the Soviet era; even the terminology remains Soviet. Formally, people's soviets are still in power. In reality, authority belongs to the separatist executive authorities. However, Georgian villages of the conflict zone are under Georgian jurisdiction.

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Glossary of Georgian Terms

- Khevisberi* — Institutions of elders
Gamgebeli — Head of local administration
Gamgeoba — City hall
Mamasakhlisi — Village headman
Sakrebulo — Local council
Tbileli Berebi — Historical institution of city elders in Tbilisi, operating roughly from 1080–1122

Annex 5.1

Major General Indicators

Size of territory	69,700 square kilometers	
Population		
Including the conflict zones (1999)	5,444,700	
Not including residents in the conflict zones, emigrants or internally displaced persons	4,322,100	
Pensioners (1998)	423,000	
School-age children (1999)	1,055,000	
Population density	78 people per square kilometer	
Major ethnic divisions (1989):		
Georgians	3,787,000	70.13 percent
Armenians	437,000	8.09 percent
Russians	341,000	6.31 percent
Azerbaijanis	308,000	5.70 percent
Ossetians	164,000	3.04 percent
Greeks	100,000	1.85 percent
Abkhazs	96,000	1.78 percent
Ukrainians	52,000	0.96 percent
Kurds	33,000	0.61 percent
Jews	25,000	0.46 percent
Other ethnicities	58,000	1.07 percent
Per capita GDP (1999)	USD 1,267	
Total revenues (1999)	USD 488,000,000	
Central budget	USD 327,000,000	
Local budgets	USD 161,000,000	
Total expenditures (1999)	USD 783,900,000	
Central budget	USD 624,000,000	
Local budgets	USD 159,900,000	
Public debt (1998)	USD 409,000,000	

Unemployment (1998)	345,000
Inflation rate (1999)	approximately 5.8 percent
Average population per local government	4,474
Number of public employees (1998)	39,853
State government employees	11,203
Local government employees	28,650

SOURCE: The State Department of Statistics and Ministry of Finance

Annex 5.2

Population, Settlements and Administrative Tiers

Table 5A.1
Settlements by Population Size Categories in Georgia, 1999*

Population Size Categories	Number of Settlements	Percentage of Settlements	Number of Inhabitants	Percentage of Population
0–1,000	3,150	84.3	934,800	21.6
1,000–5,000	509	13.6	913,400	21.1
5,000–10,000	47	1.3	300,200	6.9
10,000–50,000	25	0.7	543,100	12.6
50,000–100,000	1	0	64,700	1.5
100,000–1,000,000	3	0.1	478,100	11.1
1,000,000+	1	0	1,087,800	25.2
Total	3,736	100.0	4,322,100	100.0

Table 5A.2
Municipalities by Population Size Categories in Georgia, 1999*

Population Size Categories	Number of Municipalities	Percentage of Municipalities	Number of Inhabitants	Percentage of Population
0–1,000	212	21.9	129,709	3.0
1,000–2,000	274	28.5	407,052	9.4
2,000–5,000	354	36.6	1,045,022	24.2
5,000–10,000	89	9.2	550,117	12.7
10,000–50,000	32	3.3	552,400	12.8
50,000–100,000	1	0.1	64,700	1.5
100,000–1,000,000	3	0.3	478,100	11.1
1,000,000+	1	0.1	1,095,000	25.3
Total	966	100.0	4,322,100	100.0

