

**NGO COALITION
FOR LOCAL DEMOCRACY AND SELF-GOVERNANCE**

**THE ASSOCIATION OF YOUNG ECONOMISTS
CAUCASIAN INSTITUTE FOR PEACE, DEMOCRACY AND
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INTERNATIONAL CENTER FOR CIVIC CULTURE
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**Conceptual Model
of Territorial-Administrative Setting of Georgia and Separation of
Administrative, Financial and Property Rights among
Different Levels of Authority**

(Short Version)

Project: Elaboration of Strategic Plan for Decentralization in Georgia
Project Director: Tengiz Shergelashvili

Agreement Group of the Project: Tengiz Shergelashvili (group leader), David Losaberidze, Konstantine Kandelaki, David Melua, Vakhtang Khmaladze, Vazha Salamadze, Otar Zoidze, Sandro Svanishvili, Zaza Rukhadze, Lado Sanikidze.

Invited Experts: David Muskhelishvili (Academician), Lado Vardosanidze (Professor), Sandro Tvalchrelidze (Academician), Nikoloz Dzimsheishvili, Soso Tsabadze, Dimitri Jorbenadze, Lasha Dolidze, Devi Khechinashvili, Zaza Shatirishvili, Lasha Chkhartishvili, Giga Amiranashvili, Nugzar Gasviani.

Project Staff and Regional Coordinators: David Narmania, Kakha Imerlishvili, Otar Konjaria, Besik Bregadze, Zaza Abuladze, Levan Chomakhidze, Amiran Gigineishvili, Zaza Chekurishvili, Spartak Avaliani, David Dzadzamia, Revaz Egadze.



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A. Introduction

The subsidiary principal should be acknowledged as the basis of local self-governance. The subsidiary principle means that **authority should be exercised at the level of governance that is the closest to the population.**

Concentration of competences at the central level that could be better implemented at the local level is unwholesome. On the other hand, if there are some authorities that could be better and more effectively exercised at the central level, should be exercised by the central government bodies.

Subsidiary principle guarantees that public policy shall be successfully exercised at each level of authority and that the public shall be actively involved in the on-going processes.

There is a number of problems characteristic for the system presently functioning in Georgia, among them: of general political character, legislative, structural, management, economic, low level of service provision, mentality of nomenclature, informal style of governance, low level of citizen participation and aloofness and apathy of citizens.

It is absolutely obvious that the process of decentralization should be implemented in the country.

Decentralization involves three major components, such as: political, administrative and fiscal.

Political decentralization means election of representative bodies at the local level and empowering them with the right to make political decisions within the frames of their competences.

Administrative decentralization means devolution of wide range of authority to local self-government bodies, among them in the sphere of governing the public affairs as well as provision of public service.

Fiscal decentralization means transfer of commensurate resources to local self-government units to enable them to perform their competences.

B. The Objective of the Concept Document

The presented document aims at creating the model that would ensure territorial-administrative structure of Georgia, separating functions, competences and authority, creating pertinent structures and assigning commensurate financial and property basis and resources to them.

Generally, in democratic nations local self-government bodies have the following two major functions:

1. ***Provision of public service*** – Local self-government bodies effectively meet the every day needs of local population such as: administration at the local level, communal service, solution of daily problems, minimal social welfare.
2. ***Closeness to local population*** – Unlike the Central Government officials, local self-government representatives have every day contacts with local population and express their interests. An ordinary citizen can be in permanent contact with the representatives of local self-government bodies, control their activities and get involved in the process of decision making.

In addition to these major principles, a number of new democracies in addition to strengthening local self-government units and the process of decentralization have some other goals too. Such goals are creation of local political elite that would replace local economic or political informal clans. This is very important for two main reasons: to increase the local cadre of political parties, and create qualified professionals of public servants.

C. Principles of the Concept Paper

Territorial Setting/Structure

Georgia is the nation that includes the following territorial-administrative units: regions, autonomous units, capital, cities and agglomeration of villages.

There is a two-tier local self-governance in Georgia:

1. Cities and agglomeration of villages represent the first level of local self-governance (approximately 300 units);
2. Regions as well as Autonomous Units, and the capital represent the second level of local self-governance (approximately 13 units).

