

DIRECTION: an efficient state

Polish experiences of decentralisation and modernisation, lessons learned for Armenia and Georgia

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December, 2020

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Ministry
of Foreign Affairs
Republic of Poland

The guidebook is prepared within a project
co-financed by Ministry of Foreign Affairs
of Poland



List of acronyms

AMD – Armenian dram

BIP – Public Information Bulletin

CEPA – Comprehensive and Enhanced Partnership Agreement

CF – Cohesion Fund

CIT – Corporate Income Tax

EAFRD – European Agricultural Fund for Rural Development

EBRD – European Bank for Reconstruction and Development

EIB – European Investment Bank

EMC – Human Rights Education and Monitoring Center

EMFF – European Maritime and Fisheries Fund

ePUAP – Electronic Platform of Public Administration Services

ERDF – European Regional Development Fund

ESF – European Social Fund

EU – European Union

EUR – Euro

GIP – Georgian Institute of Politics

GIZ – Deutsche Gesellschaft für Internationale Zusammenarbeit

GYLA – Georgian Young Lawyers' Association

ICT – Information and Communication Technology

LEPL – Legal Entity of Public Law

M4EG – Mayors for Economic Growth

MDF – Municipal Development Fund of Georgia

MSDA – Municipal Service Development Agency

NCDC – National Center for Disease Control and Public Health

NOPs – National Operational Programmes

PIT – Personal Income Tax

PLN – Polish zloty

ROPs – Regional Operational Programmes

SAS – Local Government Analysis System

SMEs – Small and Medium-Sized Enterprises

TCLT – Tax on civil law transactions

TI – Transparency International

UNDP – United Nations Development Programme

USAID – United States Agency for International Development

VCMT – Voivodeship Crisis Management Team

Table of Contents

Introduction

I. Polish experience in decentralisation

1.1. Empowerment of local communities	7
1.2. Financing of local government units	13
1.3. Providing public services	20
1.4. Absorption of external funds by local governments	25
1.5. Crisis response	31

2. Armenian experiences in decentralisation

Introduction	39
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2.1. Empowerment of local communities	40
2.2. Financing of local government activities	43
2.3. Providing public services	46
2.4. Absorption of external funds by local governments	49
2.5. Crisis responses	51

3. Georgian experiences in decentralisation

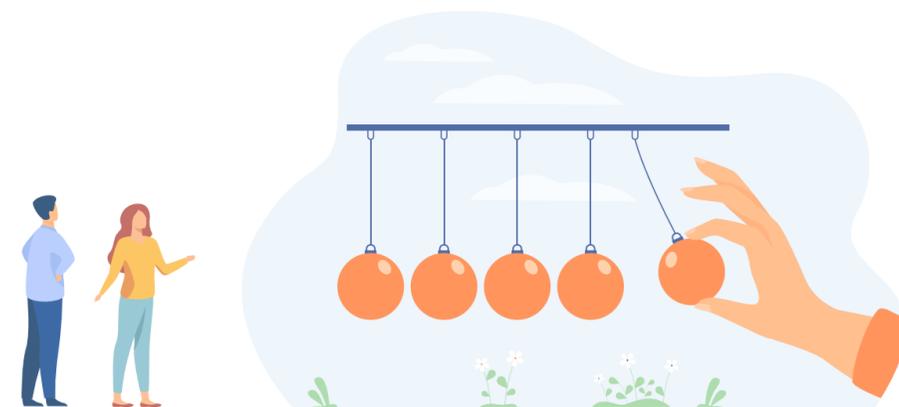
Introduction	55
3.1. Empowerment of local communities	56
3.2. Financing of local government activities	59

3.3. Providing public services	61
3.4. Absorption of external funds by local governments	65
3.5. Crisis responses	68

Recommendations **72**

Introduction

In 2020, Poland celebrated 30 years of the reconstitution of local government. Its re-introduction – initiated in 1990 – was enabled by a process of political transformation, which began in 1989. The first local government elections were held on 27 May 1990 on the basis of the Local Government Act. In this initial period, municipalities (gminy), recognised as associations of residents of particular areas, were excluded from the hierarchical system of state bodies and received a separate budget. Municipalities began performing public tasks on their own behalf and on their own responsibility. Further administrative reform, which came into force on 1 January 1999, re-introduced counties (poviats) and regions (voivodeships). In the meantime, in 1994, Poland – one of only a few countries – ratified the European Charter of Local Self-government in full. As a result of these processes, a



three-tiered system of local government – diversified in terms of area, population potential, infrastructure, and income creation possibilities – was created in Poland.

Poland has been a leader in introducing local self-government in Central and Eastern Europe and is now one of the countries with the highest level of local self-government in the whole of Europe. The power of self-government and the systemic guarantees of self-government expressed in the 1997 Constitution are compared to the exemplary Scandinavian solutions.

The two-tiered administrative division of Poland, with 49 provinces, was in force until the end of 1998. In the beginning of 1999, a three-tiered structure comprised of provinces, counties, and municipalities was introduced. This administrative reform was introduced through the Act on the introduction of the basic three-tier territorial division of the state¹, which was aimed at rebuilding self-government and, above all, improving the activities of the authorities of smaller local government units. Moreover, the aim was to create larger regions that could compete with other regions after Poland's accession to the European Union in 2004. The pre-reform provinces were too small to use financial

resources effectively; thus, 16 considerably larger provinces were created.

Following the reform, the smallest territorial unit is a **municipality**. As of 1 January 2020², there are 2,477 municipalities in Poland, 302 of which are urban municipalities. The urban municipalities are contained within the administrative boundaries of cities and sometimes constitute their districts. We can also distinguish 642 urban-rural communes (i.e. one city plus several surrounding villages) and 1,533 rural municipalities.

The **county** is a unit of territorial division larger in area than a municipality. One county brings together neighbouring municipalities under its jurisdiction. In total, there are 380 counties, of which 66 are cities with county rights. The remaining 314 counties vary in size, with some composed of just a few municipalities while others are composed of a dozen or more. The **provinces** (voivodeships) are the highest territorial unit and the highest self-government authority in Poland. Each of the 16 voivodeships is headed by a state-appointed governor and a Marshal who leads an executive board chosen by the assembly, which was elected by citizens. Voivodeships differ in terms of area, number of inhabitants, and population density. However,

1. Ustawa z dnia 24 lipca 1998 r. o wprowadzeniu zasadniczego trójstopniowego podziału terytorialnego państwa, Dz.U. 1998 nr 96 poz. 603, available at <http://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=wdu19980960603>
2. Central Statistical Office. Administrative division of Poland, available at [Główny Urząd Statystyczny / Statystyka regionalna / Jednostki terytorialne / Podział administracyjny Polski](http://glowny.uzsg.gov.pl/)

each has a common feature – its capital, i.e. the city in which the offices of the Marshal and Governor are located. There is a division of tasks between the self-government administration and the public administration.

This **Polish Decentralisation Guidebook** aims at presenting in a synthetic way the experience of Poland regarding the re-introduction of local government and the decentralisation process since 1989. Its main goal is to provide representatives of central and regional authorities, experts, and representatives of opinion-forming circles in Armenia and Georgia with relevant information and knowledge. The idea of the authors of this Guidebook was to facilitate mutual learning between the countries, the exchange of good practices, and lessons learned.

The territorial division of Armenia was established in 1995. Now the country has two levels of administrative division – regions and communities – and the local self-government is exercised only on the level of communities. In the case of Georgia, administrative reform aimed at introducing local government started in 1997. Currently, self-government in Georgia is exercised on just one level – in municipalities (including self-governing cities and self-governing communities). Poland's experience, in which local government units are established on all three levels of territorial division, might be useful to Armenia and Georgia, if they wish to further reform their territorial administration and pursue decentralisation.

This **Guidebook** is comprised of four main parts. The first part is devoted to the presentation of the Polish experience in five selected areas:

1. Empowerment of local communities
2. Financing of local government units
3. Providing public services
4. Absorption of external funds by local governments
5. Crisis responses

The second part is dedicated to the presentation and analysis of needs and main blocking points in decentralisation in Armenia, while the third one concentrates on Georgia. Both of them are structured around the five above-listed areas.

The last but very most important section of this **Guidebook** provides a set of recommendations for Armenia and Georgia based on the Polish experience in introducing local government and decentralisation.

The country-specific sections of this **Guidebook** were prepared mainly on the basis of the results of desk research. This included reviewing the existing literature, relevant state strategies and action plans as well as reports developed by local and international organisations. Key legal acts were also reviewed. In addition, interviews with representatives of local municipalities and other stakeholders were carried out in Armenia and Georgia.

This **Guidebook** was developed as part of the project called 'Direction: an efficient state. Polish experiences of decentralisation and modernisation, lessons learned for Armenia and Georgia' co-funded by the Ministry of Foreign Affairs of the Republic of Poland. It is the joint work of three partner institutions: CASE – Center for Social and Economic Research based in Warsaw, the Tbilisi-based Georgian Institute of Politics (GIP), and the Analytical Centre on Globalization and Regional Cooperation (ACGRC) from Yerevan.



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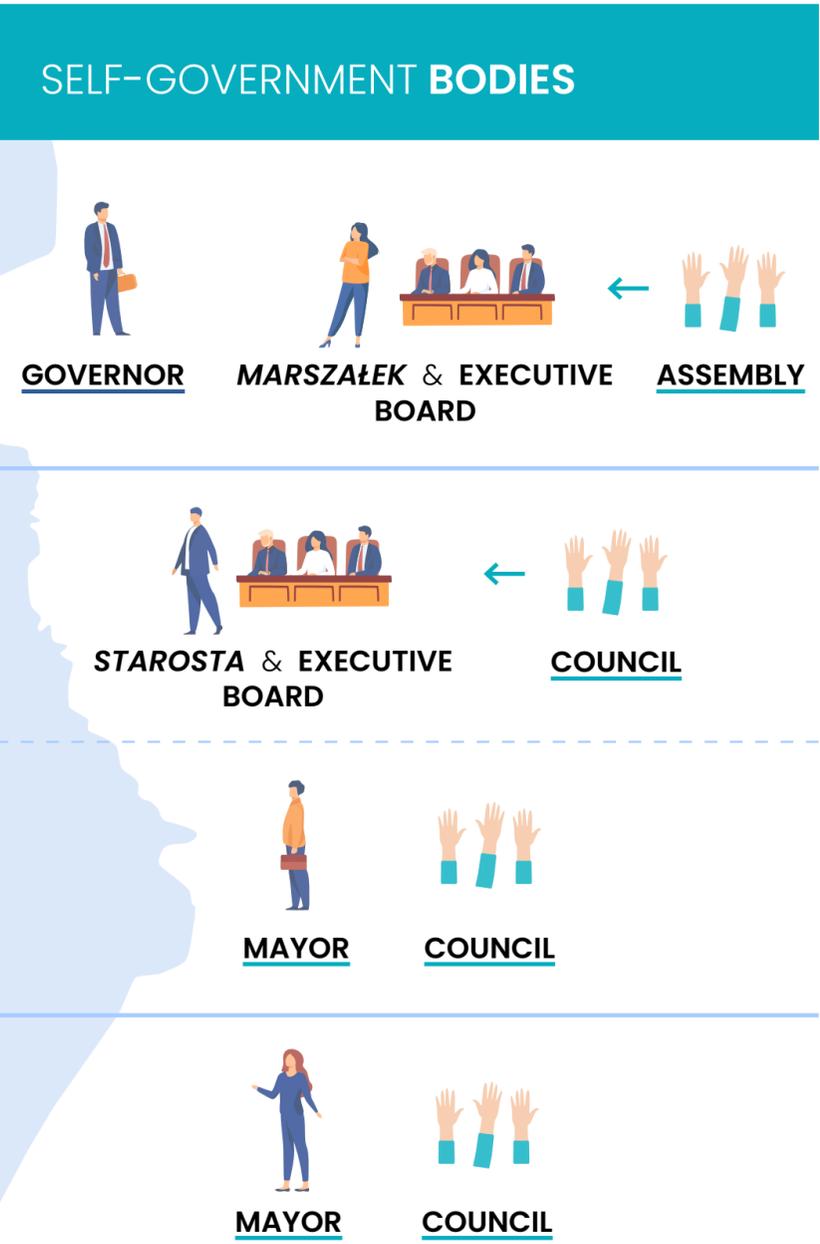
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Self-government in Poland: the basics



LEVELS OF ADMINISTRATIVE DIVISIONS	NUMBERS*
 PROVINCES (voivodeships)	 16
 COUNTIES (poviats)	 314
 CITIES WITH COUNTY RIGHTS	 66
 MUNICIPALITIES (gminas)	 2 477

Local self-government is exercised at all three levels



IN PROVINCES, administrative authority is shared between a **central government-appointed governor** (*voivode*), an **elected assembly** (*sejmik*), and an executive board (*zarząd województwa*) chosen by the assembly. The executive board is headed by the *marszałek*.

COUNTIES have an **elected council** (*rada powiatu*) which elects an executive board (*zarząd powiatu*) headed by a *starosta*.

CITY COUNTIES have their own **elected council** (*rada miejska, rada miasta*) and a directly **elected mayor** (*prezydent*).

MUNICIPALITIES have an **elected council** and a directly **elected mayor** (known as *prezydent, burmistrz, or wójt*).

* According to Statistics Poland as of 1 January 2020

1. Polish experience in decentralisation

1.1. Empowerment of local communities

The efficient functioning of local government units depends to a large extent on the dialogue and level of engagement of residents in policy-making processes. Continuous dialogue enables local communities to directly participate in decision-making process, openly declare their needs, and have a direct impact on local policy priorities. Given that, the idea of self-governance among local communities should be constantly developed, as it is the basis for increasing social welfare, strengthening mutual ties, and empowering local communities.

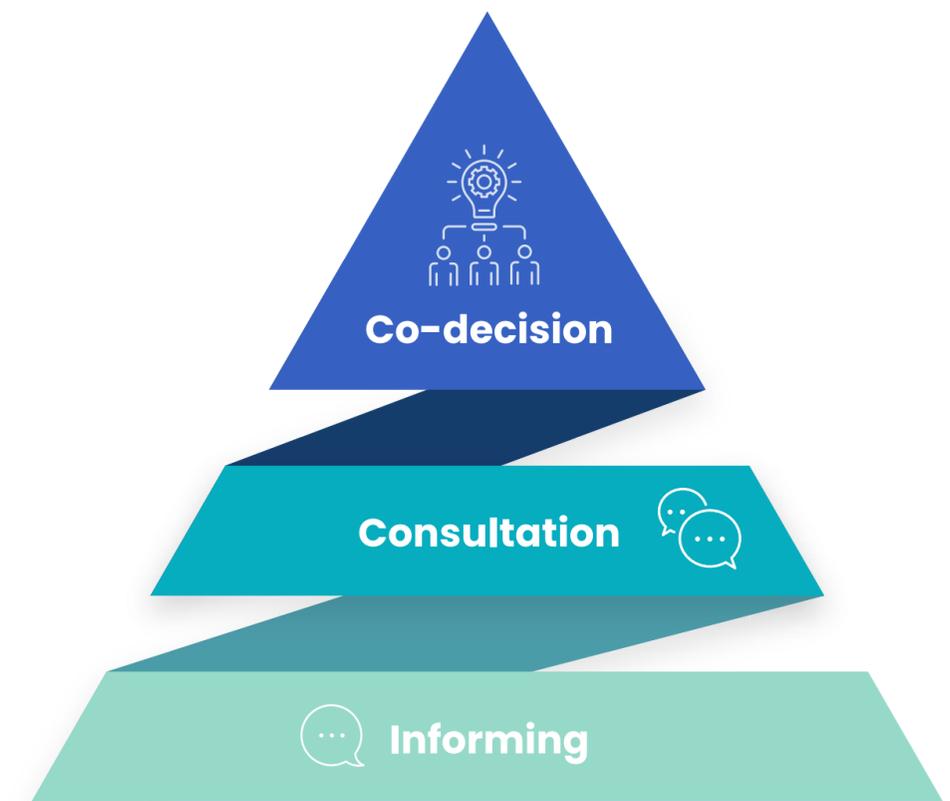
Generally speaking, successful interaction between local authorities and residents depends on three factors:

1. the functions of the local authorities'
2. potential of local people;
3. general conditions, such as the level of understanding and social communication, developed forms of cooperation, and mutual trust, among others³.

In Poland, empowerment of the local community is carried out through a 'participatory process', which means engaging local people to participate in elections, referendums, decision-making, and control activities at local, regional, and

national levels. Most frequently, self-government units act as a platform for cooperation between public authorities and residents. The participatory process can take three forms, namely informing, consultation, and co-decision. Each form is realised through a Public Information Bulletin (BIP), public consultation, or civic budget, accordingly.

GRAPH 1. Levels of participation



3. Wankiewicz, B. (2011) 'Samorządność jako wyzwanie dla rozwoju lokalnego', *Ekonomiczne Problemy Usług*, No 71, pp. 121-135.

Informing

Besides traditional communication channels (newspapers, radio, TV, leaflets), there are some tools available for the online communication of local governments with residents, namely:

- web pages;
- Public Information Bulletin;
- Electronic Client Service Office;
- ePUAP (Electronic Platform of Public Administration Services);
- tourist applications (e.g. electronic tourist maps);
- electronic newsletters;
- social networks;
- YouTube channels;
- SISMS;
- Social Consultation portals.

For instance, the Public Information Bulletin (www.bip.gov.pl) was created to make public information available online. Each institution that is financed by public funds is obliged to report on its activities through the BIP. The bulletin provides access to official documents and shares information on the activities of public authorities and officials. Another example

is SISMS, an information and communication technology (ICT) system used by local governments, organisations, service providers, and commercial organisations to inform residents and others of local initiatives, extreme weather events, accidents, and threats by SMS-messages. Due to cooperation with cell line providers, the system allows local governments to inform residents living in specific areas or even streets. At this stage, citizens do not have any influence on actions taken by authorities and just passively receive messages and information.

Lessons learned. Based on a number reports and articles⁴, at this stage there are no channels allowing the local government to receive feedback from residents, most often just decisions already made are communicated. According to a survey conducted in 2017 in small and medium-sized towns in the Pomeranian Voivodeship, the following issues were detected: the hindered access of residents to online information on implemented/ongoing projects, public policies, and participatory processes and the lack of a dialogue platform for sharing residents' thoughts and opinions⁵.

