

## **Expansion of Capacity Development of Local Self-Government in Georgia**

Erekle Zarandia

Doctoral Student, Tbilisi, Georgia

### **Abstract**

The article considers the possibilities of increasing the effectiveness of the work of local self-government bodies. The purpose of the study was to study the possibilities of forming and expanding their own incomes of local self-government bodies. The Samegrelo-Upper Svaneti region was chosen for research as an economically less developed region.

The main topic of the study was the study of the mood and preparedness of the population living in 9 municipalities of the Samegrelo-Upper Svaneti region, in the area of the study of the formation of local revenues (taxes and fees) for municipal authorities. The paper presents a collection of structural characteristics of the local population, which determines the participation of the population in the process of self-government. As a result of the poll, the attitude of the population of Samegrelo-Upper Svaneti to the formation and expansion of local revenues of self-government bodies was revealed. The study of the problem showed that the possibility of forming and expanding its own revenues of self-government bodies is related to the problem of low motivation for self-organization of the population. In the document (recommendations) Based on a survey of the population, a list of problematic issues that hinder the population of the region in self-organization and does not contribute to the development of local self-government has been created.

**Keywords:** Local self-government, Georgia, Samegrelo-Upper Svaneti region, Own revenues of self-government.

## 1. Introduction

Research and development of the efficient functioning capacity of local self-governments are important for both the region and the population living there as well as the whole country. We do not have enough research in Georgia in this regard and there is no permanent assessment of discussions. We have different characteristics and approaches to describing the population of towns and villages.

There was no major change in territorial regionalization during the period of Georgia in the Russian Empire. From 1917 to 1921, Georgia was granted independence, but during this period the self-government was not able to assemble. In the aftermath of the loss an independence of Georgia in 1921, the whole of Georgia was established in the centralized governing regime of the Communist Party, which led to the collapse of the Soviet Union until 1991. In 1991, local self-governments (villages and towns) were disbanded and at the beginning of the transition period, 2000 local self-governance was not functioning.

Of course, with the restoration of Georgian statehood, the activity started with the establishment of local self-government, but until the end of the twentieth century, this process was characterized by contradictions and conflicts and was ineffective. An important event for the establishment of local self-governments was to join the European Charter on Self-Government on 23 May 2002, which was ratified by the Resolution 515 - II of the Parliament of Georgia, 26.10.2004. Javakhishvili I. (1930).

It is noteworthy that searching for a simple way to solve this problem and introducing the self-governing models of European developed countries cannot give us the desired result. In European countries, self-governments have been created in a naturally evolutionary way, with the institutional formation of self-organization of the population. There is a radically different situation in Georgia. The formation and reform of the self-government have always been "center" by the Secretaries of the Emperors, Communist Party Central Committees, and the Presidents by adopting legislative acts and their amendments.

The legal basis for self-governance begins with the Organic Law on Local Self-Government and Governance which was adopted on 11 November 1997. The Organic Law on Local Self-Government was adopted in 2005. The amendments to the subsequent years limited the real authority of the self-governments and increased the means of influence from the state. (ICCC 2015).

The Local Self-Government Organic Law "Local Self-Government Code" is the basis for the functioning of local self-government in the current period, the last version of which was adopted by the Parliament of Georgia on July 29, 2017. The territorial arrangement of Georgia is asymmetrical, it comprises 2 autonomous republics and 79 municipalities. 5 of the municipalities are self-governing cities (Tbilisi, Batumi, Poti, Rustavi, and Kutaisi) and 74 self-governing communities.

## **2. Body of paper**

### **2.1 Research Aims and expected results**

#### **The Research Aims:**

- Revealing, studying and analyzing the possibilities of diversification of local revenues, by the example of Samegrelo-Upper Svaneti Region.
- Study of potential revenues for the expansion of income.
- Survey of population dependence with participation in local self-government funding.

The main goal of the research is to study the economic policy of local self-governments in Georgia and work out new means and recommendations for its improvement and modernization; to characterize and analyze the functions, goals, means and results of the regional self-governments.

#### **Expected results of the research: The main results of the research and scientific innovation will be:**

- Studying, analysing and evaluating the economic policy of the local self-governing bodies in Samegrelo-Upper Svaneti Region: Presenting an analytical report.
- Study will be conducted in all nine municipalities and benchmarking methods will be used to identify successful and problematic projects from each municipality. The information received from the population who filled the questionnaire about the projects implemented by the municipalities will be compared and based on this comparison analysis we will identify the level of demands of the population.
- Establishment of recommendations for the effective functioning of self-governments in Samegrelo-Upper Svaneti region (based on analysing the obtained materials), which correspond to market economy principles.