Competences

The conceptual document presents clearly separated:

- **Functions** – what type of activities local self-government bodies are eligible to carry out;
- **Competences** – what the spheres of their activities are;
- **Authority** – how the competences are implemented

Systems of Governance

Sakrebulo/Council-representative body, City Halls (in cities) and Gamgeobas-executive bodies (in the agglomeration of villages) represent the local self-government governing bodies of the first level self-government unit. The head of the executive body is the Mayor (in cities) who shall be directly elected by local population, and Gamgebelis (in the agglomeration of villages).

The bodies of the regions and the capital are: elected representative body- Advisory Council that shall be directly elected by local population and the Government - executive body. The Head of the executive body of the region/capital is the Regional Governor (the Mayor) elected by the Advisory Council.

The structure of governance of autonomous units shall be defined based on the agreement that will be concluded between the central authority and the autonomous unit.

Each populated unit (except for the local self-government center) shall elect the **Patriarchy and Public Council** to ensure the protection of the interests of the local population.

Property and Finances

Each local self-government unit shall have its **independent budget and property**.

Budgetary system of local self-government units as well as regions shall be based on uniformity, comprehensiveness, transparency, independence, accountability, equalization, balance, conditionality and universality principles that are the principles of the budget system of Georgia.

The following represents the **own receipts** of local self-government units and regions: tax revenues (local taxes assigned to local self-government units and shared taxes assigned to regions); non-tax revenues (fees); capital revenues (among them revenues generated from property; equalization transfers (only for local self-government units) and grants; and, borrowings.

Non-own revenues of local self-government units represent conditional transfers received from the State Budget or from the region as well as conditional revenues received from donors.

Supervision

Regional Representative of the President on the issues of State Supervision carries out the supervision over local self-government and regional bodies activities performed within the frames of his/her authority clearly defined by the legislation. Preventive activities and measures are preferred and have priority compared to interference.

Only the Court is empowered to annul the decisions made by local self-government units within the frames of their exclusive functions. Central Government can only examine the legality of such decisions.

In case of delegated competences, the bodies that delegate the authority are empowered to examine both: the legality of implementation of the authority as well as the effectiveness, including financial monitoring.

1. Territorial –Administrative Setting at the Regional Level and at the Level of Agglomeration of Villages

Based on the conceptual document 3766 settlements (village, city, village/town) existing in Georgia (except for Abkhazeti and Tskhinvali regions) are consolidated into 300 local self-government units. Respectively, there will be two types of local self-government units: cities and agglomeration of villages.

Local self-government unit of Georgia is a legal entity of Public Law that includes one more settlement. It has common local self-government representative and executive bodies, own

exclusive competences, territory, own property, own revenues, independent budget, name and the center of local self-government unit in the case when local self-government unit comprises several settlements. Local self-government unit also has local population registered in the particular LSG unit.

Region is the unity of local self-government units (cities and agglomerations of villages) that has common regional self-governance representative and executive bodies, territory, population, name, center, at least own exclusive competences, own property, own revenues and independent budget.

The territory of the region is defined as the total of territory of cities and agglomerations of villages under the region.

The territorial principle of Autonomous Republics and Oblasts shall be defined similarly to those of regions. They differ from regional ones by additional, administrative, political, legal, cultural and social-economic authority and fasces.

Tbilisi represents a specific administrative unit that includes both, local and regional self-governance authority. It is envisaged to have about 25 self-government neighborhoods.

The concept document envisages establishment of 13 upper level administrative-territorial units: Abkhazeti (center-Sokhumi); Ajara (center-Batumi), Guria (center Ozurgeti), Samegrelo (center Zugdidi), Racha-Lechkhum-Svaneti (center Tsageri), Imereti (center Kutaisi), Samtskhe-Javakheti (center (Akhaltikhe), Shida Kartli (center Gori), Kvemo Kartli (center Bolnisi), Mtianeti (center Zhinvali), Kakheti (center Telavi), Tskhinvali region (center Tskhinvali), Tbilisi.

2. Competences and Authority

Public competences shall be divided into obligatory and voluntary competences.

The activities of local self-government units (cities, agglomeration of villages) are limited to obligatory exclusive, voluntary exclusive (delegated for it) shared with other levels of governance and residual competences.