Table 5A.3
Types of Administrative-territorial Units in Georgia

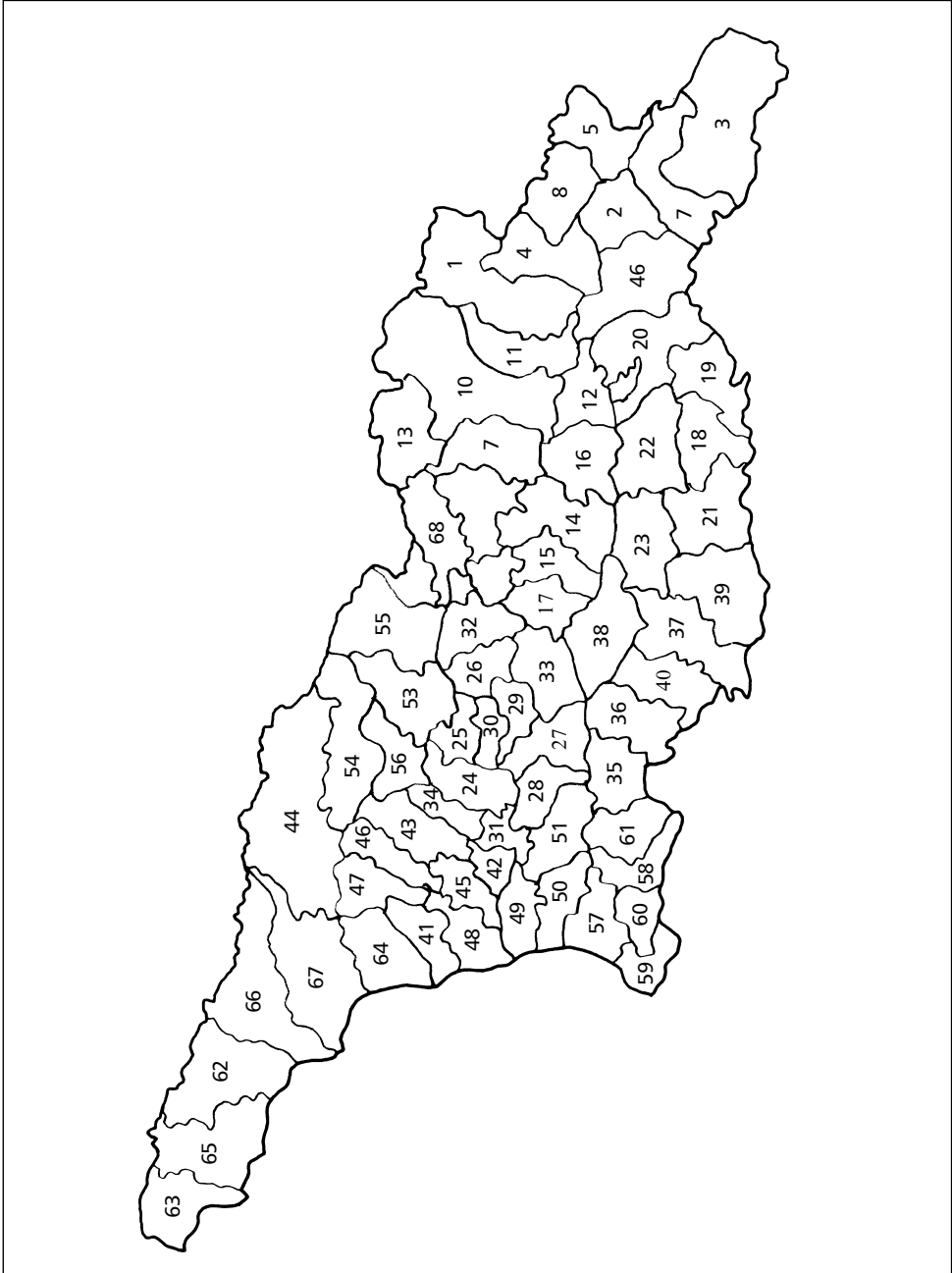
Type of Administrative-territorial Unit	Number of Units
First tier (village, settlement, town)	966
Second tier (district, city with special status)	65
Total	1,031

Table 5A.4
Administrative-territorial Structure in Georgia*

Local and Regional Governments	Average Number of Inhabitants per Unit	Average Number of Settlements per Unit
First tier	4,474	4
Second tier	66,494	57