Consultation

Consultation is another important tool that envisages the active participation of local communities in dealing with issues and challenges. The right to public consultation is derived directly from the Constitution of the Republic of Poland (Article 4). These activities are to lead to the effective and long-term maintenance of the balance between the municipal authorities and the local community and to enable the implementation of tasks for the benefit of the residents. **Given the Polish experience, the involvement of non-governmental organisations, civic initiative organisations, and business organisations in the consultation process allows for the elaboration of a more comprehensive approach in solving local problems and making key decisions concerning local development.**

Lessons learned. Public consultations take various forms, although some are limited to obtaining opinions from citizens by surveys and polls, others by emails and phone calls⁶. These forms do not always promote constructive dialogue between local authorities and residents. Moreover, sometimes there is a lack of feedback or reports on completion of consultations from authorities. Another issue is focusing attention

4. Jaskulska, M. (2019) 'Partycypacja publiczna w polskich miastach i miasteczkach na przykładzie województwa pomorskiego', *Zarządzanie Publiczne*, No 2(46), pp. 97–117.

5. *Ibidem*

6. Gurgul, A. (2020) 'Konsultacje społeczne przez internet wzbudzają protesty krakowskich aktywistów', *Wyborcza.pl*, 15 April 2020, available at <https://krakow.wyborcza.pl/krakow/7,44425,25871803,konsultacje-dot-parku-przy-karmelickiej-zielonej-starowisnej.html?disableRedirects=true>

on small investments (e.g. refinement of public spaces) and not on strategic decisions⁷. **In order to take into account the opinions of residents and avoid disagreements, consultations should be organised at the earliest possible stage of the decision-making process.**



Co-decision

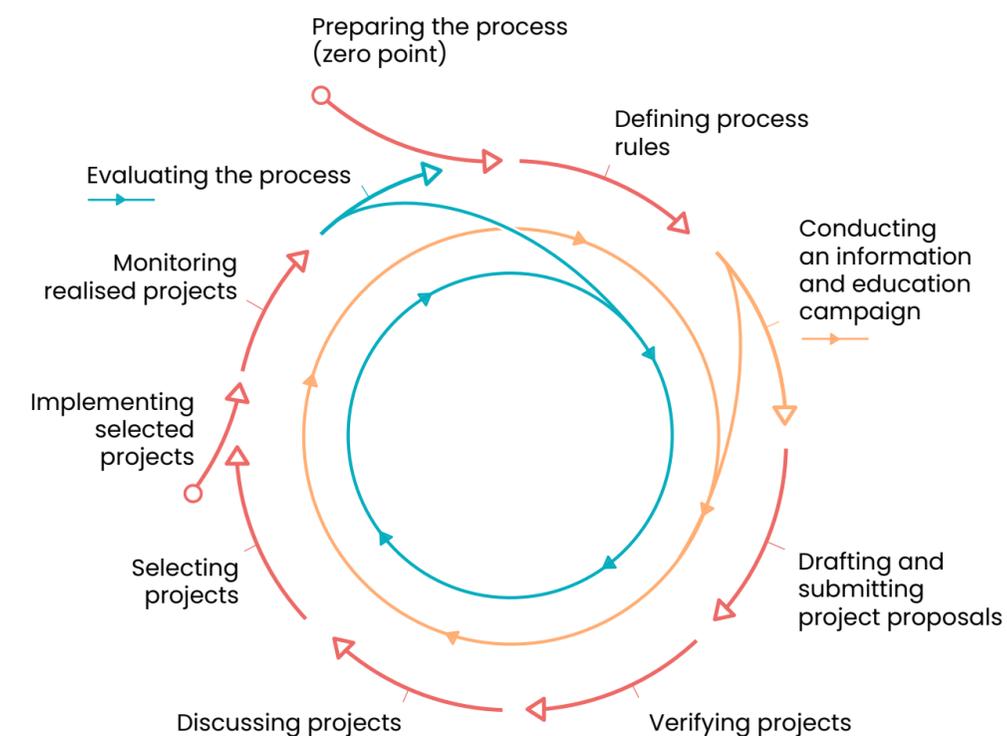
Co-decision is the highest level of civic participation due to full partnership between authorities and residents and consists of giving residents some competence (but also responsibility) in the scope of the actions and decisions undertaken. A participatory budget (also called a civic budget) is a democratic process of discussion and decision-making in which the residents of a municipality decide how to spend some share of its budget. Sopot was the first Polish city that introduced the participatory budget in 2011. The initiative was largely supported by the local community, so next year Elbląg, Poznań, Zielona Góra, and then many large cities, including Warsaw, introduced the initiative.

A participatory budget enables local communities to directly influence decisions on allocating a portion of the public budget to projects submitted by residents. It is therefore an effective way of involving residents in the planning of spending

public funds that have been put at their disposal by the authorities. The adoption of a participatory budget has a legal basis. It can be legally introduced in municipalities, districts, and other local government units. Councils may define an amount allocated from the general budget of their unit which will be spent in accordance with the will of the residents as expressed in an open vote.

Lessons learned. In 2014, Łódź became one of the first large cities to introduce a civic budget. Due to this, within five years over 700 projects worth PLN 190 million were implemented. City residents can submit applications and vote for city projects, which aim at improving the quality of infrastructure throughout the city, and local projects, primarily for residents of all five districts. A separate budget is allocated for the several project categories. Local authorities are given the possibility to choose the appropriate form of voting (traditional, online), so it has a positive affect on the engagement of young and older people in the decision-making process. In April 2020, the city authorities stated that because of the COVID-19 pandemic and the anti-crisis measures taken, there will not be a project competition within the civic budget⁸. Some local governments also resigned

GRAPH 2. Stages of participatory budget



7. Jaskulska, M., op.cit.

8. Radio Łódź, Łódzki Budżet Obywatelski jednak wystartuje, available at <https://www.radiolodz.pl/posts/61921-lodzki-budzet-obywatelski-jednak-wystartuje>

from organising public discussions in order to avoid large-scale spreading of virus. However, such decisions cannot be made by the authorities of cities above 100,000 residents for whom the civic budget and voting is a statutory obligation. The Association of Polish Cities appealed to the government to suspend the provisions on civic budgets in 2020. However, the government is not planning any legislative changes regarding exemption from the statutory obligation to organise civic budgets. Therefore, given the situation, some residents may be excluded from the decision-making process. In order to successfully manage the participatory budget this year, in some cities, the budget has been decreased. Regarding Łódź, it was reduced by half as compared to the previous year and estimated at PLN 24 million⁹.

Based on the above overview, the following is a summary of the different types of comprehensive interaction and empowerment of local communities.

The development of local democracy and modern technologies opens up new opportunities for residents to participate in the work of local government bodies. According to Article 61 of the Polish Constitution, any citizen has the right to

TABLE 1.1 **Types of interaction and empowerment of local communities**

INTERACTION TYPE	COMMUNICATION MODE	CHARACTERISTICS
 Informing	One-way communication	Easy access to information, clear and comprehensive method of narration, emphasising main ideas and priorities, possibility to receive feedback from recipients (electronic voting, using emoticons).
 Consultation	Two-way communication	Joint discussion of a long list of ideas, the main goal is to find a consensus among different views.
 Co-decision	Symmetrical communication with the active engagement of all parties	Based on opinions and information gathered in previous stages, a mutually beneficial decision should be made and shared.

obtain information about the activities of public authorities and officials. Moreover, citizens have the right to access documents and meetings of public authorities with the possibility of asking questions and recording sound or images. Due to the situation related to the spreading of the coronavirus infection in Poland, meetings of public authorities have shifted to an online mode. It should be noted that even before the pandemic, the online transmission of the meetings was mandatory based on Article

20 (1b) of the act on municipal self-government¹⁰. But often, due to technical or other problems, the meetings were limited to the in-personal participation of citizens. As the Polish experience has shown, conducting online transmission with citizen participation is the most challenging for small municipal governments and auxiliary units. A civic network Watchdog noted that there were cases when an online session was scheduled, but due to some reasons not available online or the programme supporting the

9. Zboińska, A. (2020), 'Łódź. Budżet obywatelski w czasie pandemii koronawirusa. Zmieniają się zasady, będą różne pule zadań', Dziennik Łódzki, 22 June 2020, available at <https://dzienniklodzki.pl/lodz-budzet-obywatelski-w-czasie-pandemii-koronawirusa-zmieniaja-sie-zasady-beda-rozne-pule-zadan/ar/ci-15039740>

10. Ustawa z dnia 8 marca 1990 r. o samorządzie gminnym, available at <https://isap.sejm.gov.pl/isap.nsf/DocDetails.xsp?id=WDU19900160095>

session was available only for councillors¹¹. Obviously, using new technologies and adhering to the rule of law can enhance more productive cooperation between local authorities and residents and empower all parties to engage in the policy-making process.

Another instrument that allows local citizens to impact the policy-making process at the local, regional, or central level is a petition. It can also be considered as a control tool over authorities and organisations fulfilling public tasks. Each citizen aged eighteen years or older has the right to submit petitions under Article 63 of the Polish Constitution. **In Poland, authorities cannot leave a petition unanswered, which makes it a tool for influencing authorities' activities via a grassroots initiative. The petition should be considered without undue delay, but not later than within three months from the date of its submission.** Communication between the petitioner/s and recipient is part of a wider dialogue between authorities and citizens. As Polish practice shows, for various reasons – often justified – most petitions are not considered positively. But if a petition meets all formal and procedural conditions and includes an efficient solution to considered issues, it will without a doubt be considered positively. According to the annual reports of the Petitions Committee, for the period 2015–2019, only 39 (5.2%) petitions to the Sejm were positively considered.¹²

It should be noted that local government seen as a self-governing community makes sense only with respect for the principle of subsidiarity. According to this principle, socio-economic issues should be resolved at the lowest, smallest, or most remote from the centre level at which these solutions would be possible and effective. Whereas the central government should play a subsidiary role in solving only those tasks that cannot be effectively performed at the local and/or regional level.



SUMMARY

In summary, the empowerment of local communities promotes:

- economic efficiency;
- independence of the local community;
- strong ties between an individual and the community;
- participation of residents in managing local affairs.

Poland has succeeded in building effective communication between local authorities and residents, but in any case the level should be steadily improved and maintained. The lack of cooperation of local authorities with the local community may lead to the distortion of the idea of decentralisation in itself and, consequently, to depriving communities of the ability to decide on their living needs. This, in turn, may hamper the sustainable development of local communities.

11. Kłucinska, P. (2020), 'Sesje online – czy są zgodne z prawem?', *Sieć obywatelska Watchdog*, 1 July 2020, available at <https://siecobywatelska.pl/sesje-online-czy-sa-zgodne-z-prawem/>

12. Sieczkowska, G. (2020), 'Efekt społeczeństwa obywatelskiego: rośnie liczba petycji kierowanych do Sejmu', *Konkret24*, 23 July 2020, available at <https://konkret24.tvn24.pl/polska,108/efekt-spoleczenstwa-obywatelskiego-rosnie-liczba-petycji-kierowanych-do-sejmu,1023625.html>

Public consultation process in self-government units in Poland

CASE STUDY

Public consultations conducted under the project entitled **The concept of solving bicycle traffic in the Żoliborz District** within projects submitted to the participatory budget of the Capital City of Warsaw, carried out on January 25 - February 19, 2016.

01 INITIATING

Żoliborz District Office initiated consultations on solutions to bicycle and pedestrian traffic in the Żoliborz District (Warsaw).

02 PREPARING

In cooperation with the Road and Communication Office, it was analysed traffic flows and made first assumptions.

03 INFORMING

The District Office defined communication channels (traditional and virtual), informed residents on the subject of consultations, and advised of meeting locations and dates.

04 CONSULTING

Residents participated in the consultations during two organized public discussions and separate meetings with contractors.

05 GATHERING OPINIONS

Based on the collected opinions, 53% of comments were taken into account, 18% - were partly considered, 29% - were rejected.

06 SHARING INFORMATION ON DECISIONS TAKEN

Upon consultations completion, all participants and stakeholders received a summary of the results of consultations.

IMPLEMENTATION

The project has been implemented based on collected residents opinions by a contractor selected through a public procurement procedure.

07 EVALUATION

Żoliborz District Office evaluated the consultation process - whether the assumed goal of the process has been achieved, what methods of operation have worked and what have not.

EVALUATION

INITIATING

PREPARING

INFORMING

SHARING
INFORMATION
on decisions taken

GATHERING
OPINIONS

CONSULTING

IMPLEMENTATION



1.2. Financing of local government units

Local government in Poland is part of the public finance sector. This sector is comprised of the units listed in the Public Finance Act ([Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych](#)) such as, for example, public authorities, public universities, and state and local government cultural institutions. These units are established to perform public tasks in a non-commercial manner and financed mainly from public resources.

The financial autonomy of a local government unit is exercised within three main areas: 1) the revenue system; 2) the expenditure system; and 3) the budgetary management system. This text will focus primarily on the first and third systems.

Revenue system

According to the Polish Constitution (Article 167), local government units shall be provided with a share in public income according to their respective tasks (for more information about the provision on public services, please see Chapter 1.3). Changes in the scope of the tasks and competences of local government units should take place together with appropriate changes in the distribution of public financial resources. This means that when local government units are tasked with more responsibilities, they should receive more funding to deal with them, and vice versa.

The sources of income of local government units are specified in the Law on Local Government Units Incomes ([Ustawa](#)

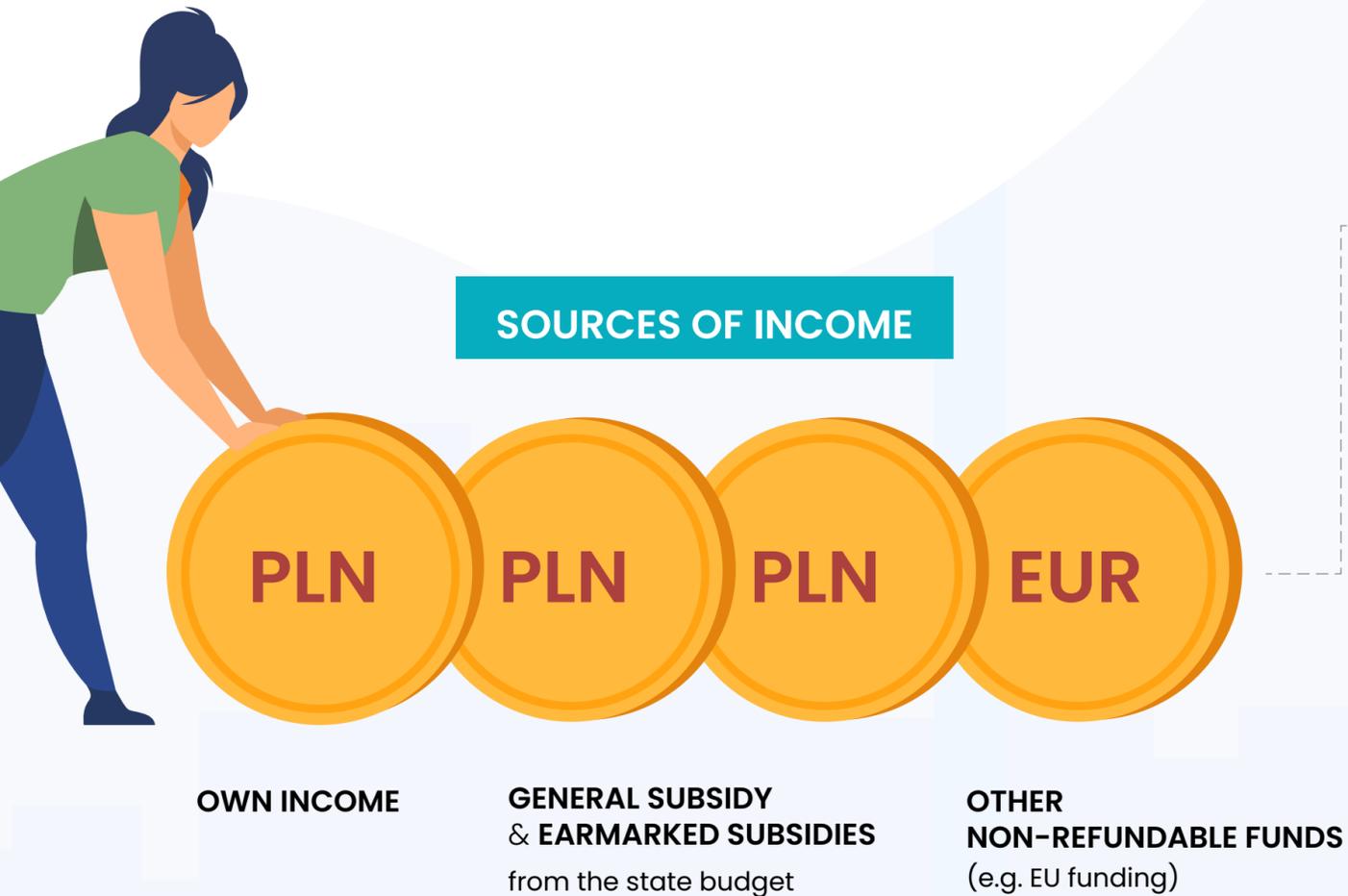
[z dnia 13 listopada 2003 r. o dochodach jednostek samorządu terytorialnego](#)). They might be divided into the following general categories:

1. own income;
2. general subsidy from the state budget;
3. earmarked subsidies from the state budget.

In addition, the income of local government units may come from non-refundable funds from foreign sources, funds coming from the European Union budget, and other funds (for more information about absorbing external funds by Polish local government units, please see Chapter 1.4).



Select aspects of **financing** of local government units in Poland



YEARLY BUDGET

Basic instrument for budgetary management



GENERAL RESERVE

The general reserve should not be less than 0.1% and not more than 1% of the budget expenditure

0.1-1%

SPECIAL PURPOSE RESERVES

The special purpose reserve may not exceed 5% of the budget expenditure

<5%

BUDGET EXPENDITURE

REGIONAL CHAMBER OF ACCOUNTS

External and independent body for the control and supervision

INDIVIDUAL DEBT INDEX

Limits on debt are established for each unit individually



Sources of own income of local government units in Poland are also defined in the Law on Local Government Units Incomes. The overview of such sources for municipalities is presented in Table 1.2.