Obligatory are the competences that the bodies of local self-government units (cities, agglomerations of villages) and regions perform under obligatory mandate within the frames of their capacity.

Voluntary are the competences that the authority of local self-government unit (city or agglomeration of villages) or region performs or does not perform at its discretion.

Exclusive competences – the authority of the bodies of local self-government unit (city and agglomeration of villages) and region assigned based on Georgian legislation and implemented independently and at their discretion as defined by law.

Delegated competences – competences of region or local self-government unit that represents the competence of other level (regional, central) but some authorities (administrative, service, regulatory) related to the competence get delegated to local self-government units or regional bodies together with commensurate resources.

Shared competences – competences of bodies of local self-government units or regions that get performed in cooperation with other levels of governance.

Local self-government and regional bodies are empowered to implement competences related to obligatory or voluntary authority assigned to them together with the bodies of other local self-government and regional bodies. In such a case, local self-government/region maintains the responsibility to provide public service on its territory as a part of its obligatory exclusive competence.

There exist five types of authority in terms of local self-government/regional competences that ensure the implementation of a specific competence. These are the following authorities: administrative, service, investment, regulatory, and funding.

The bodies of local self-government units and regions implement the competences related to economic activities only in case if physical persons and legal entities of Private Law do not carry out their activities in the analogous (identical) spheres. If such competences are already implemented by local self-government unit or region and the legal entity of Private Law appears in the same field, the body of local self-government or region terminates its activities in the field through liquidation, selling or transforming the property related to carrying out these activities.

The list of separated competences stated in the concept:

Obligatory Exclusive Authority of local Self-government Unit

- In the healthcare sphere: outpatient clinics, first aid;
- In the sphere of culture, leisure and sports: protection of cultural monuments of local importance; libraries; archives (belonging to local self-government), museums of local importance;
- In the sphere of ecology, use of natural resources and sanitation: protection of soil/land and water belonging to a local self-government unit; use of woods of local importance; land use; sanitary protection; use of water resources under local self-government unit ownership;
- In the sphere of social protection: ensure homeless population with housing;
- In the sphere of transportation and road infrastructure: roads of local importance;
- Planning and control over construction: city planning, control over construction.
- In the spheres of improvement and communal service: collection of solid waste from local population, collection of solid waste from the public spaces; preventive measures to observe cleanness; street cleaning and washing; storm sewage; provision with potable water; melioration; sewage; planting; parks and gardens, street lightening; cemeteries;
- Sphere of general tasks: fire safety;

The authority with regard of the above spheres that represent obligatory competences of local self-government units get separated in the following manner: bodies of local self-government units: administrative, service, funding, regulatory and investment authorities are obligatory ones. Central government : general regulatory competence is the obligatory one.

Voluntary Exclusive Authority of Local Self-government Units

- In the sphere of education: pre-school education;
- In the sphere of health care: hospitals of local importance, family medical care;

- In the sphere of culture, leisure and sports: club facilities; theaters of local importance; movies, exhibition halls, sports facilities; physical culture, vocational schools (arts, sports, etc.);
- In the sphere of social protection: additional assistance programs to invalids and elderly people, additional assistance programs for unprotected population (families with low salaries, multi-children families), additional assistance programs for invalids, additional assistance programs for unemployed population;
- In the sphere of energy: distribution of electricity, distribution of natural gas, systems of central heating;
- In the spheres of road infrastructure and transportation: public transport of local importance; underground, busses, trolley-busses, cable transport.
- In the sphere of improvements and communal service: technical water supply

The authorities with regard of the above spheres representing the exclusive voluntary competences of local self-government units get separated as follows: Local self-government bodies: administrative, service, funding, regulatory and investment authorities are voluntary ones. Along with this, if local self-government unit decides to implement the above competences, the local self-government unit becomes responsible for the five types of authority. Central authority: general regulatory competence is obligatory.

