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## Georgian Local Government Reform: Enacted but Languishing on the Backburner

By Michael Cecire, Washington

**Abstract:** This article examines the recent progress and current state of local government reform in Georgia. After a period of extended centralization under the previous United National Movement, the successor Georgian Dream coalition government embarked on a program of dramatic decentralization, which resulted in a comprehensive local government strategy and, subsequently, a less-ambitious but still considerable slate of proposed reforms in late 2013. However, opposition to key elements of the proposed legislation by groups led by the influential Georgian Orthodox Church saw the final bill moderated. Since the law was adopted in early 2014, however, decentralization efforts have largely stagnated. Efforts to address a missing revenue-sharing and fiscal decentralization component appear to be stalled. Given the political environment, the Georgian government is unlikely to pursue further decentralization reforms in the near-term, despite their advantages for governance and economic development.

### Introduction

Any discussion of local government in Georgia is impossible without exploring the issue of decentralization, and the political pathologies that it often elicits in the Eurasian space. In Georgia, the ruling Georgian Dream (GD) coalition, which bucked regional trends by introducing modest but broad decentralization legislation in 2014,<sup>1</sup> has failed to appreciably follow up on local government reform efforts with appropriate fiscal mechanisms.

The result has been a broad system of nominal decentralization throughout the country, but lacking in the typical fiscal decentralization that lends substance—and effectiveness—to government. This lack of progress is reflective of Georgian political uncertainty surrounding the issue of decentralization itself, which was and continues to be a subject of substantial political controversy due to its associations with separatism.

However, while the GD coalition has made expanding rural economic opportunity a cornerstone of its economic development strategy since taking power in late 2012, Georgian economic growth and development continue to be largely driven by non-agricultural service sectors,<sup>2</sup> which tend to favor the capital, Tbilisi, or major urban regions. While these economic processes are primarily the consequence of agglomeration and critical mass, the inability of localities to wield meaningful budgetary powers inhibits local economic development and propels “brain drain” from the regions to the capital or even abroad.

### Centralizing Trends

In early 2014, the Georgian parliament passed new legislation granting expanded powers to local government structures, reversing what had been by that point almost a ten-year trend in favor of powerful, and in some cases

almost radical, centralization. Under the pre-Rose Revolution government of then-President Eduard Shevardnadze, the Georgian parliament ratified the European Charter of Local Government in 2004, which should have invested greater decision-making power in local municipalities. However, the post-Rose Revolution United National Movement (UNM) government almost immediately rolled back this initial tilt towards decentralization. In late 2005, the UNM government enacted changes that established the basic regional administrative structure until 2014. This structure included two autonomous republics—Abkhazia and Adjara—and a further nine provinces (*mkhare*). Under this umbrella were 69 municipalities, of which all but five were essentially administered by the central government; Tbilisi, Batumi, Kutaisi, Poti, and Rustavi enjoyed “self governing” status, but only Tbilisi had direct mayoral elections (but only since 2010).<sup>3</sup>

Under this system, localities enjoyed little authority. In 2007, provincial governors were awarded supervisory authority over municipal governments, granting these presidentially-appointed offices with wide latitudes of power—albeit in the service of the president. In 2008, the central government took the added step of stripping shared income tax revenues from localities, and authorities in Tbilisi established comprehensive political and budgetary control over local administrative structures. By 2012, the administrative relationship between central and sub-national units had become so tightly vertical that even the highly centralized official mechanisms

1 <<http://carnegie.ru/eurasiaoutlook/?fa=53824>>

2 <[http://geostat.ge/index.php?action=page&p\\_id=739](http://geostat.ge/index.php?action=page&p_id=739)>

3 There was controversy in 2009 when then-Georgian President Mikheil Saakashvili declared in an UN General Assembly speech that the authorities had committed to the direct election of “all mayors” in the self-governing cities. However, the government later backtracked, and only Tbilisi was allowed direct mayoral elections, beginning in 2010. See: <<http://www.civil.ge/eng/article.php?id=21537>>

were reportedly contravened in the service of political expediency.

In 2010, UNM member and Saakashvili ally Levan Varshalomidze, the head of the Adjara autonomous government, slammed his local governments' inability to make even "minor, technical decisions" without first consulting central authorities in Tbilisi—in spite of Adjara's constitutional and treaty-bound autonomy.<sup>4</sup> In addition, the Tbilisi city government under then-elected Mayor Gigi Ugulava, who was also a Saakashvili confidant and a member of the UNM's inner circle, took administrative responsibility for the resort localities of Borjomi and Gudauri, despite these towns being in the provinces of Samtskhe-Javakheti and Mtskheta-Mtianeti, respectively.

The rationale for the UNM government's extensive centralized state was largely two-fold. First, centralization was seen as an effective and necessary means of facilitating state-building efforts, and particularly as a means of facilitating "shock therapy" public administration and economic reforms—as well as stamping out petty corruption. In this way, centralization was largely successful, as the centralized state was able to push through unpopular and sometimes radical reforms, while also divesting power from potential reservoirs of political and bureaucratic opposition. Second, the UNM also used centralization as a means of consolidating its domestic political position and gaining controls of the commanding heights of political, social, and economic power throughout the country, which it hoped to utilize to perpetuate its rule while maintaining the veneer of democratic governance and political pluralism.<sup>5</sup>

### The Return of Decentralization

After overcoming the odds and winning election in October 2012 elections, GD officials began extensive consultations with members of civil society on the subject of decentralization. Early concepts drafted by the Regional Development Ministry envisioned highly liberal reforms, which would have: terminated regional governorships in favor of councils populated by municipal representatives; directly elected all municipal administrators and mayors; spurred fiscal decentralization; and imbued representative functions for localities beneath the municipal level, such as villages.