Self-governments with tax revenue exceeding the rates set out in the Law on Local Government Units Incomes must make payments to the state budget. Money from these payments is transferred to poorer local governments.

The own income of local government units includes shares in income from personal income tax (PIT) and corporate income tax (CIT). The participation of municipalities, counties (poviats), and regions (voivodeships) in PIT and CIT contributions is also defined in the Law on Local Government Units Incomes. Generally, flat percentage rates have been set for each of three levels of local government units, as shown in Table 1.3.

TABLE 1.2 **Own income of municipalities in Poland**

TYPE OF OWN INCOME	SPECIFICATION		
Tax revenue	Real estate tax	Tax on means of transport	Inheritance and donation tax
	Agricultural tax	Personal income tax (PIT), paid by means of a tax card	Tax on civil law transactions (TCLT)
	Forestry tax		
Fees	Treasury fee	Operational fee (in part)	Local fee, spa and dog ownership fees
	Marketplace fee	Advertising fee	Other revenue of the municipality, paid under separate regulations
Revenue received by municipal budgetary entities and payments from municipal budgetary entities			
Income from the municipality's assets			
Inheritances, legacies, and donations to the municipality			
Revenue from fines and penalties laid down in separate regulations			
5.0% of revenues obtained for the state budget in connection with the performance of government administration tasks and other tasks commissioned by acts, unless separate provisions provide otherwise			
Interest on loans granted by the municipality, unless otherwise specified			
Interest on late payment of receivables constituting municipal revenue			
Interest on funds deposited in the municipality's bank accounts, unless otherwise specified			
Subsidies from the budgets of other local government units			
Other revenue due to the municipality under separate regulations			

The **general subsidy** is transferred to all local government units and is non-refundable, and its aim is to finance exclusively the own tasks of local government units. The exact purpose of spending the subsidy is decided by the body constituting the given local government unit. In general, this type of subsidy consists of five parts:

1. basic, which is set for all units under the same conditions;
2. educational, which depends on the scope of educational tasks carried out by the units and the number of students (this part is distributed according to the rules set out in the regulation of the Minister of Education);
3. compensatory, which aims to artificially equalise the wealth of individual regions of the country through providing additional funding for local government units with a lower income per capita;
4. balancing, to compensate lost income;
5. roads-related one, related to the construction, modernisation, maintenance and protection of roads.

The composition of the general subsidy allocated for municipalities, counties (poviats), and regions (voivodeships)

TABLE 1.3 **Participation of municipalities, counties (poviats), and regions (voivodeships) in PIT and CIT contributions**

	PIT	CIT
Municipalities	39.34%	6.71%
Counties	10.25%	1.40%
Regions	1.60%	14.75%

differs. For example, only municipalities are entitled to the basic part of the subsidy, while only counties and regions are entitled to the roads-related one. Generally, the general subsidy for counties consists of three parts: compensatory, balancing, and educational. In the case of regions, the general subsidy consists of compensatory and educational parts as well as an additional one, the regional part.

Earmarked subsidies are transferred to some local government units, with the exception of funds related to tasks commissioned in specific acts, and are refundable. It means that

unused amounts should be reimbursed to the state budget. With some exceptions, they are assigned to finance concrete commissioned tasks performed by local government units. According to the Act on Revenue of Local Government Units, earmarked subsidies can be used, among other purposes, to finance tasks implemented under agreements concluded with government administration, for the purpose of removing direct threats to public safety and order, including the effects of floods and landslides and other natural disasters, and for the implementation of tasks resulting from international agreements.

The analysis of the structure of earmarked subsidies reveals that in the case of municipalities, a large share of such transfers covered social assistance, agriculture, and hunting. In the case of counties (poviats), the largest part is assigned to public safety and fire protection, as well as health protection; in the case of regions (voivodeships) – to transport and communication, as well as agriculture and hunting. Subsidies for social protection as well as for public safety and fire protection dominate in cities with county rights¹³.

13. For more information see: Swianiewicz, P., Łukomska, J. (2020) 'Ewolucja sytuacji finansowej samorządów terytorialnych w Polsce po 2014 roku', Fundacja im. Stefana Batorego, available at https://www.batory.org.pl/wp-content/uploads/2020/05/Ewolucja-sytuacji-finansowej-samorzadow_final.pdf

Tychy on the top of financial ranking

According to the 2019 Financial Ranking of Local Government in Poland, Tychy is the best managed city with county rights in Poland when considering finances. Its financial standing was evaluated as very good. The city was investing and also successfully raising funds for the implementation of development activities. In 2019, the budget of the municipality exceeded one billion zlotys for the first time in history. The individual debt ratio for Tychy was 3.5% in 2019, with 13.8% allowed. The good financial situation of the city was also important because of the challenges related with the COVID-19 pandemic and the increasing financial burden imposed by central authorities on local government units.

The Financial Ranking of Local Government in Poland is the analysis prepared by a group of researchers covering all local governments on the basis of the official financial statements that each local government unit submits to the District Chamber of Accounts.



One of the main indicators of the financial fitness of the revenue system of local government units – as well as of the expenditure one – is **the share of earmarked subsidies in total revenue of the given unit**. In general, the higher share of revenues other than earmarked subsidies, the greater the expenditure autonomy of the local government unit and the greater development prospects. In fact, income from taxes, public property, and general and earmarked subsidies (with the exception of income from the sale of property and investment subsidies) is intended to finance the current tasks of local government¹⁴. In order to invest in development, local government units are often

forced to reach for extraordinary sources of financial supply, such as loans, credits, or bonds¹⁵. Moreover, researchers argue that the principle of local government units being provided with a share in the public income according to their respective tasks is not respected and that in reality local government units are underfinanced¹⁶. Last but not least, in the period of 2008–2020, an increase of earmarked subsidies in the structure of local government units' revenue has been observed. The most important causes of this increase have been the introduction of development subsidies in 2008¹⁷ and the implementation of the Family 500+ Programme¹⁸ which started in 2016.

System of budgetary management

Regarding the system of budgetary management of local government units, the basic instrument is **the budget**, allowing local government units to plan how to allocate available financial resources. As a financial plan it includes information on income and expenses, and as well as revenue¹⁹ and expenditures²⁰. It takes the form of a normative act, i.e. a resolution, adopted by a local government body for the period of the financial year (which in the case of Poland is the same as the calendar year).

14. See: Surówka, K., Owsiak, K. (2018) 'Administrowanie czy rozwój – 20 lat doświadczeń finansowania polskiego samorządu terytorialnego', *Nierówności Społeczne a Wzrost Gospodarczy*, No 56.

15. A financial document confirming the buyer that the given local government unit has incurred a debt.

16. A. Surówka, A., Owsiak, K., op.cit.

17. For the implementation of EU-funded projects in the programming period 2007–2013.

18. The state social policy programme, implemented since 1 April 2016, aimed at helping families to raise their children through monthly upbringing benefits of 500 PLN per child in the family. Benefits are distributed through local government units at the municipality level.

19. Revenue is repayable and serves to finance the budget deficit. Revenue of the public finance sector entities also encompass revenues from their operations and other sources.

20. For example, repayment of loans and credits, granted loans and credits, and financial operations related to public debt and liquidity management.

BeSTi@ system for better budget management

According to the 2019 Financial Ranking of Local Government in Poland, Tychy is the best managed city with county rights in Poland when considering finances. Its financial standing was evaluated as very good. The city was investing and also successfully raising funds for the implementation of development activities. In 2019, the budget of the municipality exceeded one billion zlotys for the first time in history. The individual debt ratio for Tychy was 3.5% in 2019, with 13.8% allowed. The good financial situation of the city was also important because of the challenges related with the COVID-19 pandemic and the increasing financial burden imposed by central authorities on local government units.

The Financial Ranking of Local Government in Poland is the analysis prepared by a group of researchers covering all local governments on the basis of the official financial statements that each local government unit submits to the District Chamber of Accounts.

Work on the draft budget for a given year usually starts after the summer of the previous year. A budget resolution should be passed, in accordance with the principle of advancement, by the end of the financial year preceding the financial year in which it is to apply. However, this principle is not absolutely binding and in exceptional cases it is possible to adopt the budget later during the budget year, until deadlines set by the Public Finance Act.

The initiative to draw up a draft budget resolution is exclusively for the executive of a local government unit (*wójt*, mayor, president, county board, region board). The constituent body (council) has the exclusive competence to adopt the budget and to make budgetary changes to it during the financial year. In case the budget is not adopted by latest possible date of the budget year, it is established within the timeframes set by the law by the **Regional Chamber of Accounts** (*Regionalna Izba Obrachunkowa*, RIO), which is the state, external, and independent body for the control and supervision of local government units.

Once the budget has been adopted by the constituent body, it is passed by resolution on to the Regional Chamber of Accounts and the budget execution system is prepared. The Regional Chamber of Accounts analyses the budget resolution for compliance with the law. If inconsistencies are found, it calls on the constituent body to provide corrections and sets a deadline by which changes are to be made. If this deadline is not met,

the Regional Chamber of Accounts has the right to determine the budget itself in the same way as if the constituent body had not adopted it by the end of the longest possible period envisaged by the law.



GRAPH 3. Stages of the budget adoption in municipalities (simplified version)



In 2014, the **Individual Debt Index** (Indywidualny wskaźnik zadłużenia samorządów, IWZ) of local government units was introduced. It sets individual debt limits for each local government unit, and its constituent body cannot adopt a budget in which the relation resulting from the IWZ formula would not be maintained²¹.

According to the Public Finance Act, local government units create a **general reserve** in the budget. The reserve shall not be less than 0.1% and not more than 1% of the budget expenditure. Also, special purpose reserves may be established in the budget of a local government unit, the sum of which may not exceed 5% of the expenditure of the budget.

The introduced system of financing self-government units facilitated their empowerment as they were granted general competences in deciding on income sources and expenditure directions. For example, some local taxes – such as the real estate tax – are at the full disposal of the given self-government unit.

The main problem of self-government is limiting the possibility of acting autonomously by imposing specific tasks without ensuring adequate financial resources for their implementation.

Furthermore, as a significant part of their income has a strictly defined purpose, local government units in Poland are

too concerned with 'administration' and not with deciding on the directions of their development.

The financial independence of local government units in Poland is further undermined by limitations in the scope of indebtedness.

Local government units in Poland should have more financial autonomy, including influence on their income. In this context, such instruments and products already available on the market as income bonds or capital financing could be popularised.

21. IWZ states that in a given financial year, the value of the repayment of liabilities together with the costs of their servicing to the total income of a local government unit's budget cannot exceed the arithmetic mean of the ratio of its current income calculated for the last three years, increased by income from the sale of assets and decreased by current expenses to the total income of the budget.

1.3. Providing public services

Local government is the best place to provide and manage key public services. Local government is able to tailor the scope and delivery of services to the needs of local communities and try out a wider range of solutions. Also, in the case of local government units, the chain of accountability and responsibility for possible shortcomings or irregularities is shortened.

The 1997 Constitution of Poland states in its Article 166 that public tasks serving the needs of the local government community are performed by the local government unit as its **own tasks**. At the same time, local government units can be obliged – if it results from the justified needs of the state – to perform other public tasks (**commissioned tasks**). In fact, local government units have gained an important role in providing important public services in Poland.

The self-government's own task is a public task assigned to a given level of local government and for the realisation of which this unit is independently responsible. The own tasks are to meet the common, collective needs of a given local government community. Their realisation is financed from the local government's own income. Local government units perform these tasks on their own behalf and on their own responsibility. This means that the residents, organised into a local government community, satisfy their basic needs on their own, choosing the authorities whose task is to conduct their affairs in such a way that it is consistent with the needs of the local community.

The Polish political model, however, does not allow for full freedom in meeting local needs, hence the Parliament – by passing relevant laws – defines the local government system, the rules of organisation of local administration, and the division of tasks between the various levels of local government. This is done in accordance with **the principle of subsidiarity**, so that tasks are carried out as closely as possible to the citizen.

The self-government own tasks are further divided into:

- **compulsory tasks** – a self-government unit may not give up on these tasks, but must set out in the budget the means to carry them out in order to provide residents with elementary public services;
- **optional tasks** – a self-government unit shall implement them as far as possible in view of its budgetary resources and local needs.



Commissioned tasks are obligatory, which means that the local government cannot refuse to carry them out. The state confirms their correctness and makes this activity credible. Commissioned tasks are not about meeting the collective needs of the local government community – they are nationwide tasks performed on the ground.

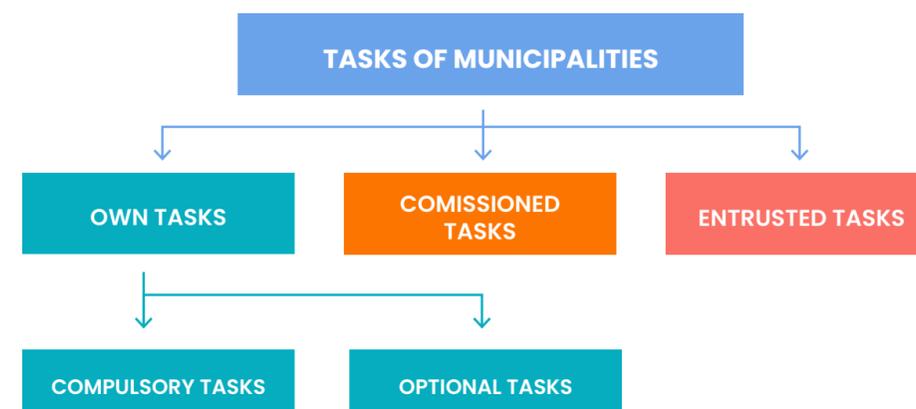
The tasks entrusted to the local government are those assigned by law to a public administration body, which, by agreement, delegated them to a local government unit. The tasks entrusted are taken over by the local government voluntarily, on the organisational and financial principles included in the agreement.

In the case of municipalities, there is a ‘presumption of competence’. This principle says that all public matters of local importance that are not reserved by law for other entities belong to the scope of the municipality. The Act on Poviats Self-Government and the Act on Voivodeship Self-Government enumerate the tasks delegated to be performed by these units, which makes it possible to exclude these tasks from the competence of the municipality.

The table on the next page includes the list of the most important own and commissioned tasks of municipalities, counties (*poviats*), and regions (*voivodeships*).

As we can see, the scope of tasks to be carried out by the municipality is extensive. Municipalities can create units which

FIGURE 1. **Tasks of municipalities in Poland**



Source: authors' own elaboration.

may be helpful in performing some of their own and commissioned tasks. The municipality may also perform public tasks by means of **cooperation between local government units**. Inter-municipal associations and associations of local government units can be involved in the implementation of tasks. If the implementation of public tasks exceeds the capacity of one commune, inter-municipal associations are established.

A form of performing municipal tasks and a way to finance infrastructure investments is cooperation between the public and private sectors. This cooperation has been called **public-private partnership**. An important form of cooperation in the implementation of certain public tasks of local government units is also the participation of the civil sector.

Digitisation of public services in Poland

More and more public services in Poland are provided electronically. In 2005, the Electronic Platform of Public Administration Services (ePUAP) was established, i.e. a nationwide ICT platform for communication between citizens and public administration units in a uniform, standardised manner. More and more offices make their services available on the ePUAP platform. These include local governments, including municipal offices. Through the ePUAP platform, it is possible to apply for a birth certificate for oneself or a child, to report the loss or destruction of a proof or a driving licence, to notify the sale of a car, or to join the electoral register.

GRAPH 4. Own and commissioned tasks of municipalities, counties (poviats) and regions (voivodeships)



Ensuring the proper quality of public services provided for local communities by the self-government units is a big challenge. Residents, community organisations, and businesses evaluate the activities of local government based on the level of satisfaction of public needs. For this purpose, attempts have been made to test and even implement **innovative monitoring tools** in Poland. Some of them are presented briefly below:



Local Government Analysis System (System Analiz Samorządowych, SAS)

In 1996, the Association of Polish Cities initiated work on the construction of the Local Government Analysis System. The aim was to build a unique, universally accessible system, thanks to which cities could collect and, as a result, analyse data previously unavailable in any other systems and public statistics via the Internet. As a result of the work of the Association of Polish Cities, as well as the active participation of member cities in this research, a tool was created that systematically supported local government units in managing and developing public services from 1999.

More information is available on the website:

<https://www.systemanaliz.pl/>.

Model regional system of public service quality monitoring and quality of life

The monitoring system was developed as part of the project carried out by the Gdańsk Institute for Market Economics. Its aim was to create an integrated system for measuring the quality of public services and quality of life, supplemented by a platform for debate on the interpretation of the results and the way of their use. The aim of the project was to provide both 'hard' and 'soft' monitoring tools. The system was based on measures that enable a synthetic description of a wide range of the most important aspects of quality of life and quality of public services – from education and health care to municipal management and road infrastructure. An important component of the system was the involvement of local communities in its functioning. The system was tested in the Pomorskie Voivodeship and four pilot communes: Gdańsk, Słupsk, Stegna, and Czarna Woda.

More information is available on the website:

<http://monitoring.ibngr.pl/?all=1>

In addition to this, self-government units carry out ad-hoc evaluations of specific public services and systematic client satisfaction assessments.

Generally, the areas in which local government units have thus far proven their value in Poland are basic municipal services (water supply, sewerage, maintenance of roads, and public infrastructure), public transport (although with growing

transport exclusion outside agglomerations), and above all, the education system, built by local governments after 1998. The weakest points are those where local government units to a greater extent share power with central government, such as the health care system and education. The actual scope for decentralisation in both areas is significantly limited, particularly in the area of health care. Furthermore, the complexity of the current institutional set-up in education or health care makes

it difficult to precisely delineate the spheres of responsibility of government and self-government units²².

As providing some public services frequently exceeds the territory of one self-government unit, cooperation between them is already taking place in Poland. Some new forms of cooperation more adjusted to current development needs and the better integration of public services provision should be promoted (e.g. territorial partnerships or pro-development forms of municipal union).