Obligatory Exclusive Authority of Regions

- In the sphere of education: boarding schools;
- In the sphere of culture, leisure and sports: libraries of regional importance; archives of regional importance; museums of regional importance;
- In the spheres of ecology, use of natural resources and sanitation sphere: protection of water and soil/land assigned to the region; use of woods of regional importance; collection of solid waste; collection, processions and utilization of solid waste; purifying sewage waste and utilization; natural resources of regional importance; water resources of regional importance;
- In the sphere of road infrastructure and transport: roads connecting different local self-government units.
- In the sphere of planning and control over construction: regional planning.
- In the sphere of improvements and communal service: melioration of regional importance;

In terms of the above spheres representing the obligatory exclusive competences of regions, the authorities get separated in the following manner: regional bodies: administrative, service, funding, regulatory and investment authorities are obligatory; Central authority: general regulatory competence is obligatory.

Voluntary Exclusive Authority of the Region

- Healthcare sphere: hospitals of regional importance.
- In the sphere of culture, leisure and sports: regional theatres; exhibitions of regional importance; sports facilities of regional importance.
- In the sphere of infrastructure and transport: public road transport operating between different local self-government units.

The authorities with regard of the above spheres representing the exclusive voluntary competences of the region get separated in the following way: for regional governing bodies:

administrative, service, funding, regulatory and investment competences are voluntary. Central authorities: general regulatory competence is obligatory.

Competences Delegated by the Central Authority to a Self-government Unit

- Education sphere: primary education; basic education; secondary education.

Authority of self-government unit in regard to the aforementioned spheres of education get separated in the following way: for central authorities: competences of funding, regulatory and investment are obligatory, for a self-government unit: administrative and service authorities are obligatory, funding and investment – voluntary.

- In the healthcare sphere: disease prevention.

Authorities in regard to aforementioned sphere of healthcare get separated in the following way: for the central authorities: the authority of funding and regulatory are obligatory, investment – voluntary. For a self-government unit: administrative and service authority are obligatory, funding – voluntary.

- In the social sphere: assistance programs for the poor (elderly people, etc.); assistance programs for socially unprotected layers of population (families with small income, with many children, etc.); assistance programs for the invalid; unemployment assistance programs.

Authorities in regard to aforementioned sphere of social protection get separated in the following way: for the central authorities: the authority of funding and regulatory are obligatory, investment – voluntary. For a self-government unit: administrative and service authorities are obligatory.

- Housing of the homeless.

Authorities in regard to aforementioned sphere get separated in the following way: for the central authorities: the authorities of funding, regulatory and investment are voluntary. For a self-government unit: administrative and service authorities are obligatory.

- In the field of general tasks: civil registration.

Authorities in regard to aforementioned sphere get separated in the following way: for the central authorities: the authorities of funding, regulatory and investment are obligatory. For a self-government unit: administrative and service authorities are obligatory.

Competences Delegated to a Self-government Unit by the Regional Authority

- In the social sphere: regional programs of assistance to the poor (elderly people, etc.); assistance to socially unprotected layers of population (families with small income, with many children, etc.); assistance to the invalids.

Authorities in regard to aforementioned sphere of social protection get separated in the following way: for the regional authorities: the authorities of funding, regulatory and investment are voluntary. For a self-government unit: administrative and service authorities are obligatory.

- Regional programs to assist the unemployed.

- In the social sphere: assistance to the poor (elderly people, etc.); assistance to socially unprotected layers of population (families with small income, with many children, etc.); assistance to the disabled; unemployment allowance.

Authorities in regard to aforementioned sphere of social protection get separated in the following way: for the regional authorities: the authorities of funding, regulatory and investment are obligatory. For a self-government unit: administrative and service authorities are obligatory.

- Regional program for housing of the homeless.
- In the social sphere: In the social sphere: assistance to the poor (elderly people, etc.); assistance to socially unprotected layers of population (families with small income, with many children, etc.); assistance to the disabled; unemployment allowance.

Authorities in regard to aforementioned spheres get separated in the following way: for the regional authorities: the authority of funding, regulatory and investment are voluntary. For a self-government unit: administrative and service authority are obligatory.

Authority Delegated by the Central Authorities to the Region

- Sphere of healthcare: protection of public health.

Authorities in regard to aforementioned sphere of healthcare get separated in the following way: for central authorities: funding and regulatory authority are obligatory, investment – voluntary. For regional authority: authority of service and administrative are obligatory.