#### **Theoretical-methodological basics of research:**

Research was carried out in Samegrelo-Upper Svaneti Region villages and municipalities, where 400 local inhabitants were interviewed. For the representative selection, the representatives of all municipalities were equally presented in the research (9 municipalities and 30 villages). Qualitative data were analyzed with a content-analysis method.

The following methods were used during the research: Quantitative (questionnaire survey), where the questionnaire was based on the objectives of the research; Qualitative (focus groups).

### **2.2 Establishment of local self-government in the region of Georgia in Samegrelo-Upper Svaneti**

The aspiration of Georgia to integrate Georgia into the economic sphere is directly aimed at implementing the subnational fiscal arrangement reform in the country, ensuring fiscal

autonomy for self-governments. One of the main goals of the reform is to bring the local governance system into line with the principles of European regional development policy. (R. Gvelesiani, I. Gogorishvili, M. Metreveli 2014).

Establishment of local self-government in the regions of Georgia (including Samegrelo-Upper Svaneti) started in 1997. The involvement of citizens over the years was low in the implementation of local self-governance, as there was no existence and now it is less motivated. Especially in villages. Forms of citizens' engagement, such as creating public councils and petition is not a novelty. The new self-governance code is a novelty of the general communities of the settlement, whose effectiveness will be revealed in practice.

At this stage, it can be said that the difficulty of the first meeting is the complexity of the procedure for the convening of the congregations. Especially in the light of the initiative of the citizens and the confidence of the local self-governance is quite low. Some of the conducted research (the NDI research carried out by the organization) shows that examples of successful collaboration between citizens and municipalities are very rare. The main reason for the passivity of the population, along with the lack of information, is the feeling of community members that cannot influence decisions, and as a result, the citizens are indifferent towards cooperation. (NDI 2017)

Therefore, it is necessary to encourage, activate and increase the awareness of the common people, to have their interests more involved in solving local issues. It is precisely for this purpose to recruit small fees for certain needs (which will be followed by monitoring the use of the funds by the population) and consider the best motivation for control and interest towards self-organization and self-government activities.

As for the councils, they will be instrumental in this case. One of the main economic arguments for decentralization is that decentralized fiscal arrangements are more efficient, since the local government is close to the population, has more information than the central government and provides the services of its needs.

At the same time, in Georgia (as well as in other developing countries) while implementing fiscal decentralization reform, a number of practical problems have emerged. Most of them are related to the aim of the reform. It involves more rational and deliberate implementation of planning and delivering services for the local population than the central government could do. Nevertheless, often the local self-government's minimum expenditure needs to be served not only by the population but also for the realization of economic interests of the local government.

It should also be noted that fiscal systems do not serve to eliminate equality between the level of development of regions and self-governments. In addition, the country lacks the possibility of internal competition among the regions, which will ensure the effectiveness of resources based on the migration of factor factors.

It is true that a taxpayer can decide whether to settle the region and to live in another economically more secure region, but because the labor market is not functioning in any region, it is unlikely that the population will move to another part, where there will be better conditions or they will use the right to vote. In addition, the locally elected government has a practical problem of implementing its policies and promises, from the difference between the promised expenses and the actual revenues. Therefore, they do not fulfill the most promises for objective reasons. It should also be noted that in most cases local authorities do not have the relevant knowledge, experience, and qualification.

Discussions can also be accompanied by a reckless decentralization reform. This is a fiscal deficit, deficit of effective decision making at the local level, corruption, pressure on influential groups on local government, and regional inequality, which in turn impedes economic development.

One of the major problems of decentralization implemented in Georgia is the optimal distribution of taxes and expenses. In the current period, the basis of fiscal autonomy in Georgia is the dominant property tax, or the formation of local revenues mainly from property taxes. As far as costs are concerned, the real (very limited) capabilities of their coverage are so far in the sense that the local population is suspicious of self-government activities.

The municipalities are united in 9 areas that are not local self-government units. They have only coordination and advisory functions between self-governing entities and the government of Georgia. The government is the state governor - the governor, while the self-governing entity - the governor or mayor, chairperson and deputy chairperson of the council.

In the Samegrelo-Upper Svaneti region, there are 9 municipalities (Poti, Khobi, Tsalenjikha, Zugdidi, Martvili, Chkhorotsku, Senaki, Abasha, and Mestia). Area of the area is 7441 km, km, population - 466 thousand. There are 491 villages in the region.