Some attempts have been made to develop analytical tools for monitoring and evaluation of the provision of public services by self-government units. Such analytical tools should be developed on a national scale and should allow for comparisons between specific self-government units.

The institutional set-up for division of tasks and responsibilities between the central government and local government should be more precise, especially in the most problematic spheres such as health care and education.



22. Sześcińo, D., (2016) 'O powikłanej decentralizacji. Instytucjonalny krajobraz systemu usług publicznych w Polsce', *Zarządzanie Publiczne*, Nr 4(38), pp. 32-44.

1.4. Absorption of external funds by local governments

The accession of Poland to the European Union (EU) in 2004 brought new investment opportunities for the public sector. New EU member states, with a relatively low level of development, can apply for investments that may be partially funded by the EU budget. For local governments, obtaining EU subsidies is an opportunity to accelerate development processes and to eliminate the quantitative and qualitative infrastructure gap in their area. It should be noted that there are strictly defined financial rules related to European funds.

The most important ones are the principle of co-financing and the principle of evaluation. **The principle of co-financing means that funds from the EU budget cannot replace national funds, but only supplement them.** Moreover, the Commission verifies the financing principle at three stages, specifically, ex ante evaluations carried out before and during and an ex post evaluation is conducted upon completion of the operational programme²³.

An essential element of shaping the processes of local and regional development is the implementation of municipal infrastructure investments, which in many cases are a lever for these processes. Their level and value can also be treated as an indicator of economic efficiency and a condition for the development of entrepreneurship at the local level. **In the years 2006–2016, municipalities (*gminy*) received a total of PLN 70.4**

billion of EU subsidies, i.e. almost three-quarters of aid funds derived from European structural funds and the Cohesion Fund assigned to Polish self-governments. The vast majority of them were investment subsidies²⁴. Such a large share of municipalities in the distribution of EU funds should be explained by the much greater scope of their responsibility for public services than in counties (*poviats*) and regions (*voivodeships*).

23. Operational programmes are detailed plans in which the member states set out how money from the European Structural and Investment Funds (ESIF) will be spent during the programming period. They can be drawn up for a specific region or a country-wide thematic goal (e.g. environment). For the European Territorial Cooperation goal, cross-border or interregional operational programmes are drawn up. (Source: European Commission, https://ec.europa.eu/regional_policy/en/policy/what/glossary/o/operational-programme)

24. Sierak, J. (2018) 'Alokacja funduszy unijnych a wydatki inwestycyjne gmin', *Optimum. Economic Studies*, No 3(93), pp. 195–208, available at https://repozytorium.uwb.edu.pl/jspui/bitstream/11320/7372/1/Optimum_3_2018_J_Sierak_Alokacja_funduszy_unijnych.pdf



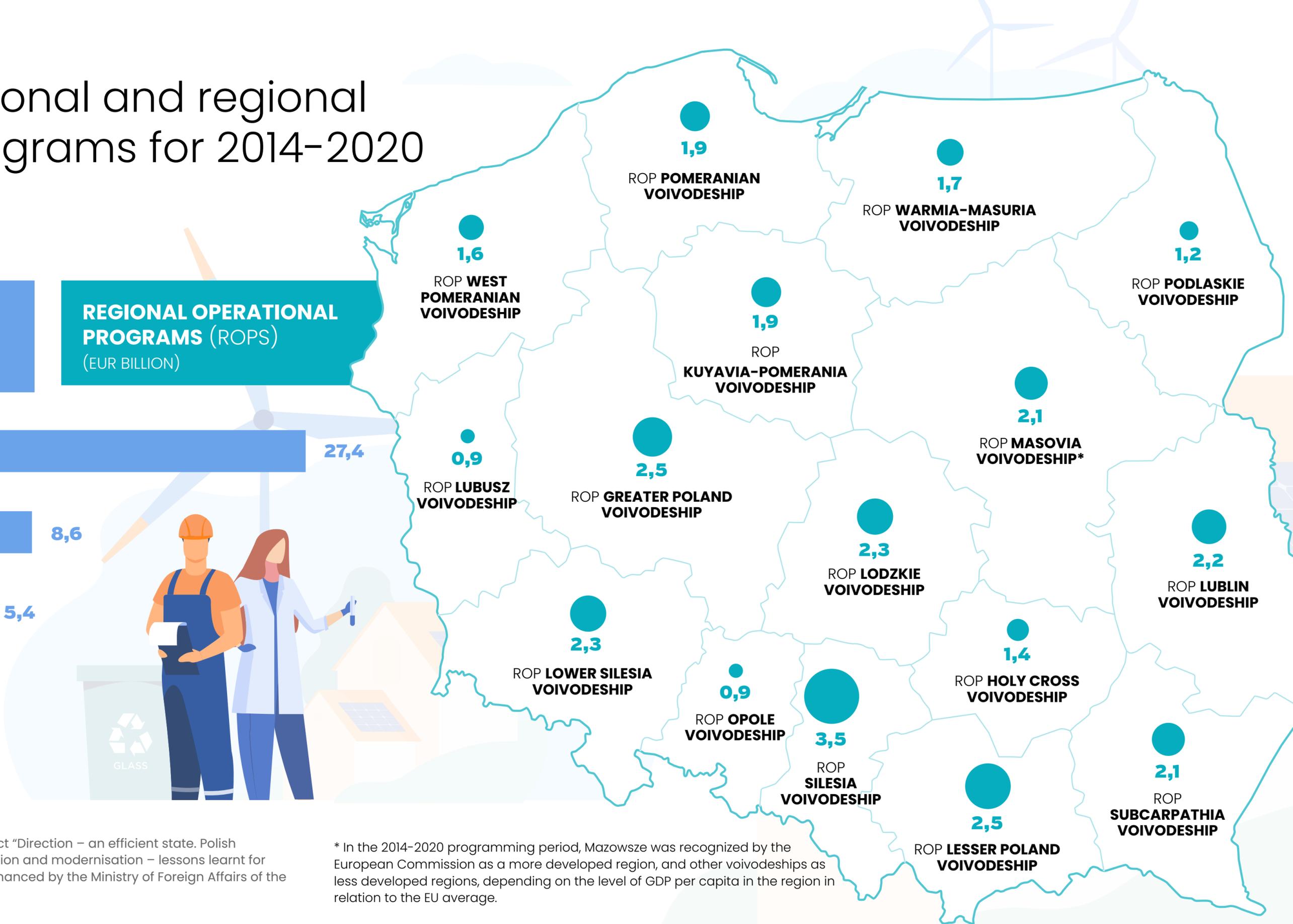
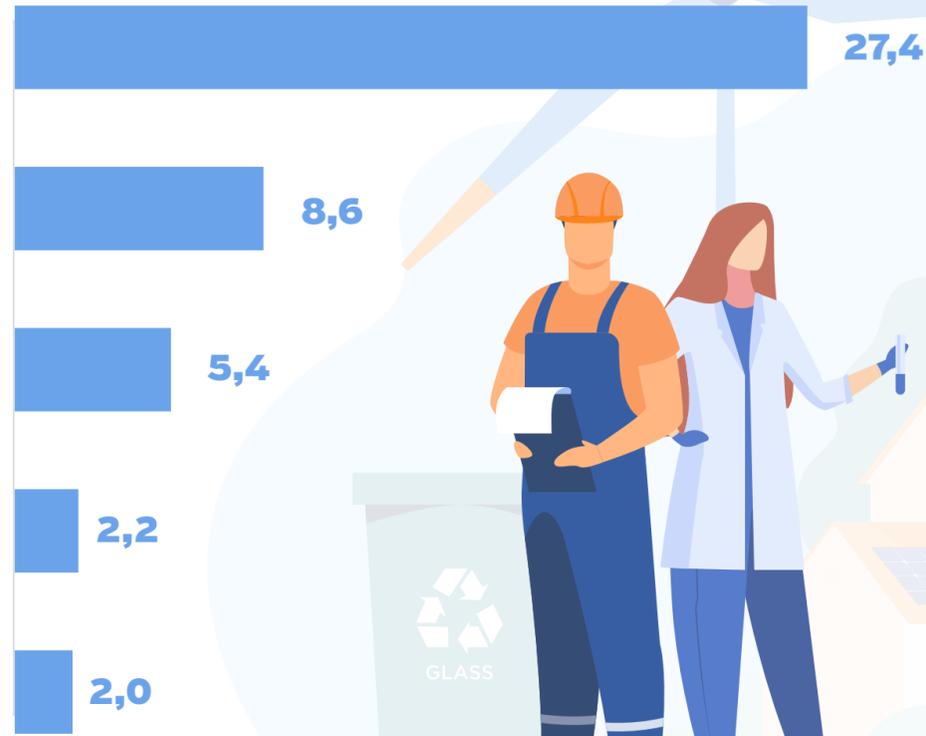
EU funds in national and regional operational programs for 2014-2020

Source: <https://www.funduszeuropejskie.gov.pl>

NATIONAL OPERATIONAL PROGRAMS (NOP) (EUR BILLION)

REGIONAL OPERATIONAL PROGRAMS (ROPS) (EUR BILLION)

- OP INFRASTRUCTURE AND ENVIRONMENT
- OP SMART GROWTH
- OP KNOWLEDGE, EDUCATION, DEVELOPMENT
- OP DIGITAL POLAND
- OP EASTERN POLAND



* In the 2014-2020 programming period, Mazowsze was recognized by the European Commission as a more developed region, and other voivodeships as less developed regions, depending on the level of GDP per capita in the region in relation to the EU average.

The procedure of obtaining EU funds is regulated by the EU and national acts, more specifically by the Regulation of the Implementation of EU funds²⁵, the Act on the Principles of Development Policy²⁶, and the Act on Public Finance²⁷. Sometimes, local governments' multiple tasks, limited resources, as well as numerous difficulties and bureaucratic procedures create barriers in the process of applying for the EU funds. The absorption capacity of the beneficiaries depends not only on their readiness, but also on a wide range of factors, such as financial and management capabilities, procedures of allocating funds, reporting requirements, competitiveness, and political issues.

Financial conditions

The inability to ensure co-financing of EU support sometimes is considered as a challenging barrier for local governments in applying for the EU funds. Depending on the source of financing and its purpose, the own contribution may be determined from a wide range of 10% to 70%. An additional obstacle in ensuring sufficient funds is the need to guarantee the financing of 'non-eligible costs'. Not all expenses incurred by the beneficiaries can be considered eligible and therefore recoverable from the EU budget. Analysing the absorption of EU funds by the municipalities of Łódź Voivodeship, it can be stated that

the financial situation does not constitute a significant barrier to the use of EU funds²⁸. **The main sources for providing own contributions are: profits of municipal enterprises, pre-financing in the form of loans granted by banks, leasing, loans from the National Fund for Environmental Protection and Water Management or Provincial funds for Environmental Protection and Water Management, and international financial institutions (EIB, EBRD)**²⁹. The level of co-financing is often differentiated based on the level of a municipality's well-being and depends on the level of income per capita, which means that even the poorest local units are able to find funds for co-financing. Moreover, the possibility of receiving an advance payment, as provided for in the current operational programmes, gives great chances for the implementation of projects by poor municipalities.

Personnel qualifications

The level of local governments capabilities to prepare an offer and implement projects has recently improved significantly, which results from the acquisition of project implementation experience, the engagement of external experts, and rising internal staff qualifications. As a rule, cities with county status established departments to search for financial sources, project

preparation, and implementation. The situation in rural municipalities, especially in the smallest ones, is significantly less favourable. In the municipalities, only a few people are responsible for organising the acquisition, implementation, and management of any funds obtained. Moreover, the personnel simultaneously perform other assigned tasks. In order to prepare a competitive offer, some municipalities cooperate with consulting companies specialising in drafting applications and project management.

Sierpak (2018) presented results of questionnaire surveys that show two main directions of allocation of EU funds, namely, water supply and sewage investments (in recent years, including the development of sewage and wastewater treatment infrastructure) and projects for the construction and modernisation of roads and pedestrian ways. Other co-financed targets included culture, education, health, sport and recreation facilities, as well as urban regeneration projects. Funds were also allocated for the preparation of new investment areas intended for business activity or housing construction and the construction of IT networks. A separate support group is the development of human resources, including workshops, vocational trainings, internships, and classes in schools³⁰.

25. Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006 on the European Regional Development Fund and repealing Regulation (EC) No 1783/1999

26. Ustawa z dnia 6 grudnia 2006 r. o zasadach prowadzenia polityki rozwoju (Dz. U. 2009 r. Nr 84, poz. 712 z późn. zm.)

27. Ustawa z dnia 27 sierpnia 2009 r. o finansach publicznych. (Dz. U. z 2013 r. poz. 885 z późn. zm.)

28. Sprawozdanie roczne z wdrażania Regionalnego Programu Operacyjnego Województwa Łódzkiego na lata 2014-2020, available at <https://rpo.lodzkie.pl/images/2020/pmv-56-sprawozdanie-roczne-za-2019r/Sprawozdanie-roczne-z-RPO-WL-2014-2020-za-2019r.pdf>

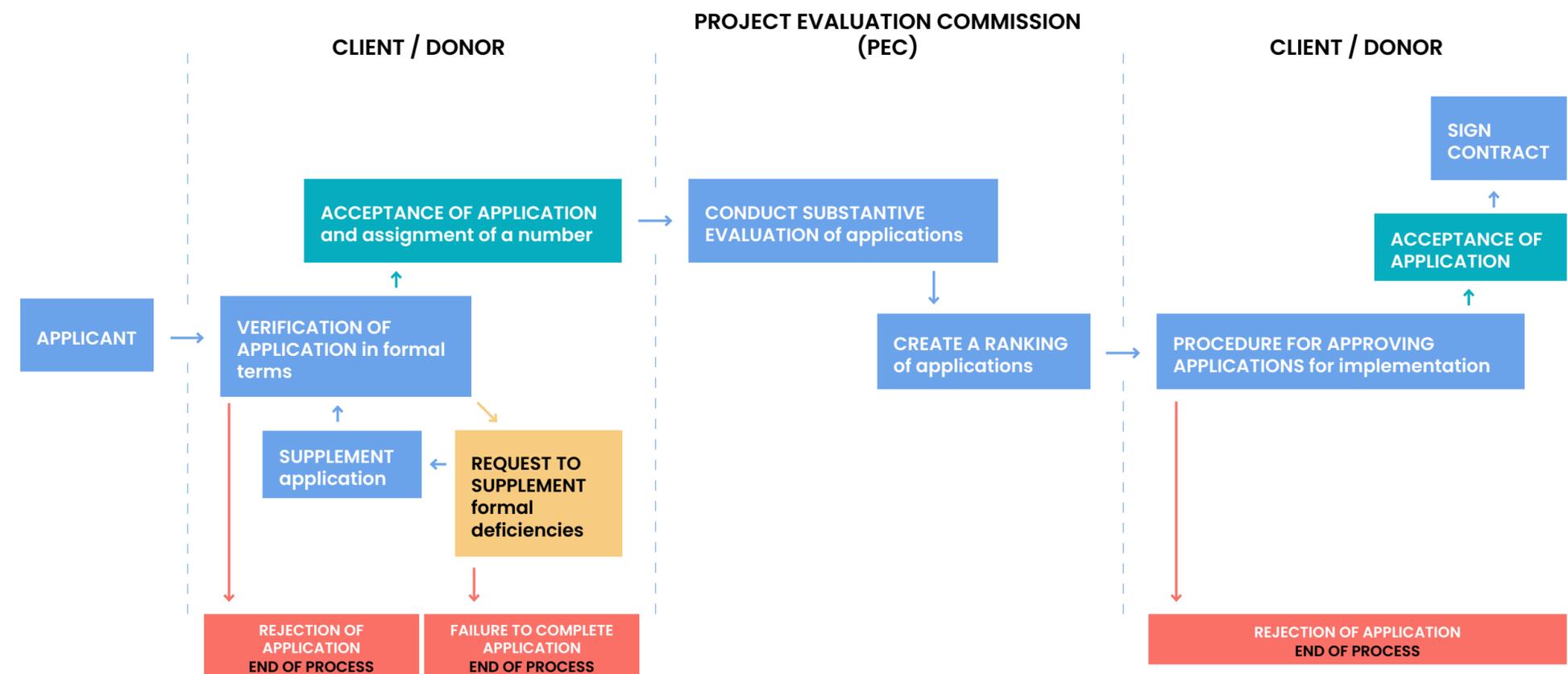
29. Finansowanie. Wojewódzki Fundusz Ochrony Środowiska i Gospodarki Wodnej w Łodzi, available at <http://www.wfosigw.lodz.pl/a-650,49,650.html>

30. Sierak J. (2018) op.cit.

During 2014–2020 in Poland, European Funds projects were implemented at the central and regional levels. At the central level, there are European Territorial Cooperation programmes and eight national programmes financed by the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), as well as the European Agricultural Fund for Rural Development (EAFRD), the European Agricultural Fund, and the European Maritime and Fisheries Fund (EMFF). At the regional level, there are 16 two-fund regional operational programmes, financed by the ERDF and ESF – one for Mazovia and 15 for other regions³¹.

In 2018, according to data from the Central Statistical Office, projects co-financed from EU funds were implemented in all 2,478 municipalities in Poland (as of 1 January 2019, there are 2,477 due to the abolition of the Ostrowice municipality). The total value of these investments is almost PLN 186.4 billion. Based on the total value of investments co-financed from EU funds, a ranking of Polish cities was prepared: ranked first was Warsaw (PLN 17 billion), followed by Łódź (PLN 7.2 billion), Kraków (PLN 5.1 billion), Poznań (PLN 4.3 billion), Lublin (PLN 4 billion), Gdańsk (PLN 3.3 billion), and Wrocław (PLN 3.3 billion)³².