- In the social sphere: social (diagnostic and care) services

Authorities in regard to aforementioned sphere of social protection get separated in the following way: for the central authorities: the authority of funding, regulatory and investment are obligatory. For regional authorities: administrative and service authority are obligatory, investment - voluntary.

Competences Delegated to a Self-government Unit and the Region by the Central Authorities

- In the sphere of ecology, use of natural resources and sanitation: veterinary field

Authorities in regard to aforementioned sphere get separated in the following way: for the central authorities: the authority of regulatory and investment are obligatory. For regional authorities and a self-government unit: administrative and service authority are obligatory.

Common Authorities of the Centre and the Region

- Education sphere: special and secondary-technical education.

Authorities in regard to aforementioned sphere of education get separated in the following way: for the central authorities: the authority of funding and investment are voluntary, regulatory - obligatory. For regional authorities: administrative, funding, regulatory and investment authority are voluntary. The detailed distinction of authorities shall stop on the basis of mutual agreement.

- Healthcare sphere: special medicine; planning and control of the healthcare policy.

In regard to aforementioned sphere of healthcare the authorities get separated in the following way: for the central authorities: administrative, service, funding, regulatory and investment authority are obligatory. For regional authorities: administrative, service, funding, regulatory and investment authority are obligatory. The detailed distinction of competences shall stop on the basis of mutual agreement.

- In the sphere of culture, leisure and sports: special schools.

In regard to the aforementioned sphere the authority shall be separated in the following way: for the central authorities: funding and investment authority are voluntary, regulatory – obligatory.

For the regional authorities: service, administrative, funding, regulatory and investment competences are voluntary. The detailed distinction of competences shall stop on the basis of mutual agreement.

Common Authority between Region and Self-government Unit

- In the sphere of ecology, use of natural resources and sanitation: mineral wealth (resources common for the region).

In regard to aforementioned sphere the authority shall be separated in the following way: for the central authorities: general regulatory authority is obligatory. For regional authorities: administrative, service, funding, regulatory and investment authority are obligatory. For the authorities of a self-government unit administrative, service, funding, regulatory and investment authority are obligatory. The detailed distinction of authority shall stop on the basis of mutual agreement.

Common Authority between the Centre, Region and a Self-government Unit

- In the sphere of healthcare: keeping medical statistics.

In regard to aforementioned sphere of healthcare the authority shall get separated: for the central authorities: administrative, service, funding, regulatory and investment authority are obligatory. For regional authorities: administrative and service authority are obligatory. For the authorities of a self-government unit: administrative and service authority are obligatory.

- In sphere of ecology, use natural resources and sanitation: liquidation consequences of the natural calamity.

In regard to aforementioned sphere: for the central authorities: administrative, funding, regulatory and investment authority are obligatory. For regional authorities: administrative and funding are obligatory while investment and service authority - voluntary. For the authorities of a self-government unit: administrative and service authority are obligatory, and funding and investment – voluntary.

- Environment protection measures in general

In regard to aforementioned sphere: for the central authorities: administrative, funding, regulatory and investment authority are obligatory. For regional authorities: administrative,

funding, regulatory and investment authority are obligatory. For the authorities of a self-government unit: administrative, funding, regulatory and investment authority are obligatory.

- In the sphere of general tasks: public order

In regard to aforementioned sphere: for the central authorities: regulatory and investment authority is obligatory. For regional authorities: administrative, service, funding and investment authority are obligatory. For the authorities of a self-government unit: administrative and service authority are voluntary.

3. Governance Systems

Governing Bodies of Self-government Units

Governing bodies of a self-government unit are representative bodies – Sakrebulo and executive bodies of the Town Hall (in the cities) and Gamgeoba (in agglomeration of villages). The head of the executive body in the city is the Mayor. The head of the executive body in agglomeration of villages is Gamgebeli.

The representative body of a local self-government unit is Sakrebulo consisting of members elected for a three-year term by the citizens of Georgia residing on the relevant territory, through direct, general and equal voting system by secret ballot, based on proportional system with single vote that could be handed over.

Furthermore, if during the term of office of the Sakrebulo the authority of its member is ceased, a new Sakrebulo member shall be elected. For this the polling station shall be referred to by the elected Sakrebulo members, where their successor shall be elected.