* *Not including conflict zones.*

Figure 5A.1
Administrative Map of Georgia



Regions and Districts	Historical–Cultural Regions		
		33. Kharaguli	Imereti
		34. Khoni	Imereti
Tbilisi			
Kakheti		Samtskhe–Javakheti	
1. Akhmeta	Kakheti	35. Adigeni	Samtskhe–Javakheti
2. Gurjaani	Kakheti	36. Akhaltsikhe	Samtskhe–Javakheti
3. Dedoplistskaro	Kakheti	37. Akhalkalaki	Samtskhe–Javakheti
4. Telavi	Kakheti	38. Birjomi	Shida Kartli
5. Lagodekhi	Kakheti	39. Ninotsminda	Samtskhe–Javakheti
6. Sagarejo	Kakheti	40. Aspindza	Samtskhe–Javakheti
7. Signagi	Kakheti		
8. Kvareli	Kakheti	Samegrelo–Zemo Svaneti	
Mtskheta–Mtianeti		41. Zugdidi	Samegrelo
9. Akhlagori	Shida Kartli	42. Abasha	Samegrelo
10. Dusheti	Mtianeti	43. Martvili	Samegrelo
11. Tianeti	Kakheti	44. Mestia	Svaneti
12. Mtskheta	Shida Kartli	45. Senaki	Samegrelo
13. Kazbegi	Mtianeti	46. Chkhorotsku	Samegrelo
		47. Tsalenjikha	Samegrelo
		48. Khobi	Samegrelo
Shida Kartli		Guria	
14. Gori	Shida Kartli	49. Lanchkhuti	Guria
15. Kareli	Shida Kartli	50. Ozurgeti	Guria
16. Kaspi	Shida Kartli	51. Chokhatauri	Guria
17. Khashuri	Shida Kartli		
68. Java	Shida Kartli	Ratcha–Lachkhumi	
Kvemo Kartli		Kvemo Svaneti	
18. Bolnisi	Kvemo Kartli	53. Ambrolauri	Ratcha
19. Marneuli	Kvemo Kartli	54. Lentekhi	Svaneti
20. Gardabani	Kvemo Kartli	55. Oni	Ratcha
21. Dmanisi	Kvemo Kartli	56. Tsageri	Lechkhumi
22. Tetrtskaro	Kvemo Kartli		
23. Tsalka	Kvemo Kartli	Atchara	
Imereti		57. Kobulati	Atchara
24. Tskaltubo	Imereti	58. Shuakhevi	Atchara
25. Tkibuli	Imereti	59. Khelvachauri	Atchara
26. Tchiatura	Imereti	60. Keda	Atchara
27. Bagdadi	Imereti	61. Khulo	Atchara
28. Vani	Imereti		
29. Zestaponi	Imereti	Abkhazia	
30. Terjola	Imereti	62. Sukhumi	Abkhazia
31. Samtredia	Imereti	63. Gagra	Abkhazia
32. Sachkhere	Imereti	64. Gali	Abkhazia
		65. Gudauta	Abkhazia
		66. Gulrupsisi	Abkhazia
		67. Ochamchire	Abkhazia

Annex 5.3

Major Laws on Public Administration and Local Government

- The Constitution of Georgia (25 August 1995)
- Law on the Tax System (6 February 1998)
- Law on the Budget System and Budgetary Powers (29 May 1996)
- Law on the Capital of Georgia (20 February 1998)
- Law on Corruption and Conflict of Interest in Public Service (17 October 1997)
- Law on the Fund for State Commissioners (21 February 1997)
- Law on Direct State Governance (9 June 1999)
- Law on Financial Bodies of Local and State Governments (22 June 1999)
- Law on Local Council Elections (25 June 1998)
- Law on Local Government and Self-governance (16 October 1997)
- Law on Local Taxes (29 May 1998)
- Law on the Long-term Economic Norms of State Tax Deductions with Respect to the Autonomous Republics of Abkhazia and Ajara and Other Territorial Units (10 March 2000)
- Law on Public Service (31 October 1997)
- Law on the Social, Economic and Cultural Development of Mountainous Regions (8 June 1999)
- Law on the State Budget (10 March 2000)
- Law on the Status of Local Council Members (26 June 1998)
- Law on the Structure and Operation of Executive Power (15 April 1997)
- The General Administrative Code of Georgia (25 June 1999)
- The Tax Code of Georgia (13 June 1997)

Essential regulations and decrees:

- Presidential Decree No. 334 on the Transfer of State Property to Local Self-Government Bodies (25 May 1999)
- Regulations of Procedures to Resolve Issues in the Administrative Organization of Georgia
- A List of Documents and Legislative Materials on Administrative Organization of Georgia to be Submitted to the President (prepared by the State Chancellery)

Notes

- ¹ OSCE and the Georgian organization International Society for Fair Elections and Democracy, among others.
- ² Public polls conducted under the aegis of USIA.
- ³ In 1997, this tax and the preceding one composed a single tax on environmental impact.
- ⁴ The tax on the transfer of real estate was approved in 1998.
- ⁵ From 1998, this category is combined with state taxes.
- ⁶ This item also includes expenditures on religion.
- ⁷ The category “other expenditures” reflects differences in the classification of national and municipal budgetary items.
- ⁸ There is no new information.
- ⁹ The number of unemployed registered by the Department of Statistics is 3,800.
- ¹⁰ Since statistical data of various governmental agencies differ, the given data may not match information of other sources.