GRAPH 5. Application process to the EU funds



31. Z jakich Funduszy Europejskich mogą korzystać samorzady w latach 2014–2020?, *Fundusze Europejskie*, available at <https://old.cpe.gov.pl/pliki/2345-fundusze-europejskie-2014-2020-dla-samorzadow-materialy-informacyjne.pdf>

32. Główny Urząd Statystyczny, available at <https://stat.gov.pl/>

Racibórz Dolny flood protection reservoir - a success story

Surprisingly, the town of Racibórz (Silesian Voivodeship) – with 55,000 inhabitants – was ranked 14th due to the construction of the Racibórz Dolny



flood protection reservoir on the Odra River, which is operational as of June 2020. The investment was carried out with funds provided by the World Bank, the EU, the Council of Europe Development Bank, the National Fund for Environmental Protection and Water Management, and the state budget. The Racibórz Dolny reservoir is currently the largest hydrotechnical facility in Poland.

The concept of this reservoir has been under development for over 100 years, after a catastrophic flood in 1880. The first studies, developed prior to the 1960s, assumed the construction of a multi-purpose reservoir. However, the scale of these investments turned out to be too large to be financed in regular implementation cycles. Only after 1997, the assumptions for the construction of the Racibórz reservoir were revised, considering its most important role in flood protection of the Odra Valley from Racibórz to Wrocław. In November 2017, a contract was signed with a new contractor to complete the construction of the reservoir for an amount of nearly PLN 904 million. Thanks to this investment, the reservoir will be able to protect about

the 2.5 million inhabitants of the Śląskie, Opolskie, and Dolnośląskie regions which have previously been affected by flooding in 1997 and 2010.

As of the end of 2019, projects with a total value of PLN 166.1 billion (EU contribution) were implemented or were still being implemented under the National Operational Programmes (NOPs), which constitute over 84% of the NOPs allocation. As for Regional Operational Programmes (ROPs), projects with a total value of PLN 105.9 billion (EU contribution) were implemented or were still being implemented, which constitute over 78% of the ROPs allocation. The total amount of the implemented projects was approximately PLN 272.0 billion³³.

33. Sprawozdanie z postępów we wdrażaniu Umowy Partnerstwa w 2019 roku, Ministerstwo Funduszy i Polityki Regionalnej Departament Strategii 2020, available at https://www.funduszeuropejskie.gov.pl/media/93752/Sprawozdanie_UP_2019_.pdf

The success of Poland in terms of appropriate and effective absorption of EU funds can be proved by a new budget adopted at the summit of the European Council in July 2020. Member states reached an agreement on the EU budget for 2021-2027. Poland will be the largest beneficiary of the cohesion policy in the EU and will receive EUR 66.8 billion. Additional funds from the cohesion policy in response to the crisis are estimated at EUR 3 billion, and funds from the Common Agricultural Policy for Poland amount to EUR 28.5 billion. Poland will also be the largest beneficiary of the Just Transition Fund and will receive EUR 3.5 billion from it. The EU funds that Poland will receive are to help rebuild and strengthen the economy after the coronavirus pandemic, as well as allow the implementation of EU goals in 2021-2027³⁴.

EU funds are not a ready-made solution to stimulate the economic development of municipalities. The well-being of local governments is shaped primarily by efficient development policy and, of course, EU funds positively contribute to this process. The appropriate use of external funds, taking into account local government needs, financial conditions, as well as a long-term development plans, may directly contribute to the operational capacity of the unit and municipality prosperity in general.



34. 750 mld zł w latach 2021-2027 – jest sukces na szczycie Rady Europejskiej, Portal Funduszy Europejskich, available at <https://www.funduszeuropejskie.gov.pl/strony/o-funduszach/fe-koronawirus/750-mld-zl-w-latach-2021-2027-jest-sukces-na-szczycie-rady-europejskiej/>

1.5. Crisis response

Crisis management is perceived by Polish legislation as an element of national security management and defined as an activity of public administration bodies. The element consists of preventing crisis situations, preparing to take control over crises through planned actions, applying proper reactions to crisis situations, removing their effects, and restoring resources and critical infrastructure³⁵.

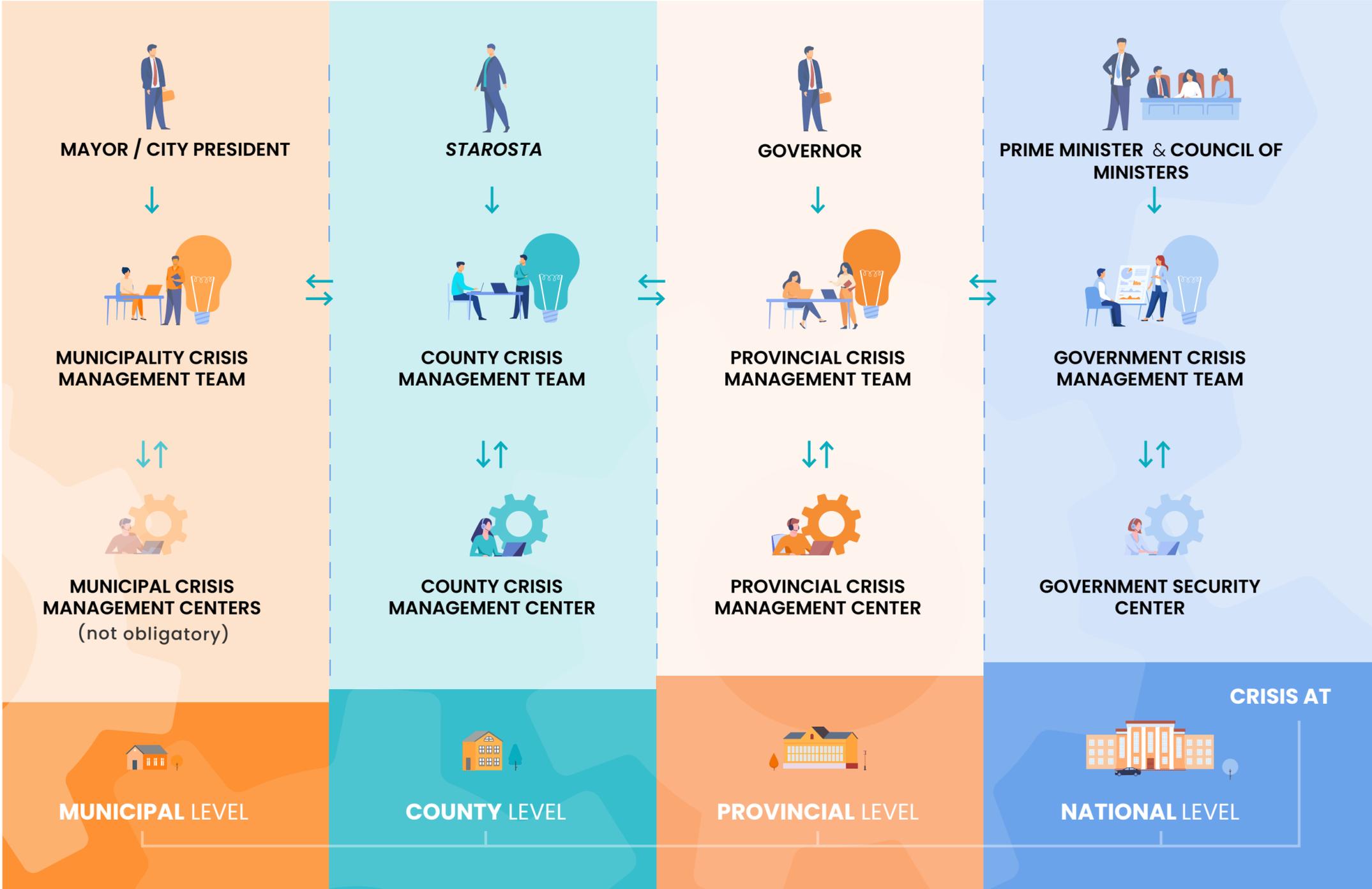
Local governments are functioning within public administration bodies, therefore Polish legislation imposes on local units some duties and obligations related to ensuring national security. However, these obligations are restricted to the limits of the territory and capabilities of specific local government units, as competent entities, inter alia, in matters of crisis management.

The principle of decentralisation of public administration requires the local government to be an active participant in public life, and therefore it has appropriate competences in the field of crisis management. Security has to be ensured at every level of management on a territory at the local, regional, and central level. Given that, a local government as a governing body under its control plays an essential role in crisis management.



³⁵ Article 2 ustawy z dnia 26 kwietnia 2007 r. o zarządzaniu kryzysowym (tj. Dz.U. z 2017 r., poz. 209), dalej u.z.k. Zob. też wyrok WSA z dnia 6 maja 2015 r., II SA/Go 220/15, LEX nr 1760178; wyrok WSA z dnia 10 maja 2013 r., I SA/Kr 256/13, LEX nr 1429154.

Polish crisis management system at different levels



The main legislative tool in dealing with crises is the Act on Crisis Management (Act on CM) entered into force on 22 August 2007. The solutions adopted therein are to help coordinate actions aimed at counteracting the effects of major crisis events. The Act on CM specifies the authorities competent in crisis management and their tasks and scope of activities in this field, as well as the principles of financing crisis management tasks.

According to Article 19 of the Act on CM³⁶, the municipality head (mayor or *wójt*) is the competent authority for crisis management at the municipal level (*gmina*). The *wójt* is performing his/her crisis management responsibilities in assistance with the organisational unit of the municipal office, which is also competent in dealing with crisis situations. For this purpose, a specially designated organisational unit of the auxiliary apparatus, the municipal office, provides appropriate crisis responses at local levels. According to Article 19 Paragraph 4 of the Act on CM, the municipal crisis management team, appointed by the municipal executive body, is the auxiliary body of the municipal head (mayor) in ensuring the implementation of a proper crisis response. The municipal executive body determines the team composition, organisation, and mode of operation.

Crisis at municipal level

In a crisis situation, the *wójt* is obliged to appoint a municipal crisis management team; this is not his/her right, but rather

obligation. The municipal crisis management team headed by the *wójt* should also include people who are familiar with the issue of security, including specialists in a specific field related to ensuring public safety and order. Among other responsibilities, the municipal crisis management team assesses existing and potential threats that may affect public safety, prepares responses and mitigation activities, shares information related to threats, and provides recommendations for higher-level authorities.

Within the crisis responses, it is crucial to define a situation as a crisis situation. The diagnosis must be made on the basis

of the legal definition of a crisis situation contained in Article 3.1 of the Act on CM. Public administration bodies are primarily responsible for defining a situation as a crisis situation. According to the provision, a crisis situation is an event that has a negative impact on the level of safety, property, and/or environment, with the event causing significant limitations in the operation of the competent public administration bodies due to the inadequacy of the resources and forces available. The analysis of the notion 'crisis situation' allows for the identification of the specific type of threat, to which a proper response will be planned and implemented.



³⁶ Article 19 ustawy z dnia 26 kwietnia 2007 r. o zarządzaniu kryzysowym, *op.cit.*

Crisis at county level

At the county level, the *starosta* is authorised to deal with crisis situations. According to the Article 17 of the Act on CM, the *starosta* is assigned similar responsibilities as the *wójt*, but the area of their performance is wider – namely, it extends across the county (*powiat*). The *starosta* performs his/her tasks and responsibilities in assistance with the county administration and organisational units. The *starosta*, as provided for in Article 17 Section 4 of the Act on CM, performs crisis management tasks in assistance with the county crisis management team. The *starosta* appoints the team and determines the composition of the team, its organisation, and mode of operation. The scope of tasks of the county crisis management team corresponds to the tasks performed by the municipality crisis management team, but with a larger territorial scope.

The *starosta* also determines the organisation type and establishes the headquarters and work mode of the county centre crisis management, as well as the method of ensuring constant information circulation in crisis situations.

Crisis at regional level

At the regional level, the actions in the field of crisis management are managed by the *wojewoda*. The regional self-government performs crisis management tasks to a limited extent. Pursuant to Article 15 of the Act on CM, the regional board participates in the implementation of crisis management tasks,

including civil planning, resulting from its competences. The Act does not assign any specific competences resulting from the sphere of crisis management to the executive body of the regional self-government, as it does in the case of the *wójt* and *starosta*.

A municipality as the smallest unit of local government, naturally receives information about a threat, so the unit must also possess appropriate instruments to optimise security measures. The municipality, and essentially its executive body, according to Article 21 of the Act on CM, should be equipped with the appropriate tools to be used in response to any crisis situation.

Crisis at national level

At the central level, crisis management is performed by the Council of Ministers. For this purpose, the Government Crisis Management Team, a consultative and advisory body to the Council of Ministers, is established. The chairman of the team is the Prime Minister and the Crisis Team consists of the Minister of National Defence and the Minister responsible for Internal Affairs – the Deputy Chairman, Minister of Foreign Affairs, Minister Coordinator of Special Services.

Crisis management activities can be defined as fully complementary, closed loop activities aimed at managing crisis situations (see GRAPH 6.).

GRAPH 6. Crisis management phases



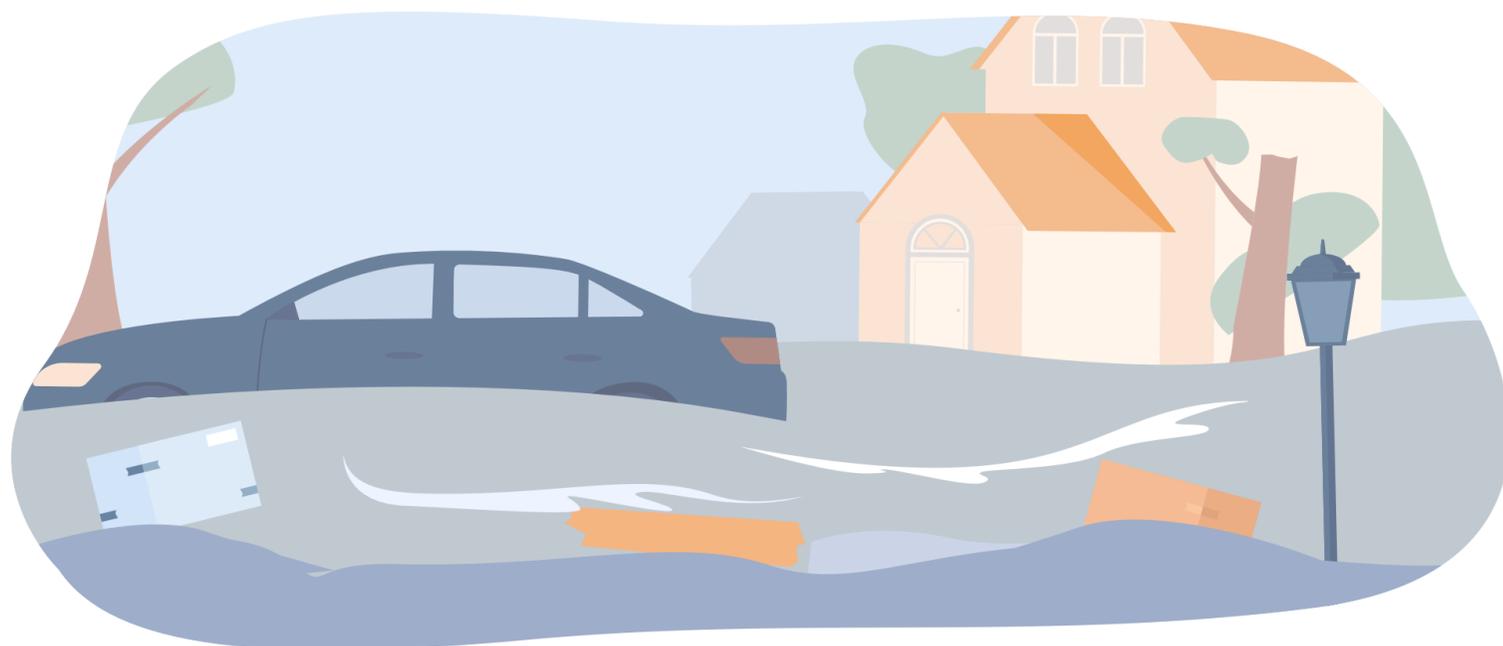
There are four phases in the crisis management cycle, namely **prevention, preparation, response, and recovery**. The cyclical nature of crisis management is also emphasised by its legal definition from the Act on Crisis Management. The **prevention phase** concerns actions that eliminate or reduce the probability of a crisis situation and limit its effects. Among the numerous elements of this stage, it is necessary to distinguish

risk and threat analysis, the preparation of planning acts in the event of threats together with appropriate operating procedures, and the assessment of the existing critical infrastructure. The essence of **preparation** is planning appropriate activities and carrying out continuous monitoring of threats. An important element of this phase is carrying out exercises of entities responsible for crisis management in the event of a crisis situation. The third phase (**response**) is a direct response to the occurrence of a threat, when pre-planned and prepared activities of appropriate services are carried out in order to help the victims and limit the spread of the threat. The last phase, closing the cycle,

is the **post-crisis recovery** stage. Its essence is to remove the effects and restore infrastructure and resources. In addition to providing financial assistance to victims, recovery is also important damaged facilities and evaluation of the activities of the crisis management system in an emergency. The plans are updated through numerous post-control assessments, which start another crisis management cycle. It can be concluded that in terms of flood protection, the most important phase is the crisis prevention phase, which significantly affects the amount of losses caused by flood phenomena. It should also be noted that often individual phases smoothly pass into subsequent phases

and it is difficult to unambiguously qualify a given phase to a specific stage of crisis management. This is especially true during the first two phases that intertwine with each other.

Flooding can be used as an illustrative example of a four phases of crisis management – this can be particularly relevant for Georgia and Armenia. The flood protection system in Poland is shaped by a number of legal acts, starting from the constitution, through to EU directives, laws, regulations, and local acts of law binding at the lowest level of governments. The two most important legal acts in the thematic scope of interest to us are the Crisis Management Act of 2007 and the Water Law of 2001. The first establishes the crisis management system, which is part of the flood protection system, the second establishes and defines the water management system in Poland, which is the second element of the flood protection system in Poland – it consists of specialised government administration bodies.



Case study: flooding in the Podkarpackie region (2020)

The illustrative example of a crisis response to flooding, the damages of which go beyond the capacity of the municipality, can be the heavy rainstorms which passed over the Podkarpackie region at the end of June 2020. The storm impacted roughly 130 families and damaged municipal infrastructure, including roads, bridges, culverts, buildings, and other public utility facilities. Losses in municipal property were estimated at over PLN 34 million. As the mayor of the Markowa municipality, Mirosław Mac stated that despite the measures taken, the local government alone will not be able to cope with such enormous losses.