The number of the Sakrebulo members depends on the population of the self-government unit:

- population to 5.000 people – 15 members;
- population to 10.000 people – 17 members;
- population to 30.000 people – 19 members;
- population to 50.000 people - 21 members;
- population to 100.000 people - 25 members;
- population to 300.000 people - 35 members.

In the agglomeration of villages the executive body of self-government units is represented by the Gamgeoba and the Town Halls – in the cities. The heads of the executive bodies of a self-government body are Gamgebeli in the agglomeration of villages and the Mayor in the city.

Gamgebeli of agglomeration of villages or the Mayor of the city shall be elected in terms of the Law of Georgia, through direct, general and equal voting by secret ballot, for the term of office of Sakrebulo. Gamgebeli (the Mayor) in agreement with Sakrebulo appoints the members of Gamgeoba (the Town Hall). The members of Gamgeoba (the Town Hall) are Gamgebeli (the Mayor), first deputy of Gamgebeli (Mayor), deputy (deputies) of Gamgebeli (the Mayor), the heads of local services and the head of administration.

Form of Governance in the Settlements Included in the Agglomeration of Villages

In the agglomeration of villages with more than one settlement, in all settlements (except for the centre of the agglomeration of villages and the ones with fewer than 50 people) the Patriarchy shall be elected. If the population is fewer than 50 people, the authorities of the agglomeration of villages make a decision on election/selection of the Patriarchy. The Patriarchy is elected in terms of direct rule. By the decision of the authorities of the agglomeration of villages, the Patriarchy could be given remuneration. Election of the Patriarchy shall be organized through secret ballot by the authorities of the agglomeration of villages. In the settlements where the population exceeds 100 people, in addition to the Patriarchy, a Public Council shall be elected with members not fewer than three and no more than 15 people. If the number of people in the settlement is fewer than 100, whether or not to elect the Public Council is voluntary. The members of the Public Council do not get remuneration. By the decision of a self-government unit, the city can be divided into sections with their heads and services. Districts of the capital of Georgia – Tbilisi – represent self-governances with elective representative and executive bodies. Their structure and rules of activities are regulated by Law of Georgia On the Capital of Georgia – Tbilisi.

Governing Bodies of the Region

The governing bodies of the region are representative bodies - advisory body and an executive body – the government. The head of the executive body of the region is Regional Governor.

The representative body of the region is a regional Advisory Body consisting of members elected for a four-year term by the citizens of Georgia residing on the relevant territory, through direct, general and equal voting by secret ballot, based on the party/proportional system. The regional Advisory Body shall be elected through proportional, party elections where no minimum barriers for entering the advisory body shall be set. The number of the advisory body members depends on the number of the regional population:

- to 100.000 people - 25 members;
- to 200.000 people - 29 members;
- to 500.000 people - 35 members;
- to 1.000.000 people - 45 members;
- more than 1.000.000 people - 49 members.

The executive body of the region is regional government. The head of the regional executive body is Regional Governor. The Advisory Council elects the Regional Governor from its composition. Regional Governor can be nominated by one fourth members of the Advisory Council. One and the same member of the Advisory Council has no right to recommend more than one nominee. The nominee shall be approved if more than half of the members of the Advisory Council vote for him/her. If all the nominees fail to get the votes of the half of the Advisory Council members, the second round will be held, in which two nominees with the best results will participate. In the second round the Regional Governor will be elected by relative majority of votes.

The Advisory Council has right to raise the issue of vote of no confidence both against the Regional Governor and the government. Vote of no confidence can be raised in case of the support of the issue by more than the half of the Council members. The members of the Advisory Council who raise the issue of vote of no confidence could also recommend a new nominee for the Regional Governor. To dismiss the Regional Governor the two thirds of the Advisory Council members have to vote for that. Reelection of the Regional Governor shall occur by means of constructive vote. The government shall be approved by the regional Advisory Council upon the recommendation of the Regional Governor. The government shall

comprise no more than twenty members and consist of Regional Governor, first deputy, deputy (deputies) to the governor, heads of the regional services.

4. Financial Field and Property Budget System

The principle importance of fiscal decentralization is to provide self-government bodies with commensurate financial resources to implement their competences. Local self-government could be efficient if together with the rights and responsibilities it will have significant resources.