Under revised legislation proposed in November 2013, many of these features remained intact, but with major differences. The provincial governor would remain, but would be accountable to a provincial council

of municipal officials. Self-governing status would be granted to all municipalities with a population greater than 15,000—as well as certain localities that may not meet this threshold. And while fiscal decentralization was mentioned in the proposed legislation, it would not be implemented until some undetermined future point. Despite the changes, the proposed legislation appeared to point to a dramatic re-commitment to local government by the Georgian government.

However, the bill provoked strong controversy after it was introduced in parliament. The most forceful opposition came from the Georgian Orthodox Church and elements of the non-parliamentary opposition, which focused on the proposed role of provincial councils, claiming their prominence was tantamount to "federalism" and a harbinger of national "disintegration."<sup>6</sup> While GD officials strongly resisted such suggestions, the final legislation that was passed in February 2014 demoted provincial councils to the level of purely consultative bodies and did away with sub-municipal assemblies, such as at the village levels.<sup>7</sup> In addition, fiscal decentralization was mentioned but not elaborated upon, instead deferring a final rubric for revenue sharing to a later date. Reportedly, September 2014 was set as a target, but this date has come and gone without the details or major proposals for fiscal decentralization having been discussed, much less adopted.

### Saxony or Srpska?

Ilia II, the Patriarch of the Georgian Orthodox Church, decried proposals to devolve power as a threat to Georgian territorial unity and national sovereignty. This view of decentralization is in many respects radical, but perhaps not unexpected in Georgia or throughout the region. With two outstanding separatist conflicts in Abkhazia and South Ossetia, two other regions with histories of quasi-separatist crises in Adjara and ethnic Armenian Javakheti, and a multitude of other areas and districts with ethnic or cultural distinctiveness, the fear of separatism in Georgia is widespread and understandable. More broadly, otherwise benign terms for describing varying levels of political autonomy have taken on a symbolic significance well beyond the scope of their technical meaning. While "federalism" is typically regarded as the shared sovereignty between a central government and constituent sub-national polities, its Russian cognate *federalizatsiya* has come to mean something very different in Eurasia.

This might be described as the "Saxony or Srpska" test, in which the former is an example of technical

<sup>4</sup> <<http://www.civil.ge/eng/article.php?id=22180>>

<sup>5</sup> See: <<http://www.sciencedirect.com/science/article/pii/S0030438713000045>>

<sup>6</sup> <<http://www.civil.ge/geo/article.php?id=27635>>

<sup>7</sup> <<http://transparency.ge/en/node/4000>>

federalism, while the latter is an exemplar of federalizatsiya. In places like Republika Srpska, federalizatsiya describes an extreme form of asymmetrical federalism, in which a federal region enjoys constitutional autonomy to a degree that its autonomy can defy or in some cases overrule that of the national government. In geopolitical terms, Russian sponsorship for separatist movements on its periphery tends to involve backing disproportionate, maximal autonomy for the separatist region in an exchange for conflict resolution.

Prior to adopting a recognition strategy in 2008, federalizatsiya was the Russian approach to the separatist conflicts in Abkhazia and South Ossetia; and today, it is widely regarded as a preferred Russian outcome for the conflict in eastern Ukraine. In contemporary Georgia, local resistance to decentralization is likely at least partially attributable to the confusion between federalizatsiya and federalism, or, in cases such as these, any other varieties of decentralization.

### Lost Opportunity

Despite vague assurances that fiscal matters would be addressed soon after the passage of the original decentralization package, as well as some comments from government representatives that decentralization remained a work in progress, the current form of local government is unlikely to see further major, meaningful reforms in the near future. The experience of the original slate of decentralization reforms revealed stronger-than-expected resistance by the powerful Georgian Orthodox Church, and government officials appear to be keen not to invite fresh rounds of controversy by raising the issue yet again.

However, the half-finished state of decentralization efforts, particularly in the absence of an established rubric for revenue sharing and fiscal decentralization for localities, undermines much of the basic rationale for decentralization in the first place. From a public admin-

istration point of view, decentralization structures that offer new levers for electoral accountability over local officials are hamstrung by the lack of basic revenue and accompanying fiscal autonomy to make local government worth local voters' attentions.

But perhaps more importantly, the lack of a more robust budgetary component to the decentralization reforms ignores the potential role that municipal governments can play in promoting local economic development. For one, more local controls over revenue should help intensify the rate and breadth of municipal projects, which would be more likely to create jobs in the regions—and potentially help to arrest ongoing “brain drain” to Tbilisi and major urban areas. While lack of decentralization is unlikely to be the dominant explanation for lagging economic growth in the regions, a strong case can be made that restoring sizable revenue sharing arrangements with local municipalities would allow for a larger and more stable middle class population in the regions on the basis of direct and downstream economic activity from the locally-oriented expenditures of those funds.

Nonetheless, the political environment in Georgia is currently such that additional decentralization reforms are unlikely in the near- and even medium-term. Decentralization has few dedicated and influential political proponents among the Georgian political class, making the risk of revisiting decentralization—without external pressure or conditionality—likely to seem too high for what would be uncertain political or public opinion returns. At the same time, the existing structure brought into force in 2014 represents a meaningful improvement from the previous system, and does grant meaningful, if still sharply limited, local powers that offer some democratic and public administration benefits. But this current system requires additional elaboration, and the resources to accompany it, to render Georgian localities a more active and robust part of Georgian political life.

#### *About the Author*

Michael Cecire is an independent Black Sea-Eurasia regional analyst and an associate scholar at the Foreign Policy Research Institute in Philadelphia.