The area of the region is 10.6% of the territory of Georgia. Samegrelo-Upper Svaneti region is the second largest region among regions of Georgia. Economic development levels are significantly different from the seaside (Poti, Khobi), in the central and mountainous regions (Mestia). Poti is the main gate connecting Georgia with other countries, which is a significant share of trading turnover of the country. Economic rehabilitation of the region depends heavily on the regulation of political relations with the Abkhaz side.

The local (own) income in Samegrelo-Upper Svaneti region is the property tax and local taxes that are set to cover the established local service cost. There are several categories of fees in practice. These are: charges set for primary needs, for example, utility; Costs for the quality of life improvement costs, such as the use of parks and entertainment sites, and the cost of administrative and regulatory expenses, for example, licenses and permits fees.

As a rule, local governments have the full autonomy of the use of local services by the Georgian legislation, although in practice they do not enjoy this opportunity.

The equal transfer is calculated according to the  $Ti = (E-R) * K$  formula approved by the Law of Georgia on Local Self-Government Unit Budget.

Selection of Samegrelo-Zemo Svaneti region was determined by its geographical location (it is bordering Georgia's occupied region of Abkhazia). The results of the survey can be extended to other regions of Georgia as the specific legislation is only autonomous republics of Abkhazia and Adjara. The research was important in terms of expanding contacts with the local population (in order to activate the interest of self-organizers in nihilistic individuals).

### **2.3 Practical work**

The survey was equally involved in all municipalities. The survey was conducted in nine municipalities and 30 villages. As a result of the survey we have received the following data on the population of Samegrelo-Upper Svaneti:

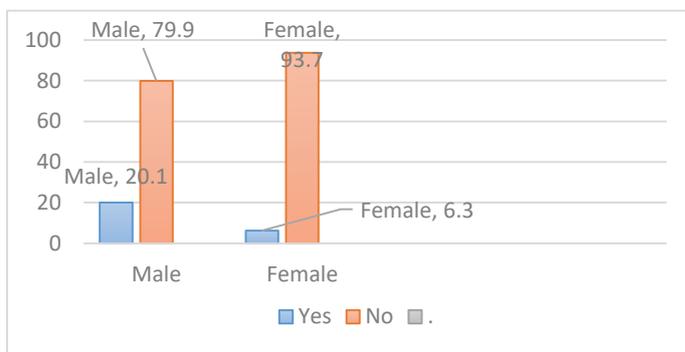
Practical works were carried out to achieve the objectives of the research. The duration of the survey was two months, from July until August 2017. Quantitative results were processed with the SPSS program. Qualitative data was analysed with a content-analysis method. The

research was conducted within the framework of the Student Scientific Projects of Tbilisi State University.

Research has shown that the economic situation of families is quite low. 53.1% of the population was included in the low-income group (0-700 GEL), while 42.4% was in the middle-income group (700-1500).

75.9% of the respondents are interested in local self-government activities and have information on important decisions or projects. Statistically significant differences are distributed by the local self-governmental data on gender-based projects.  $X^2(1, N=375) = 16.1$ ;  $p = .00$ . Particularly, men are more likely to benefit from local self-government projects than women.

Figure 1: Use of Project



source: Author calculations from survey

The level of education of the respondents is related to the readiness to pay a small amount of money for the research self-government.  $X^2(4, N=401) = 34.4$ ;  $p=.00$ . The majority of those who have higher education - 76.3% agree to pay money. From those with incomplete secondary education and full secondary education, the positive response rate is much smaller.

Table 1: readiness to pay money by education

Readiness to pay money	Level of Education		
	Incomplete secondary	Full secondary	High
Yes	55.6%	51.6%	76.3%
No	16.7%	22.4%	18.8%
Not Sure	27.8%	26.0%	5.0%

source: Author calculations from survey

Employment status connection with the readiness to pay a small amount of money to solve local problems  $X^2(8, N=384) = 38.02$ ;  $p=.00$ .

Table 2: readiness to pay money by employment status

Readiness to pay money	Employment Status				
	unemployed	Self-employed	Hired	Pensioner (unemployed)	Student (unemployed)
Yes	40.9%	62.1%	69.4%	57.1%	33.3%
No	31.8%	13.8%	23.6%	0.0%	44.4%
Not Sure	27.3%	24.1%	7.0%	42.9%	22.3%

source: Author calculations from survey

69.4% of employers agree to pay for local problems. According to all other restrictions on employment, the positive rate of withdrawal is less. The lowest rate of acceptance of the amount is expressed in the unemployed and it is quite logical.