Each self-government unit/region has its own independent budget.

Budget system of the self-government units/regions depends on the principles of uniformity, comprehensiveness, transparency, independence, accountability, equalization, balance, conditionality and universality.

Settlements and regions in the cities (except for the districts in the capital) do not have own budgets. Settlements and districts in the cities have budgetary estimates approved by the representative body of a self-government unit in whose composition they come.

Budgetary Revenues of a Self-government Unit/Region

Own revenues of the self-government units/region are: tax revenues (local taxes for the self-government units and shared state taxes for the region); non-tax revenues (fees); capital revenues (o/w revenues from property); equalizing transfers (only for self-government units) and grants; borrowings.

Conditional transfers from the central authorities or the region, also conditional revenues from the donors are non-own revenues of the self-government unit.

- Local taxes

The legal base, taxation object, rates and concessions of local taxes shall be defined by the central authorities. Setting up rates and making tax forecast shall be conducted by local self-government bodies. 100% of revenues shall be transferred in the budget of the local self-government.

- Shared taxes

Shared local taxes are national taxes by nature. The central authorities define full rate of taxation but divide into two parts. For example, profit tax is 20%. Of which 5% belongs to a self-government unit and 15% to the region, in the income tax 5% and 7% are for the self-government unit and the region, respectively. Both a self-government unit and the region are allowed to change the rate within their own maximum rate.

The Law strictly defines the budgetary revenues of self-government units and regions.

Budgetary Revenues of a Self-government Unit/Region Defined by the Conceptual Document

Self-government unit:

Local taxes:

- tax on property (fully)
- tax on gambling business (fully)

Shared Taxes:

- profit tax – no more than 5% of the rate
- income tax - no more than 5% of the rate

Cities: Batumi, Ozurgeti, Zugdidi, Kutaisi, Tsageri, Gori, Akhaltsikhe, Bolnisi, Tbilisi, Telavi, Jinali (as regional centres) get 100 percent from both profit and income taxes.

Transfers:

- equalizing (not conditional) transfers.
- conditional transfers to finance competences delegated to the self-government unit.
- capital transfers to carry out capital projects.

Equalizing (not conditional) transfer system consists of two components: distributable equalizing fund (total amount to be distributed) and equalizing formula.

Equalizing transfer is transferred by the central authorities directly to the budgets of the self-government units. Each year the Central Budget allocates at least 5% of the anticipated revenues of total distributable amount for the equalizing transfers. Equalizing transfer is not conditional for the self-government unit and the revenues from this transfer are spent by the self-government units at their discretion to implement obligatory and voluntary exclusive competences.

Equalizing transfer for a self-government unit is defined by the formula established by the law and is approved as a law together with the State Budget on a yearly basis.

Region

Shared Taxes:

- profit tax – no more than 15% of the rate
- income tax - no more than 7% of the rate

Transfers:

- conditional transfers to finance competences delegated to the region.
- capital transfers to carry out capital projects of regional importance.

Non-tax revenues of the self-government unit/region defined by the concept

- revenues from the rent of the property owned by the self-government unit;
- dividends and part of profit from legal entities obtained from the property in the ownership of the self-government unit or from the participation of such property;
- revenues from loans (credits);
- interests (benefits) from budgetary loans, deposits, bonds and others;
- revenues from grants;
- revenues from selling of intangible assets;
- revenues from old outstanding of receivables and payables;
- royalty in compliance with the property and exclusive competences of a self-government unit;
- revenues from the administrative penalties set by a self-government unit;
- revenues from the transfers from the higher level budgets.

Furthermore, non-tax revenues of the self-government unit are:

- local license fees: for the permission to carry out outdoor vending, to place street advertising, to use public area, to park cars, to launch construction, to conduct passenger and cargo transportation, to change structural-functional arrangement and the edifice of the architectural objects;
- revenues generated from the lease of the land in the ownership of the self-government unit;
- local tender fee;
- revenues generated from the disposal of property and land in the ownership of the self-government unit;
- revenues generated from the use of natural resources in the ownership of the self-government unit;
- fees for civil act registration.