As a result of unfavourable hydrological and meteorological forecasts in June 2020, it was necessary to maintain a large flood reserve on the Besko dam reservoir on the Wisłok River and on the Solina Reservoir on the San River. For this purpose, the Director of the Regional Water Management Board sent recommendations to the wojewoda to increase the outflow of the dam reservoirs. With the increase of

flood risk, the Voivodeship Crisis Management Team (VCMT) was called immediately. The team included specialists participating in flood control actions; they conducted analyses and forecasts of the situation. The wojewoda coordinated regional services, inspections, municipal guards, as well as local government administrations. The VCMT through the Press Office of the wojewoda began sharing information about the threat. Information about rescue operations and loss adjustments was published on the website of the Podkarpackie Voivodeship Office.

The VCMT, in cooperation with the Hydrological Forecasting Office of the Institute of Meteorology and Water Management, received and analysed reports on the hydrological and meteorological situation in the region. The VCMT ensured the timely exchange of information between the Voivodeship Center and the county and municipality crisis management centres as well as the services involved in the crisis management system, including the state fire service, police, provincial military staff, the Institute of Meteorology and Water Management, and Regional Water Management Board. After several VCMT meetings, a detailed plan

of coordination between public rescue services and local government units was prepared. The document was submitted and approved by the Wojewoda. As a response action, the wojewoda provided financial and material assistance to the people affected by flood. This task was carried out by the Social Policy Department of the Podkarpackie Voivodeship Office in Rzeszów, which coordinated the provision of material assistance for the people.

Several local governments from all over Poland offered help to the Podkarpackie region. Warsaw councillors contributed PLN 200,000, while the local governments of Wrocław, Katowice, and the Białobrzegi municipality from Podkarpacie provided PLN 100,000 each. Moreover, the Kolbuszowa powiat supported the municipality with the amount of PLN 30,000³⁷. All resources received from local governments will be allocated to the repair of road and bridge infrastructure. This example clearly illustrates that decentralisation of local and regional authorities also promotes solidarity among local units and contributes to close cooperation between cities and regions.

³⁷ Metropolie solidarne z doświadczonymi klęską żywiołową gminami, RegionyRP.pl, available at <https://regiony.rp.pl/z-regionu/30177-metropolie-solidarne-z-doswiadczonymi-klaska-zywiolowa-gminami/amp>



Due to task decentralisation and the delegation of responsibilities adequately to local units' organisational capabilities the process of planning the use of forces and resources was rationalised. Thus, the flexibility of the crisis administration was increased, which, inevitably, had an impact on the economics of crisis management (generating savings), and also shortened the decision-making time. The legislative provisions themselves are not the tools of crisis management, but represent the organisation of the crisis and are intended to enable the coordinated actions that will be available to deal with crises. The integrated approach to crisis management in Poland is tailored and accurate, but the ability to use the solutions is always a challenge. More importantly, actions in crisis situations usually take place in conditions of great tension and risk, and at the same time require an immediate reaction, rational decisions, and the ability to putting them into practice.

Self-government in Armenia: the basics

LEVELS OF ADMINISTRATIVE DIVISIONS

NUMBERS

<input type="checkbox"/>	REGIONS (<i>marzes</i>)		10
<input checked="" type="checkbox"/>	URBAN COMMUNITIES		48
<input checked="" type="checkbox"/>	RURAL COMMUNITIES		454
<input checked="" type="checkbox"/>	DISTRICT COMMUNITIES Yerevan		12

Local self-government is exercised only on **the level of communities.**

SELF-GOVERNMENT BODIES



REGIONS

10 regions are governed by a **governor, who is appointed by the Government of Armenia.**

COMMUNITIES

The self-government bodies are **Community Council** and **Chief of Community**. Community Council (local assembly) and Chief of Community (executive body) are elected for 5 years.

YEREVAN

In comparison with the 10 regions, Yerevan does not have a governor, and instead is only governed by **Community Council** and **Chief of Community** (mayor). Chief of Yerevan Community is elected by the members of the Yerevan Community Council.*

* Prior to the Constitutional changes in 2005, Yerevan had a status of region (marz) and was considered as the 11th region of Armenia, as the mayor (Chief of Community) of Yerevan was appointed by the Government of Armenia. Yerevan did not have a governor but was only governed by the Chief of Community and Community Council. As of the year of 2005, Yerevan gained a status of community, and the mayor was elected by the members of the Community Council of Yerevan.



2. Armenian experiences in decentralisation

Introduction

Armenia gained its independence in 1991. Its territorial division was established four years later on 5 July 1995 with the adoption of the Constitution of Armenia. The Constitution and the Law on the Administrative-Territorial Division of the Republic of Armenia adopted on 4 December 1995 divided the country into 10 *marzes* (regions). In 2005, with constitutional reforms in Armenia, the capital city of Yerevan was granted the special status of community. Regions are divided into urban and rural communities, and Yerevan is divided into districts. The first Law on 'Local Self-Government' in Armenia was adopted in June 1996 (reformed in 2002) to make the two local self-governance structures of Armenia – the Community Council (local assembly) and the Chief of the Community (executive) – elected bodies³⁸. The first elections in the regions of Armenia were held on 10 November 1996 according to the Law on Elections of Local Self-Government Bodies.

As of 2015, there were 915 communities in Armenia. However, by 2017, the number of communities had decreased to 793 and by 2018, the number of communities had decreased even

further to 502 – 48 urban and 454 rural. The policy of community consolidation began in 2015 to address the issue of the large number of small communities, especially in rural settlements with small populations, as well as the lack of capacity to provide public services for residents. Through the consolidation of the communities, the government of Armenia strived to empower and ensure more effective local self-governance and capacity in rural settlements, as it was considered that too many small communities were unable to provide public services efficiently.

The local self-government bodies are the *Chief of the Community* and *the Community Council*, both of which are elected for five years. The number of members of the Community Council depends on the population and varies between 5, 9, 15, and 33 members. The Community Council would be comprised of five members if the community has 1,000 residents registered to vote, nine members if there are 2,000-4,000 residents registered to vote, 15 members if the community has 10,000-70,000 residents registered to vote, and 33 members if there are more than 70,000 voters in the community³⁹. The Chief of the

Community has executive powers, while the Community Council has legislative powers.

It should be noted that there are substantial differences between Yerevan and the remaining communities in Armenia in regard to financial capacity and the services provided by the local authorities. **Yerevan is governed by the Community Council and the Chief of the Community, while in the other communities, power is shared between the local authorities who are elected by the community and the Governors who are appointed by the government.** This leads to the dependence of the local authorities in the regions on the central government. The lack of independence of the local authorities and the limited community budget impedes the mechanisms of active and effective citizen participation in local governance.

38. Law on Local Self-Government of Armenia (2002), Article 6, available at <http://www.irtek.am/views/act.aspx?aid=150060>
39. Electoral Code of Armenia (2016), Article 105, available at <https://www.arlis.am/DocumentView.aspx?docid=105967>

2.1. Empowerment of local communities

The local self-government bodies in Armenia are the *Community Council* and the *Chief of the Community*. Both are elected by community residents for five years⁴⁰. The capital, Yerevan, and Armenia's two largest cities – Gyumri and Vanadzor – are an exception in terms of the electoral procedure, as the Chiefs of the Community in these three cities are elected by their respective Community Councils⁴¹. The Community Council is a representative body, whereas the Chief of the Community is an executive one.

Table 2.1 summarises the territorial administration of Armenia and the structure of the local self-government bodies. Table 2.1 summarises the territorial administration of Armenia and the structure of the local self-government bodies.

Community Council sessions and *public hearings* are broadcast live through the website or YouTube channel of the Community Council⁴². However, not all the communities have technical capacities – online broadcasts and webpages are primarily only available in the cities and large towns of Armenia. Legislation requires that communities with more than 3,000 residents maintain a webpage for the community⁴³. The dates and agendas for upcoming sessions and public hearings are published on these webpages. If the community does not have a website, the information is published via posters at the Community Council Residence.

TABLE 2.1 **Territorial Administration and Local Self-Governance Bodies in Armenia**

Territorial Administration of Armenia	Regional and Local Self-Government Bodies
<ol style="list-style-type: none"> 1. 10 regions plus the capital Yerevan that has a status of community. 2. The 10 regions, as well as Yerevan form 502 communities (48 urban and 454 rural). Yerevan is divided into 12 districts. 	<ol style="list-style-type: none"> 1. Governors (in 10 regions; Yerevan is governed solely by the Community Council and the Chief of the Community). 2. The Community Council and the Chief of the Community (i.e. Mayor in urban communities and Chief of Villages in rural communities).
<p>Self-government operates only at the community level. Governors are appointed by the government of Armenia.</p>	

40. Constitution of the Republic of Armenia (2015), Article 181, available at <https://www.president.am/en/constitution-2015/>

41. Electoral Code of Armenia, *op.cit.*, Article 5.

42. See, for example, the official webpage of Gyumri Municipality: <https://www.gyumricity.am/hy/home>

43. Law on Local Self-Government of Armenia, *op.cit.* Article 11.



A recent initiative, introduced in 2019 by the Municipality of Yerevan, is the ‘Active Citizen’ online platform. According to the interviews conducted, the initiative strives to involve residents of Yerevan in self-governance processes and participatory budgeting⁴⁴. **The residents of Yerevan**, can register on the ‘Active Citizen’ webpage, and submit a project proposal for the

development of Yerevan. The submitted proposals, that receive the highest number of votes by the registered users of the website, receive funding from the Municipality of Yerevan for implementation of the projects.

A second online e-governance tool is the e-draft.am platform – an initiative of the Ministry of Justice of Armenia and funded by the European Union. The Municipality of Yerevan publishes its annual budget, five-year development plan, and annual development plan in mid-November. Until mid-December, citizens and civil society organisations can comment or make proposals under the uploaded documents. Nevertheless, according to the interviews, the e-governance tool is not widely used by citizens, as there are generally very few proposals uploaded by the residents. For example, in 2019, only about 15-16 proposals were submitted via the website⁴⁵.

The Law on Local Self-Government of 2002, Article 84, also envisages the formation of advisory councils attached to the Chief of the Community in order to advise on specific issues. For example, in Yerevan, advisory councils operate under the Mayor and are comprised of 15-20 specialists in a specific sector. The advisory councils operate according to individual public sectors, such as healthcare, environmental protection, education,

construction, and youth, and provide advice to the Mayor on important issues. Additionally, there are designated dates when residents can meet with the Chief of the Community and the employees of the local authority. Each Thursday from 2:00pm-6:00pm, in all districts of Yerevan, residents can meet with the district heads. Similar meetings take place with the heads of departments (educational, environmental) of the Municipality of Yerevan as well as with the Mayor of Yerevan⁴⁶.

Apart from e-governance tools and advisory councils, the Law on Local Self-Government of Armenia of 2002 allows community residents to directly participate in Community Council sessions or public hearings and raise any issues to be added to the agenda of Community Council sessions. To add a topic to a Community Council session, residents must sign the initiative and submit it to the Chief of the Community. The issue is then put up for discussion at the Community Council session⁴⁷. Residents can also send their queries, complaints, or applications online via Community Council websites⁴⁸. According to some reports, although the legislation of Armenia sets out certain mechanisms for residents to participate in Community Council sessions and self-governance, residents are not active in participating in local affairs, either due to distrust of the authorities, indifference,

44. Interview with Grigor Yeritsyan, Member of the Community Council of Yerevan, conducted in October 2020

45. *Ibidem*

46. *Ibidem*

47. Law on Local Self-Government, *op.cit.*, Article 14.

48. See for example the query form on the webpage of the Berd municipality: <http://www.berdcity.am/Pages/Misc/SupportCmis/>



or being unprepared to actively participate in local self-governance^{49 50}.

As noted in the interviews conducted, often, the mechanism of participation in Community Council sessions is not efficient. In many cases, few residents participate in these sessions, as people are generally not informed about this possibility, or in cases of participation, the proposals raised are inadequate. For

example, in the Community Council public hearings on the five-year community development plan and annual budget in the capital, Yerevan, there may be only about 20-30 residents and members of civil society organisation. Furthermore, many of the suggestions made are unrealistic or not targeted at the development of the community. At the same time, interviewees also noted, that, unfortunately, ruling elites do not take into account

the sensible and essential proposals made by residents. A recent suggestion raised by a resident was to repair one of the bridges in the Yerevan. The issue has not been implemented and has in fact been postponed⁵¹.

Additionally, certain communities do not fulfil their obligations to organise public hearings or provide space for Community Council sessions. According to the study by the United States Agency for International Development, Civic Engagement in Local Governance, Community Finance Officers Association and Asparez, local authorities do not place sufficient importance on organising public hearings. In many cases, local authorities refuse to answer whether they have organised a public hearing. In 2018, 60% of the Chiefs of the Communities in the Aragatsotn region refused to answer whether they have organised public hearings, and only 5% of Chiefs of the Communities in the region answered that, yes, they have organised public hearings and Community Council sessions during the year. In the Kotayk region, only 24% of Chiefs of the Communities have held public hearings and Community Council sessions. Chiefs of the Communities also often do not fulfil their obligation to provide space for public hearings. In 2019, 128 out of 226 responded Chiefs of Communities reported that there is a hall for Community Council sessions and public hearings. This accounts for 25.49% of all the 502 communities⁵².

49. EU Action Document for Local Empowerment of Actors for Development (LEAD) (2019), available at https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/annexes/c_2019_8734_fl_annex_en_v3_pl_1054440.pdf

50. ALDA publication, Strengthening Local Democracy in Armenia: Guidelines on Citizens' Participation, 2015, available at https://www.ald-europe.eu/public/publications/144-Strengthening-Local-Democracy-in-Armenia_ENG.pdf

51. Interview with Tehmina Vardanyan, Member of Community Council of Yerevan, conducted in October 2020

52. USAID, CELOG, CFOA, Asparez, Monitoring on Transparency, Public Accountability and Citizens Participation According to the Law on Local Self-Government and the Law on Freedom of Media in Armenia, 2019, available at <https://publicdata.am/wp-content/uploads/2019/09/2019-report-LSG-FO-JCA-CELOG.pdf>

2.2. Financing of local government activities

A community budget is a financial plan of revenues and expenditures for a period of one year. The community budget is approved annually and aims at the implementation of the five-year development plan. As defined in Article 86 of the Law on Local Self-Government of 2002, the community budget is comprised of tax revenues, property taxes, stamp duties, non-tax revenues (e.g. payments collected on the leasing and use of community lands), subventions from the state budget for financing capital spending, subsidies from the state budget, as well as official transfers from other sources, such as grant programmes and donations. Table 2.2 briefly presents the main steps undertaken in the process of budget development.

A community budget is a financial plan of revenues and expenditures for a period of one year. The community budget is approved annually and aims at the implementation of the five-year development plan. As defined in Article 86 of the Law on Local Self-Government of 2002, the community budget is comprised of tax revenues, property taxes, stamp duties, non-tax revenues (e.g. payments collected on the leasing and use of community lands), subventions from the state budget for financing capital spending, subsidies from the state budget, as well as official transfers from other sources, such as grant programmes and

TABLE 2.2 **Community Budget Preparation in Armenia**

Step 1	Chief of the Community receives the indicators (budget amount) from the central government and develops the draft of the community budget.
Step 2	Prior to submitting the draft budget for the approval of the Community Council, the budget is discussed at public hearings to receive suggestions from residents and civil society organisations.
Step 3	Following the public hearing, the Chief of the Community submits the draft budget to the Community Council session for approval. During the Community Council session, a Community Council member can submit written proposals for discussion.
Step 4	Following the Community Council session, the Chief of the Community can work up to one week on the proposals and the draft budget, after which a new session is convened, where the Chief of the Community presents their view regarding the proposals and the budget is put to a vote.
Step 5	If the draft budget is not adopted, a new period for discussion is set. If the community budget is not ultimately approved, the Chief of the Community has to submit his resignation, which needs to be approved by a Community Council vote. If the Community Council within three days of receipt of the resignation does not make a decision, the community budget is approved with the corrections made by the Chief of the Community.

The Office of Regional Governors assists and oversees community budget preparation in the regions.

Source: author's own elaboration based on the Law on Local Self-Government of 2002.

donations. Table 2.2 briefly presents the main steps undertaken in the process of budget development.

The community budget is drafted by the Chief of the Community and is approved by the Community Council. The Law on Local Self-Government of 2002 also envisages a procedure of budget reporting. The Chief of the Community must on a quarterly basis submit a report on the progress of the budget process to the Community Council. After the end of the budget year, the Chief of the Community also submits an annual budget expenditure report⁵³.

In 2019, the combined community budget was AMD 154 billion (approximately EUR 250 million), whereas in 2019 the total governmental budget was estimated at AMD 1,156 trillion (about EUR 2 billion). **The proportion of the total community budget is stable within the last seven years and estimated at 10% of the state budget⁵⁴.**

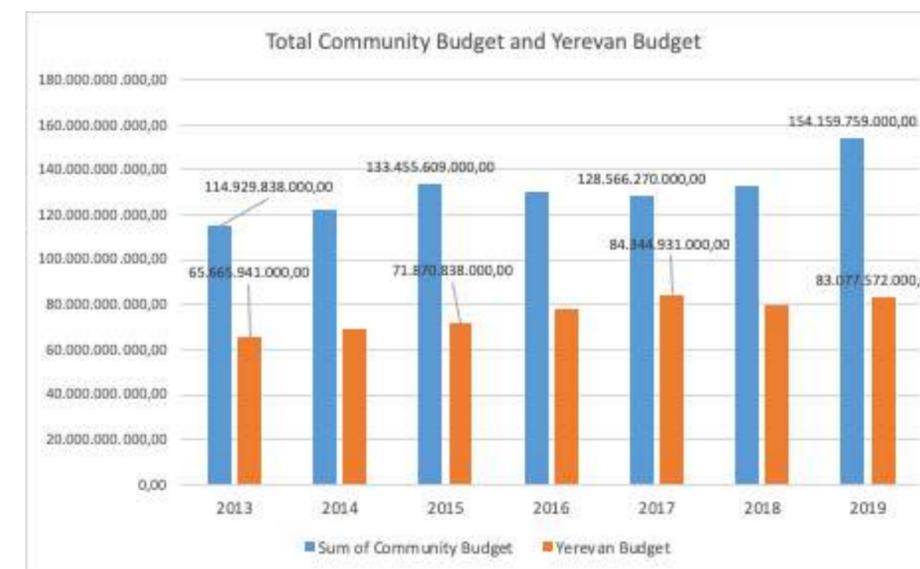
It is important to note that there is a significant difference between the budget of Yerevan and the budget of the remaining communities. There are many factors that define the distribution of the budget across communities. For example, the Law on the Financial Equalisation of 2016 sets the factors, such as the amount and age of the population, the amount of land tax and

property tax, the number of villages within one community, and the distance between the communities and the capital⁵⁵. With a large number of businesses and infrastructure concentrated in Yerevan, the capital secures a much larger share of the budget as compared to other smaller communities. This is due to the fact that about 40% of population lives in the capital and so, accordingly, more revenue from land and property taxes is generated for the budget. According to the interviewees, about 30% of the budget of Yerevan is generated from taxes, while 70% is from state subventions⁵⁶.