It is logical, that statistically significant link has been shown to be willing to pay taxes and readiness to pay a small amount for local self-government  $X^2(4, N=401) = 280.9; p=.00$ .

Table 3: readiness to pay money and readiness to pay local taxes

Readiness to pay money	Readiness to pay local taxes		
	Yes	No	Not Sure
Yes	83.1%	11.7%	15.2%
No	4.3%	77.9%	23.9%
Not Sure	12.6%	10.4%	60.9%

source: Author calculations from survey

Statistically significant link is between trust to the local self-government and the willingness to pay a small amount of money to local self-government  $X^2(8, N=398) = 98.2; p=.00$ .

Table 4: readiness to pay money by trust in self government

Readiness to pay money	Trust in self government				
	Do not trust at all	Do not trust	Hard to answer it	Trust	Completely trust
Yes	48.3%	38.9%	54.5%	75.2%	93.3%
No	44.8%	50.0%	11.4%	12.0%	0.0%
Not Sure	6.9%	11.1%	34.1%	12.8%	6.7%

source: Author calculations from survey

As shown from the table, the positive response to a small amount will increase with the quality of confidence expressed towards the self-government.

Residents of different towns express different readiness to pay money. The connection between the city type and the willingness to pay is statistically important.  $X^2(16, N=317) = 56.7; p=.00$ .

Table 5: readiness to pay money by cities

Readiness to pay money	Cities								
	Zugdidi	Khobi	Poti	Abasha	Chkhorowyu	Walenjixa	Martvili	Senaki	Mestia
Yes	53.8%	66.7%	73.0%	51.5%	75.6%	70.5%	60.0%	52.4%	50.0%
No	41.0%	9.5%	16.2%	45.5%	2.2%	13.6%	40.0%	11.9%	26.1%
Not Sure	5.2%	23.8%	10.8%	3.0%	22.2%	15.9%	0.0%	35.7%	23.9%

source: Author calculations from survey

The highest rate 75.6% to pay small amount of money is observed in Chkhorowyu and the lowest rate is in Mestia.

Statistically significant link has been revealed between the respondent's readiness to pay local taxes and their level of education  $X^2(10, N= 401) =30.7$ ;  $p=.001$ . The highest rate of payment for local fees (46.4%) is also revealed in higher education.

Statistically significant link has been revealed between that the respondents willing to pay local taxes and their employment status  $X^2(8, N=384) =22.5$ ;  $p=.004$ .

Table 6: readiness to pay local taxes by employment status

Readiness to pay local taxes	Employment status				
	Unemployed	Self-employed	Hired	Pensioner (unemployed)	Student (unemployed)
Yes	51,5%	73,8%	71,4%	85,7%	55,6%
No	27,3%	13,1%	22,9%	0,0%	22,2%
Not Sure	21,2%	13,1%	5,7%	14,3%	22,2%

source: Author calculations from survey

Statistically significant link was revealed by the respondents who are willing to pay local taxes and satisfaction with the assistance provided by the self-government  $X^2(4, N=123) =14.9$ ;  $p=.005$ . Particularly, the highest rate of willingness to pay local taxes was revealed among them who are satisfied with the assistance they have been provided from the self-government.

*Table 7: readiness to pay local taxes by quality of satisfaction with self-help**source: Author calculations from survey*

Readiness to pay local taxes	Quality of satisfaction with self-help		
	Dissatisfied	Medium	Satisfied
Yes	59,5%	48,0%	69,6%
No	19,0%	48,0%	26,8%
Not sure	21,5%	4,0%	3,6%

Residents of different towns express different willingness to pay local taxes. The connection is statistically significant between city and local payments  $X^2(16, N=317) = 60.5$ ;  $p = .00$ . As shown in the table, if the local tax payment is paid, the highest level of willingness is revealed in the Chkhorowyu, and the lowest rate of positive response in in Martvili.