Budget Process

- Budget process starts nine months prior to the beginning of the new budget year by drafting a budget of a self-government unit/region and ends two years later – in December following the new year by drafting, approving and evaluating a report on budget execution.
- Drafting and execution of the budget of the self-government unit/region are assigned to the executive body of the self-government unit/region. As to the review of the draft budget, its approval, introduction of amendments, control over its execution, evaluation and approval of the budget execution are authority of the representative body of the self-governance.
- Information on the budget of the self-government unit/region shall be disseminated by the Ministry of Finance of Georgia and State Statistics Department of Georgia in compliance with the established rule, form, volume and terms.
- The executive bodies of the self-government unit/region shall submit a report on spending financed by conditional transfer of the Ministry of Finance of Georgia.
- Additional budgetary authorities and specificities of the self-governing bodies in the high mountainous regions shall be defined by the Law of Georgia.

Property of a Self-government Unit/Region

Self-government unit and the region have own property.

The types of the property of the self-government unit and region are:

- immovable property;
- movable property;
- intangible assets.

The property that in terms of the Law of Georgia is in the ownership, use and at the disposal of the self-government unit/region shall be considered as property in the ownership of the self-government unit/region.

The list of the categories of objects in the ownership of the self-government unit/region shall be defined by the Law of Georgia.

The property of the self-government unit/region shall be generated:

- by devolution of the objects in the ownership of the State to the self-government unit/region in terms of the rule established by the President of Georgia;

- by purchasing or generating of new objects by self-government unit/region within one's competence as defined by the Law;
- as a result of such occurrences that the Law of Georgia connects with the generation of civil-legal consequences;
- by the basis envisaged by the Law.

The property owned by the self-government unit/region is divided by basic (not liable to alienation) and additional property. The property is basic (not liable to alienation) if it is the basis for the self-government unit/region to perform and which the self-government unit/region can use only to perform one's public functions and authorities.

Basic (not liable to alienation) local property shall be owned and used directly by governing bodies of self-government units/regions. This kind of property could be disposed by the resolution of the representative body of the self-government unit/region only in case the current property lost its functional importance due to purchase or generation of new property. The category of the basic (not liable to alienation) property and the rule of its application shall be defined by the Law of Georgia.

The rights and duties of the local self-governing body in regard to the property transferred to the self-government unit by the State shall be defined in terms of the agreement concluded between the two.

5. Administrative Supervision

The goal of the administrative supervision is protection of the rights of local and regional self-governance and support to the execution of their authorities within the frame of the Law and other bylaws. Among various possible measures at the disposal of the administrative supervision to protect the law, those ones shall be implemented that shall the least harm local and regional self-governance. The anticipated harm due to administrative supervision measures shall not surpass the outcome as a result of use of the measure.

The preference shall be given to preventive measures rather than involvement measures, i.e. to softer measures of the administrative supervision so that to avoid interference.

In regard to the administrative supervision of the authorities of the governing bodies of self-government unit/region in the sphere of obligatory and voluntary tasks transferred to them shall be limited to only examination of implementation of those tasks in conformity with the law (legal supervision).

Administrative supervision over the tasks delegated to the self-government units/region by the State comprises both legal supervision and the contents and types of implementation of those tasks (line supervision).

In regard to obligatory and voluntary exclusive competences of self-government units and regions, in regard to legal supervision bodies and their delegated competences, regional representative of the President of Georgia in the issues of State supervision shall act as a legal and line supervision body.

The measures that could be used by the bodies performing State supervision shall be defined by the law.

Legal and line supervision over the authorities delegated to the governing bodies of the self-government unit/region shall be performed in the frame of delegated authorities established by the law and pertinent agreements on the mandate of delegation.

Regional representative in the issues of supervision of the President of Georgia is empowered to give to the governing bodies of the self-government unit/region written direction on the types and contents of the tasks delegated by the State/region. The written instructions could be sent either to the particular governing body of the self-government unit/region or to all of them together. If accomplishment of those directions results in additional expenditure, it is reimbursed by those governing bodies who performed delegation of competences.

While performing line supervision, regional representative in the State supervision issues of the President of Georgia shall not be empowered to interfere. Suspension or cancellation of the decisions made by governing bodies of a self-government unit/region shall occur in compliance with the law.

In case of interference of the regional representative of the President of Georgia in the State supervision issues, adequate written and well-justified instrument should exist.