Figure 2.1 shows the share of the budget of Yerevan in comparison with the total budget of the rest of the communities in Armenia. The budget of Yerevan is more than half of the total budget of communities in Armenia. For example, in 2019, the budget of Yerevan was 53.89% of the sum of all community budgets, while the total budget of the rest of the communities amounted to 46.11%.

There is a specific mechanism for citizens to monitor the formation of community budgets and their expenditures. The Law on Local Self-Government of 2002, Article 11, notes that the annual budget of the community and the report on expenditures must be published on the websites of the communities. According to the conducted interviews, for example, the Municipality of

FIGURE 2.1. **Total Community Budget and Share of Yerevan Budget from 2013–2019 (in AMD)**



Source: author's own elaboration based on database reports published by the Ministry of Finance of the Republic of Armenia and the Municipality of Yerevan, available at: <https://minfin.am/hy/archive/> and <https://www.yerevan.am/am/finance/> (accessed on November 8, 2020).

Yerevan provides an interactive map of its annual budget, as well as expenditure per sector. The interactive map is designed for the public as a mechanism to oversee the annual budget⁵⁷. It should be noted that for the remaining communities, the budget report is presented online in a much less visible way.

Apart from monitoring the amount of the budget, citizens can also participate in developing the community budget.

53. Law on Self-Government, op.cit., Article 69.

54. Financial reports published by the Ministry of Finance of the Republic of Armenia, available at: <https://minfin.am/hy/archive/>

55. Law on Financial Equalization of Armenia, 2016, available at <https://www.arlis.am/DocumentView.aspx?DocID=118597>

56. Interview with Grigor Yeritsyan, op.cit.

57. Interview with Grigor Yeritsyan, op.cit.

Prior to approval of the annual budget, a public hearing is organised where citizens can express their opinions and proposals. Nevertheless, according to the conducted interviews, the mechanism of citizen participation has not been used effectively, and there have not been many residents participating in public hearings or expressing suggestions. In addition to public hearings, each year at the end of November, the Municipality of Yerevan publishes the draft annual budget on the e-draft.am website, where citizens can comment and make suggestions. However, as noted in the interviews, the online platform has not been used efficiently. The low level of participation is explained by a lack of trust by citizens towards authorities and the belief that their proposals will not be taken into consideration⁵⁸.

Although community budget monitoring by residents is at a low level, there have been certain cases where due to active participation and demands by civil society organisations, local authorities were held accountable. According to the Law on Self-Government of Armenia of 2002, local authorities are obliged to provide a report on budget spending. By using the opportunity provided by the legislation, and with persistent and active participation in local self-governance, it is possible to force accountability from local authorities. This was the case with the Municipality of Gyumri, where after using the right of monitoring the community budget, corruption was detected and local authorities had to decrease the expenditure in the corrupt sector⁵⁹.



58. Interview with Tehmina Vardanyan, op.cit.

59. Interview with Levon Barseghyan, Member of Community Council of Gyumri, and Chairman of Asparez Journalist Club, conducted in September 2020.

2.3. Providing public services

One of the main problems in terms of the provision of public services by local authorities is the lack of financial capacity and local resources. On the one hand, the legislation provides wide-ranging responsibilities and powers to the self-governance bodies. **On the other hand, the local authorities and communities are limited in their activities due to constrained financial resources.**

The powers of local self-government bodies are divided into own powers and state-delegated powers. Own powers in turn are divided into mandatory and voluntary powers. State-delegated powers are funded by the state budget, out of funds envisaged in the budget line for financing state-delegated powers. Mandatory powers and powers delegated by the state are subject to priority implementation. Table 2.3 lists the mandatory and state-delegated powers of local authorities in Armenia.

When analysing the powers and public services of local authorities in Armenia, two factors should be taken into account: 1) infrastructure, budget, and development level of the communities and 2) the characteristics of self-governance according to Yerevan and the other regions. The two factors are discussed below, with specific examples.

TABLE 2.3. **Mandatory and State Delegated Powers of Local Authorities**

Mandatory Own Powers	State-Delegated Powers
— meetings with citizens	— preparation of electoral polling stations and electoral lists
— consideration of proposals or complaints made by citizens	— civil registration
— organisation of education	— organisation of civil defence
— maintenance and operation of construction of community	— organisation of protection of population in case of emergency situations
— organisation of cultural activities of the community	— organisation of rescue services
— regulation of transport operations in the community	
— organisation of trash collection	
— nature and environmental protection	
— development of tourism	
— development of healthcare plan	

Source: author's own elaboration based on information compiled from the Law on Local Self-Government of 2002.

The **first issue** is connected with a limited budget and limited resources. In comparison with Yerevan, the other communities are less developed, with fewer business entities and less infrastructure. If we analyse the large cities of Armenia, for example, in 2017 in Ijevan (city in north of Armenia), the monthly community budget per person was AMD 26,145 (EUR 46), in Gyumri (northwest) it was AMD 27,354 (EUR 47), and in Armavir (west), AMD 29,763 (EUR 51)⁶⁰. Due to difficult conditions, lack of infrastructure, and a high poverty rate, residents often are unable to pay taxes.

The Armenian authorities attempted to resolve the issues of the limited budget and inadequate services by implementing the policy of the enlargement of small communities. The process of community amalgamations implemented since 2015 aimed at creating local self-governance that would be able to provide public services. **However, the goal of empowered larger communities with financial capacity to ensure public services has not been reached.** This is largely due to the fact that the reforms of the enlargement of the communities were not implemented in parallel with the transfer of central government powers to Community Council members. As summarised by the Council of Europe report, **local self-governance bodies remain as providers of service delivery only to a limited extent**⁶¹.

Constraints of small administrative units

There are communities that have limited administrative capacities and budgets. For example, it is difficult for Solak village to deliver public services due to a lack of administrative and financial resources. Solak village has about 2,700 residents. Fewer than 20 people are employed by the local authorities and it is difficult to collect taxes due to difficult social conditions⁶². Challenging economic conditions resulting in difficulties in tax collection have also been reported in Abovyan city, where from 2016–2018, due to the failure of paying taxes, the residents have a debt of about AMD 56 million⁶³.

The **second problem** is related to the independence of the self-governance structures in the regions of Armenia. While Yerevan is self-governed only by the Chief of the Community and the Community Council, the remaining regions are additionally governed by Governors who are appointed by the government. Such a difference in governance means that the mandatory powers of local authorities in Yerevan are directly implemented



by the Municipality of Yerevan, while in other regions, public service policies are first developed by the Office of the Governor and then implemented by the local authorities. As noted in the Council of Europe report, **the role of the Chief of the Community outweighs that of the local council in the regions of Armenia**⁶⁴. Prior to submitting for the approval of the Community Council, the Chief of the Community develops the development plan with the agreement of the Regional Governor.

60. Ibidem

61. Council of Europe Report on Local Democracy in Armenia. Monitoring of the European Charter of Local Self-Government in Armenia, 2020, available at <https://rm.coe.int/monitoring-of-the-european-charter-of-local-self-government-in-armenia/16809cb97d>

62. Ibidem

63. Asparez Monthly Newspaper. November 2018. Head of Sevan Condominium Promises to Find Solutions. Available at: <https://asparez.am/wp-content/uploads/2019/02/AMN-havelvac-5srb.pdf>

64. Council of Europe Report on Local Democracy in Armenia, 2014, available at <https://rm.coe.int/local-democracy-in-armenia-recommendation-nigel-mermagen-united-kingdo/168071a25f>



According to the interviews conducted, the establishment of Governors limits the independence of local authorities in terms of its activities and public services. Under the control of Governors, local authorities operate as institutions that implement the policies imposed by the Governor – a practice that came from past legacy. The Office of the Governor provides unnecessary oversight, the capacity of which – including both financial and human resources – could have been merged with the local authorities for the purpose of community development in a given region. This would, in turn, enlarge the budget of the communities⁶⁵.

In practice, the tasks and functions of many municipalities outside the capital are underfunded both in urban and rural areas. As reported by the Council of Europe report of 2020, **some public tasks are not fulfilled at all, or are implemented only partially by a number of communities, including public services such as water supply, sewerage, environmental protection, and communal utilities.**

⁶⁵ Interview with Grigor Yeritsyan, op.cit.

2.4. Absorption of external funds by local governments

One source of budget development for local authorities, in addition to tax revenue, is external funds. The Law on Local Self-Government of Armenia prescribes that the budget of the communities can be formed through subsidies and subventions from the state budget and transfers from other sources⁶⁶. **The legislation does not put any limitations on the application or reception of grants.**

The EU is one of the main external donors of Armenia, which, within the framework of the new Comprehensive and Enhanced Partnership Agreement (CEPA) between Armenia and the EU, implements programmes to support the development of local communities. The EU Single Support Framework for Armenia 2017–2020 includes the sectors that receive financial support in Armenia. Support for local authorities is included in the section ‘Strengthening institutions and good governance, the rule of law and security’. The Support Framework sets two main goals: 1) create functional and sustainable local government units established through measures of further consolidation and decentralisation and 2) increase the performance and capacity of local government units⁶⁷.

EU funding is provided in the form of grants, contribution agreements, and budget support implemented under country action plans and regional or global thematic programmes. In

most cases, EU grants entail co-financing of at least 5–10% by the implementing partners. There are several thematic regional programmes, such as the Partnerships for Sustainable Cities thematic programmes, the Mayors for Economic Growth initiative, and the Covenant of Mayors for Climate and Energy, under which local authorities in Armenia are eligible to apply for direct funding from the EU. Several local authorities across Armenia (e.g. Dilijan, Yerevan, and Sevan) have been direct recipients of EU grants under the above-mentioned thematic programmes and initiatives⁶⁸.

In recent years, there has been a wider call from the European Commission in its European Neighbourhood Policy to increase the impact of the EU assistance not only to capital cities but also to reach out to remote regions. A focus on Armenia’s northern regions of Shirak, Lori, and Tavush was agreed with the government during the negotiations for the Specific Support

Framework for the period of 2017–2020. The aim was to maximise focus and provide a greater impact of EU assistance to the most vulnerable and remote regions in Armenia (i.e. Shirak is the poorest region of Armenia)⁶⁹.



66. Law on Local Self-Government, op.cit., Article 57.

67. EU Single Support Framework for Armenia 2017–2020: https://ec.europa.eu/neighbourhood-enlargement/sites/near/files/armenia_ssf_2017-2020_final.pdf

68. Interview with a representative of the EU Delegation to Armenia, conducted in October 2020.

69. Ibidem.

Table 2.4 includes examples of EU-funded projects, information about the main participants, and a summary of the goals.

EU support to Armenia is focused on regional development with actions designed to contribute to the long-term objective of progressing towards more balanced social and economic development between the regions of Armenia, for example through creating jobs and increasing economic competitiveness. The main policy focus is on local economic development (SME development, agriculture, and tourism), modernisation, and energy efficiency⁷⁰.

According to the interviews conducted, the funding received by the local authorities from the EU has been very important, especially in cases where the projects were relevant for community development. At the same time, one of the major challenges is that many local authorities do not have sufficient human resources and skills to apply for external grants. This presents challenges for many communities in responding to grant calls⁷¹. Trainings for Community Councils and their relevant administrations should be organised in order to increase their skills in applying for external grants.

TABLE 2.4 Selected EU Projects implemented for Regional Development in Armenia

Project Title	Project Aims	Stakeholders
<u>EU4Regions Support to Regional Development Policy in Armenia</u>	To accelerate the socio-economic development, greater resilience, and sustainability of the regions of Armenia	Local authorities, Ministry of Territorial Administration and Infrastructure of Armenia, small and medium-sized enterprises (SMEs)
<u>EU4Citizens: Strengthening Democracy in Armenia</u>	Establishment of early childhood learning and care services	Ministry of Territorial Administration and Development of Armenia, Ministry of Education and Science, local authorities
<u>EU4Shirak: Wool for Jobs</u>	Support to industry in wool and the trades associated with it	Local authorities, SMEs
<u>EU4Tourism: Community-driven rural tourism and cultural activities in Gegharkunik and Vayots Dzor marzes</u>	Conservation of natural and cultural heritage, establishment of cooperation between community businesses and local authorities	Local authorities, SMEs
<u>AREVADZOR-Enhancing SME competitiveness through promotion and wider use of sustainable innovative technologies</u>	Development of eco-tourism, adoption of renewable energy resources	Local authorities, SMEs
<u>EU Covenant of Mayors East programme</u>	Development of sustainable energy in the regions	Ministry of Energy Infrastructure and Natural Resources of Armenia, local authorities, SMEs

70. Ibidem.

71. Interview with Tehmina Vardanyan, op.cit.

2.5. Crisis responses

The Disaster Risk Management National Strategy and Action Plan of Armenia 2015–2030 defines the role of local authorities in crisis responses. The Chief of the Community has the power to enact measures for the prevention of technological and natural disasters and the elimination of their consequences. The Chief of the Community is the person who makes decisions regarding reducing the crisis risk and the implementation of crisis-response activities in coordination with the Ministry of Emergency Situations of Armenia.

International organisations support

Often, during crises, the response in Armenia is undertaken with the support of various international actors. For example, in August 2018, a hailstorm damaged almost all yield capacity of vegetables in the Shirak region. 2,202 households in 11 communities were affected and lost between 80–100% of their yield capacity. There were also cases of damaged houses and cattle farm roofs. The crisis response was conducted by the Armenian Red Cross Society and the regional authorities in Shirak. The Armenian Red Cross Society met with the Ministry of Emergency Situations and the local authorities of the affected communities and received updated information regarding the situation. Additionally, the

Red Cross visited the affected areas to assess the situation. Based on this, financial assistance was distributed to the people affected by the disaster and a lessons-learnt workshop on the achievements and results was conducted after the project for local authorities and community leaders⁷².



The Disaster Risk Management National Strategy and Action Plan also specifies the role of the local authorities in crisis prevention. Among the responsibilities of the local authorities are:

- conduct regular assessments of disaster risks;
- update electronic risk maps;
- creation of a common system for geo-information;
- maintenance of the early warning system;
- raise the awareness of the population about a culture of safety.

72. IFRC. Emergency Plan of Action Final Report, 2019, available at <https://reliefweb.int/sites/reliefweb.int/files/resources/MDRAM004dfr.pdf>

The Disaster Risk Management National Strategy and Action Plan also notes that trainings on disaster risk reduction for participants from the state administration and local self-governments will be organised by the Crisis Management State Academy, which is under the Ministry of Emergency Situations of Armenia.

The Disaster Risk Management National Strategy and Action Plan also identifies international organisations and diplomatic representations in the Republic of Armenia as main players in disaster risk management. According to the Strategy, international partners should provide assistance in the establishment and development of the disaster risk management system in Armenia. Cooperation between local authorities, ministries, and international organisations is envisaged at the community level. Among the activities are stockpiling of necessary rescue/relief material and technical resources in the regions and communities as well as updates to disaster response plans⁷³.

Throughout the years, Armenia has received assistance from the EU for organising crisis response trainings. For example, in 2004–2014, the Swiss Agency for Development and Cooperation supported the ‘Ardzagank’ and ‘Medical Units’ projects to develop a decentralised and comprehensive rescue system. The rescue system was improved following international standards



by developing, training, and equipping five Regional Rapid Response Teams in Yerevan and in the Shirak, Syunik, Lori, and Tavush regions⁷⁴. Similarly, the EU supported Armenia in disaster prevention and response capacities through the ‘Prevention, Preparedness and Response to Natural and Man-made Disasters in the Eastern Partnership Countries Programme’⁷⁵.

As noted in the interviews, support from the EU and various non-governmental organisations in crisis preparedness is vital for Armenia, as the country is in a risk zone for earthquakes. Communities in the regions already have a limited budget, and thus, support from external actors in this sector helps to ensure safety and the ability to help the those affected by a crisis. An illustrative example has been the COVID-19 crisis in Armenia. Hospitals are under the competence of local authorities; however, due to limited budgets and capacities, the pandemic has made the operation of hospitals much harder and their medical capacity is severely limited⁷⁶.

For economic recovery from the impact of COVID-19, Armenia received support from the EU. The EU is working closely with the government of Armenia to provide support for curbing the negative socio-economic consequences of COVID-19. In addition, through a dedicated instrument, the Eastern Partnership Civil Society Facility Rapid Response Mechanism, the EU is working closely with local and regional authorities in Lori, Tavush, and Shirak to help alleviate the negative socio-economic impact of the COVID-19 pandemic on the most vulnerable families. Several on-going EU projects focusing on organic agriculture and tourism development in the Lori, Tavush, and Shirak regions have also been restructured to address the urgent needs of communities

73. Disaster Risk Management National Strategy and Action Plan of Armenia 2015–2030, available at <http://www.mes.am/en/arn-senda>

74. EU Neighbours. Renewable Energy for Armenia’s Tourism Industry: Results of the EU-funded Project, 2019, available at <https://www.euneighbours.eu/en/east/stay-informed/news/renewable-energy-armenias-tourism-industry-results-eu-funded-project>

75. Ibidem

76. Interview with Grigor Yeritsyan, op.cit.

and to alleviate the negative impact of COVID-19⁷⁷. Following the COVID-19 pandemic, the EU directed financial support to assist Armenia with establishing distance learning, providing financial assistance for emergency food packages and humanitarian aid to vulnerable communities⁷⁸. EU member states have also put an emphasis to local economic development in times of COVID-19. Among such examples is a new grant call by Germany and Switzerland for the local authorities in Armenia that is aimed at improving social-economic infrastructure of communities, creating jobs, and diversifying local production⁷⁹.