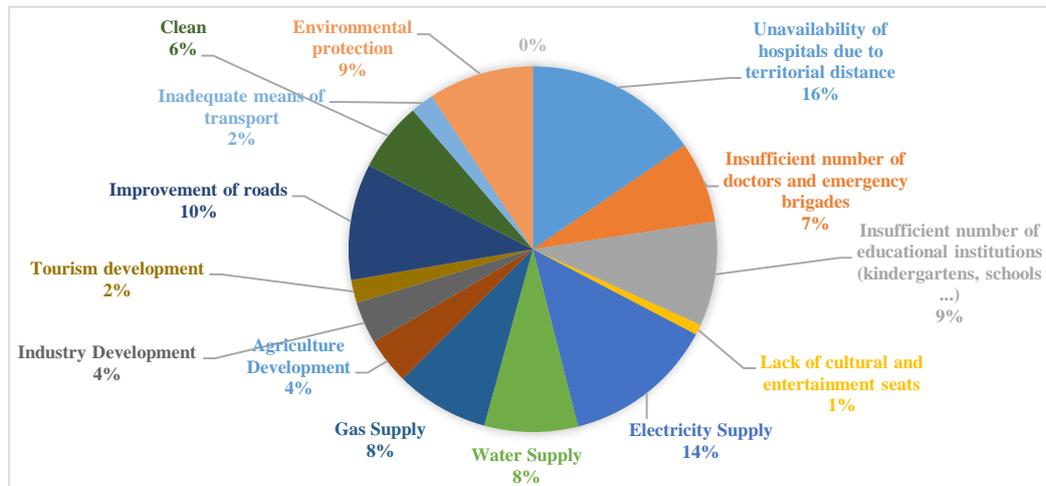
*Table 8: readiness to pay local taxes by cities*

Readiness to pay local taxes	Cities								
	Zugdidi	Khobi	Poti	Abasha	Chkhorowyu	Tsalenjikh a	Martvili	Senak i	Mestia
Yes	48,7%	66,7%	89,2%	42,4%	93,3%	72,7%	40,0%	73,8%	60,9 %
No	33,4%	23,8%	8,4%	51,5%	2,3%	11,4%	30,0%	9,5%	23,9 %
Not sure	17,9%	9,5%	2,7%	6,1%	4,4%	15,9%	30,0%	16,7%	15,2 %

*source: Author calculations from survey*

The survey revealed the priorities of the problems in the population:

Figure 2: Priority problems



source: Author calculations from survey

Differently (higher) municipal workers qualify because they are in constant readiness to address the problems of the population, and the confidence in the residents will ensure their effectiveness. Obviously, these processes are not velvety and we are dealing with a conflict of constant interest, but if we take into consideration the specific characteristics of the population (the population is guided by mountain traditions and laws in decision making) then the municipality's activities are effective and qualified.

### 3 Conclusion

Promoting the development and development of self-organization forms of the self-governing and development process should be an important constituent of the state's economic policy (regional policy). In this regard, it is necessary to expand and refine motivation;

The survey revealed that most of the local population agree to pay for local revenue expansion. In the interests of the local authorities in the interests of the population, the citizens are ready to participate in the economic development of the region.

Because the Law of Georgia on Local Self-Governance, we consider the right to taxes and taxes for local revenues so that in reasonable boundaries it is necessary to reconcile with the local population (councils) and an agreement on the expansion of internal revenue. Subsequently, it is necessary to restrict the role of transfers in the functioning of self-governments (it is only possible for the population of the mountain). In other cases, we will take long-term and only municipalities focused on the realization of their interests because:

- Deterrence from taxes (estimate by poverty) will not deepen confidence in self-governments;
- Control over self-government activities by the population;
- The desire to self-organize will not be activated in the population; And
- Nihilistic attitude towards self-governments can be established, which we think will be the most undesirable at this stage.

In the survey process, the survey was conducted in the remote areas of the municipalities and the questionnaires did not have the preliminary answer to the respondents (in order to receive reliable responses because the time factor would be disproportionately dependent on the answers of the interviewed respondents) Take out a comparative reliance on local self-governments;

- The population votes in private during the elections and not the legal entity of private law;
- The subjective factor and not the local management structure is equipped with the population trust vote;

- Development of self-organizational subjects should go on market principles, which in turn implies:

1. The population of the region should buy products from local self-government and the company;

2. Only the aggravated conflict of interest between the population and municipalities will create opportunities for development and development of the rational structure of self-governments.

The survey conducted by us did not cover subjects working in municipalities and thus we received unilateral results. This situation was conditioned on the one hand to be investigated and on the other hand, it was their low interest to this (our) activity.

There was a problem in the process of research. Respondents were often reluctant to contact, which was due to many reasons (burden, distrust, nihilism, traditional restraint, and uncertainty in how later their responses would be assessed by local authorities). It is also noteworthy that in the process of questioning we had more resistance to barrier population than in mountain residents.

The process of universal degradation changes to some extent and limits the role of the subjective factor in state-run structures. The results of the research conducted in the Samegrelo-Upper Svaneti region of Georgia confirmed that the acceleration in setting up rational regional economic policies should be emphasized to create viable (development skills) and municipalities working primarily on market principles.

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