The legislation on local self-governance in Armenia has set out a number of mechanisms for citizens to participate in community development and to monitor community budget expenditures. Residents of communities can participate in Community Council sessions and public hearings and raise issues for discussion. Certain e-governance tools have been introduced, allowing citizens to make proposals online. At the same time, a major obstacle has been the lack of active and efficient participation by residents. To ensure the effective participation of citizens, first, local authorities need to raise awareness regarding citizens' rights to participate in local self-governance. Additionally, a permanent platform should be established that will provide the possibility for residents and the ruling and

opposition parties of Community Councils to ensure a constructive dialogue over the issues that have been raised by residents.

Local self-government structures in communities in the regions of Armenia also lack independence from Governors who are appointed by the government. Governors take part in designing policies for public services, while the Community Council and the Chief of the Community are responsible for the implementation of these policies. Many communities also lack sufficient financial and technical resources.



77. Interview with a representative of the EU Delegation to Armenia, op.cit.

78. European Commission. EU Response to the Coronavirus Pandemic, 2020, available at: https://ec.europa.eu/neighbourhood-enlargement/news_corner/eu-response-to-the-coronavirus-pandemic_en

79. Swiss Confederation. Switzerland and Germany to Extend Support to Municipalities of Armenia in Response to COVID-19, 2020, available at: https://www.eda.admin.ch/countries/armenia/en/home/news/news.html/content/countries/armenia/en/meta/news/2020/november/switzerland-and-germany-to-extend-support-to-municipalities-of-a?fbclid=IwAR2O1l89o50hkBmt37JzBIAM5MM6ypYKtyLPwKQILH4Xw0oUJsv8zL_pSDQ

Self-government in Georgia: the basics

LEVELS OF ADMINISTRATIVE DIVISIONS

NUMBERS

- REGIONS**  **9**
- AUTONOMOUS REPUBLICS**  **2**
- MUNICIPALITIES**  **69**
 - SELF-GOVERNING COMMUNITIES**
 - SELF-GOVERNING CITIES**
 - OCCUPIED BY RUSSIA (5)**

SELF-GOVERNMENT BODIES

MAYOR & CITY HALL

MUNICIPALITY SAKREBULO

MUNICIPALITY

The representative body of a municipality is a collegiate administrative body – **a municipality Sakrebulo**. It is elected for 4 years by the citizens of Georgia registered in the territory of the municipality, by direct elections. The executive body and the highest official of a municipality is **the Mayor**. The Mayor is elected for a 4-year by direct elections. **A City Hall** is an institution subordinated to the executive body of the municipality, which ensures the exercise of powers of the Mayor.

A SELF-GOVERNING COMMUNITY is an aggregation of several settlements that has been or will be assigned the status of municipality

A SELF-GOVERNING CITY is a settlement of an urban category that has been or will be assigned the status of municipality.

Local self-government is exercised in municipalities: in self-governing cities and self-governing communities



2. Georgian experiences in decentralisation

Introduction

Decentralisation in Georgia began with the introduction of the organic law on Local Government and Self-Government in 1997. It was the point when self-government units started functioning. However, this law did not allow local authorities to practice a broad range of rights and major decisions were still being made at the central level. In 2004, Georgia ratified the European Charter of Local Self-Government, which was the basis for developing decentralisation reform, and in 2005, a new version of the organic law on Local Self-Government was introduced. After these reforms, one-level local self-government based on municipalities was introduced. In terms of administrative-territorial division, Georgia is a unitary state with two autonomous republics, Adjara and Abkhazia, five self-governing cities (Tbilisi, Kutaisi, Poti, Batumi, and Rustavi), and municipalities. Unlike Poland, which has small municipalities, Georgia has larger municipalities which are grouped into nine regions – Guria, Imereti, Kakheti, Kvemo Kartli, Mtskheta-Mtianeti, Racha-Lechkhumi and Kvemo Svaneti, Samegrelo-Zemo Svaneti, Samtskhe-Javakheti, and Shida Kartli.

In 2012, a new wave of decentralisation reform began. In March 2013, the Prime Minister of Georgia adopted the 'Main Principles of Georgia's Decentralization and Development of Local Self-Government for 2013-2014'. In February 2014, the Organic Law of Georgia: Local Self-Government Code⁸⁰ was adopted. According to the new law, the local population in every municipality of Georgia was granted the right to directly elect the executive body – the Mayor.

In addition, territorial optimisation was carried out and the following seven cities were granted the status of self-governing cities: Telavi, Mtskheta, Gori, Akhaltsikhe, Ambrolauri, Ozurgeti, and Zugdidi.

On 31 December 2019, the new Decentralization Strategy of Georgia 2020-2025 was approved along with a 2020-2021 action plan⁸¹ which was a part of further new decentralization reform initiated by the government of Georgia. The new strategy significantly increased the rights and powers of local self-government and supported its financial empowerment. The strategy

also focused on the importance of transparent governance and promotes citizen participation at the local level.

80. Local Self-Government Code. Updated in 2015. Available at: <https://matsne.gov.ge/en/document/download/2244429/15/en/pdf#:~:text=Local%20self%2Dgovernment%20is%20the,local%20authorities%20elected%20by%20them.&text=Self%2Dgovernment%20shall%20be%20exercised,cities%20and%20self%2Dgoverning%20communities>
81. Decentralization Strategy 2020-2025 of Georgia. Available at: <https://mrdi.gov.ge/pdf/5e468e292b317.pdf/Decentralization-strategy-ENG.pdf>

3.1. Empowerment of local communities

The participation of local communities in self-governance is rather weak in Georgia. On the one hand, the legal framework is well defined, but on the other hand, ensuring the participation of local citizens in the decision-making process remains challenging. The operation of local self-governance in Georgia is primarily regulated by the Organic Law of Georgia Local Self-Government Code (2014)⁸².

This law defines its legal grounds, municipal powers, forms of citizen participation, as well as financial issues regarding self-governance in Georgia. According to the Local Self-Government Code, self-government shall be exercised in municipalities – self-governing cities and self-governing communities⁸³. A ‘self-governing city’ is an urban settlement while a ‘self-governing community’ is an aggregation of several settlements. In general, **municipalities have two types of powers: 1) the municipality’s own powers which the municipality exercises independently and under its own responsibility and 2) the municipality’s delegated powers – those which are delegated to the municipality by the state authorities or the authorities of the autonomous republic**⁸⁴. Municipalities in Georgia have a representative body – the Municipality Sakrebulo – and an executive body – the Mayor. The municipality Sakrebulo is

directly elected for four years by the citizens of Georgia that are registered in the territory of the municipality⁸⁵. The Mayor is the highest official at the municipality level, which represents the municipality and ensures the exercise of the powers of the municipality. The Mayor is elected directly by voters (Election Code of Georgia, Article 3, c.b.) and is accountable to the municipality Sakrebulo and the local population⁸⁶.

Legislation sets out the vast variety of forms of citizen participation in the exercise of local self-government, however, during expert interviews that have been conducted during the course of this study, it was mentioned that the more challenging issue is the practical implementation of the law rather than its legal aspects^{87,88}. For instance, according to the Local Self-Government Code, one form of citizen participation in local self-governance is the Council of Civil Advisors. It consists



82. Local Self-Government Code, op.cit.

83. Ibidem, Article 3

84. Ibidem, Article 15

85. Ibidem, Article 23

86. Ibidem, Article 48,29

87. Pavliashvili, I., Expert, Administrative Director of Georgian Young Lawyers Association, Interview, September 2, 2020.

88. Loladze, N., Lecturer, Georgian Institute of Public Affairs, Interview, September 2, 2020.

of representatives of the municipality population, non-governmental organisations, and entrepreneurial legal entities. The composition is generally approved by the Mayor of the municipality. The Council of Civil Advisors is a deliberative body commissioned by the Mayor and its functions include reviewing draft municipal budgets and various documents of local importance. There is also another mechanism supporting citizen participation in local self-governance – the General Assembly of a Settlement. This is a self-organisation tool for the population of a village, small town, or city which is aimed at discussing locally important socio-economic issues and ongoing or upcoming projects prior to incorporation in the municipal budget. Through this tool, local communities are also able to draft proposals and raise relevant remarks⁸⁹. The General Assembly of a Settlement is composed of representatives of local communities and also includes a representative from the Mayor’s office. A chairperson may be elected by the members and is shall ensure submission of the decisions of the General Assembly of a Settlement to the relevant municipal bodies. The experts interviewed noted that, during the introduction of the above-mentioned tool, it was expected to be a very effective method of public engagement. However, it turned out to be impractical⁹⁰. In general, there have been few General Assemblies of a Settlement organised in

municipalities. Those that were organised were supported by international or non-governmental organisations. Additionally, the Human Rights Education and Monitoring Center (EMC) assessed the General Assembly of a Settlement organised in the Marneuli Municipality as ‘fake’ and full of inconsistencies⁹¹. **Experts believe that the reasons for the ineffectiveness of this mechanism are connected to complicated legal procedures and the inability of the municipality population to self-organise, which leads to low engagement⁹².**

Even though petitions are an easier form of participation, they are still not widely used by the municipality population⁹³. However, it seems that people are not aware of the procedures and the scope of influence that petitions have, thus, they rarely use them as a participatory instrument. **A frequently used form of citizen participation in local self-government activities is attending hearing reports.** At least once a year, the Mayor of a municipality and a member of a municipality Sakrebulo hold public meetings with the local population and report on the work performed. The experts interviewed believe that the popularity of this form of participation is due to its simplicity – people are not obliged to go through many complicated stages to get involved. The expert interviews also revealed that the people who engage in public hearings and the sessions of the municipality

Sakrebulo are mostly from interest groups with some sort of affiliation to public sector representatives⁹⁴. The general public

TABLE 3.1 **Forms of Citizen Participation in the Exercise of local self-government**

1	General Assembly of a Settlement
2	Petition
3	Council of Civil Advisors
4	Participation in the sessions of the municipality Sakrebulo and the sessions of its commission
5	Hearing reports on the work performed by the Mayor of the municipality and by a member of the municipality Sakrebulo

Source: Organic Law of Georgia Local Self-Government Code, Article 85

89. Local Self-Government Code, op.cit., Article 85.

90. Ibidem

91. EMC. General Settlement Assemblies - Imaginary Democracy Instead of Real Democracy: EMC Addresses Marneuli Municipality. 2020. Available at: <https://emc.org.ge/ka/products/dasakhlebis-saerto-krebebi-mochvenebiti-demokratia-realuri-demokratiis-natsvlad-emc-marneulis-munitsipalitets-mimartavs>

92. Loladze, N., op.cit.

93. Kighuradze K., Sanablidze, N. (2017) Civic Participation in Local Self-Governance: Monitoring and Recommendations. Available at: https://droa.ge/wp-content/uploads/2017/06/%e1%83%90%e1%83%9c%e1%83%92%e1%83%90%e1%83%a0%e1%83%98%e1%83%a8%e1%83%98_with-cover.pdf

94. Pavliashvili, I., op.cit.

rarely attend these meetings due to lack of information or the feeling that their opinions are not important or welcome.

The experts interviewed emphasised that the municipalities in Georgia carry out just a small number of roles that are generally accepted in well-developed decentralised countries. The municipality should be: 1) the guarantor of the free expression of citizens' political will; 2) the provider of public services; and 3) one of the main players in economic development, especially supporting small and medium-sized enterprises (SMEs)⁹⁵. Municipalities are extremely weak budget-wise and frequently need external financial support⁹⁶. The situation in the municipalities indicates that local self-government units are a 'continuation' of central government as they typically rely on centralised decisions and possess limited discretion⁹⁷.

In conclusion, it can be stated that Georgia has quite advanced legislation regarding decentralisation – self-government units have discretion to plan and implement their own activities. However, issues arise when it comes to the actual implementation of their powers. Limited financial resources, nihilism within the local population, and lack of information/knowledge regarding their rights and responsibilities lead to municipalities becoming 'administrative tools' rather than functional bodies with an ability to meet the needs of the local population.



95. Kighuradze, K., Executive Director of the Management Systems Development Center – MSDC, Interview, September 11, 2020

96. IDFI, Local Self-Government Index. National Assessment of Georgian Municipalities. 2019. Available at: https://idfi.ge/public/upload/IDFI_2019/General/LSGINDEX_Report_ENG_WEB3.pdf

97. Ibidem

3.2. Financing of local government activities

Municipalities in Georgia have their own budget, which is a combination of receivables, payables, and changes to the balance approved by the municipality Sakrebulo and is used for the purpose of performing the functions and obligations of the municipality⁹⁸.

Mainly, **the municipal budget consists of two types of receivables: 1) its own receipts – local taxes (property tax), fees, and VAT; 2) transferred funds – capital transfers, special transfers, targeted transfers, loans, and grants.** A municipality may, within its powers, use its own receipts at its discretion⁹⁹.

Georgia has six mandatory taxes: income tax, profit tax, value added tax (VAT), excise tax, import duty, and property tax. From 2019, VAT has become a shared tax, with 19% of VAT is distributed among the municipalities according to the Rules for Distribution. This approach replaced the former equalisation transfer – payments from the central government to municipalities in order to offset their differences (i.e. due to geography, demography, or natural endowments). The aim of equalisation transfers was to support local self-governments in meeting their obligations and to allow municipalities to plan expenditures independently. **As the VAT distribution formula takes into**

consideration the total population, number of children, and other criteria, Tbilisi receives about 46% of the targeted 19% of the country's VAT¹⁰⁰. The remaining funds are not enough to

satisfy the needs of the municipalities. The property tax is a local tax, thus, all income from registered property throughout the municipal territory goes to the municipal budget¹⁰¹.

Along with taxes, another means of financial independence for municipalities is local fees. The Law of Georgia on Local Fees defines a fee as a mandatory payment to the municipal budget by natural or legal persons for granting the right to conduct particular activities or for services provided by a local self-government body¹⁰². Fees for obtaining a construction permit, cleaning a populated area, gambling businesses, issuing special (zonal) agreements, as well as infrastructural heritage rehabilitation area fees are covered by the above-mentioned law (Article 5). However, the amount of the fees is quite low and challenges in their administration lead to situations where the fees do not comprise a significant part of the municipal budget.

TABLE 3.2 **Municipal Budget Receivables**

Own Receipts	Local taxes (property tax)
	Fees
	VAT
Transferred Funds	Special transfers
	Targeted transfers
	Capital transfers
	Grants
	Loans

98. Local Self-Government Code, op.cit., Article 89.

99. Ibidem, Article 92

100. Loladze, N., op.cit.

101. Tax Code of Georgia, Article 6, 2010. Available at: <https://matsne.gov.ge/en/document/view/1043717?publication=152>

102. Law of Georgia on Local Fees, 1998. Available at: <https://matsne.gov.ge/en/document/view/93778?publication=28>

In addition to the above-mentioned receivables, the municipalities of Georgia have the right to obtain grants and undertake loans¹⁰³. However, this aspect is criticised by the experts interviewed as it requires long and complicated procedures and can be done only with permission from the government of Georgia. More detailed procedures concerning taking loans and grants is discussed later under the section titled 'Absorption of External Funds by the Local Governments'.

It is important to discuss transferred funds as they play a key role in municipal receivables, especially in force majeure situations. In cases of natural, ecological, and other disasters, **special transfers** are given to municipalities in order to mitigate damages. Usually, municipalities do not have sufficient reserve funds to cover, for example, natural disaster expenses and thus require special transfers in order to deal with the consequences. **Targeted transfers** are an important part of municipal receivables as they are closely linked with municipal responsibilities. According to the Local Self-Government Code, Article 97, they can be transferred from one budget to another for the financial support of the delegated power. **The transfer can be made from the central budget or from the budget of the autonomous republic to the municipality budget. Problems often arise when the transferred and existing funds are insufficient for the proper implementation of the delegated powers.** A municipality receives a **capital transfer** for the implementation of capital

projects such as infrastructural and investment programmes. This is financial aid from the state budget which serves the goals of the municipality.

Every municipality possesses a reserve fund which is created in order to finance any payables unforeseen in a municipal budget. **The volume of the reserve fund shall not exceed 2% of the total budget of allocations provided for by the annual budget**¹⁰⁴. The Mayor has the freedom to spend from the reserve fund with special purposes; however, the amount of money is usually quite low and insufficient.

In general, the main criticisms towards the financing of local government activities concern the level of municipality independence. As the most important projects require a substantial amount of money, which local self-governments do not have, they are dependent on the central authority and thus are limited in addressing local problems freely. Annually approved municipal budgets cover only the basic necessities of municipalities and cannot address local needs adequately. For this reason, the experts interviewed believe that it is desirable to include a portion of the other taxes collected in the local budget.

103. Local Self-Government Code, op.cit., Article 19

104. Ibidem, Article 99



3.3. Providing public services

One of the target effects of the decentralisation process is to enable local municipalities to independently provide public services at the municipal level. In order to clarify which services are designated to the local self-governments in Georgia, it is important to review the relevant law.

In practice, **there are three types of competences that the local self-governments are meant to fulfil in terms of providing services: exclusive, delegated, and voluntary-based.**

TABLE 3.3 **The List of Municipal Competences for Providing Public Services**

Exclusive	Delegated	Voluntary-based
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Formally, however, **according to Article 15 of the Georgian Self-Government Code, municipalities have two types of powers: own and delegated.**

TABLE 3.4 **Types of Powers of a Municipality**

Own Powers	Delegated Powers
Powers the municipality exercises independently and under its own responsibility.	Powers the authorities of the state or the autonomous republic have delegated to the municipality, together with appropriate material and financial resources.



According to the Self-Government Code, municipalities have certain own powers, such as:

- drafting, discussing, and approving budgets and disposing of budgetary funds;
- managing and disposing of property owned by the municipality;
- managing local natural resources;
- imposing and abolishing local taxes and fees;
- spatial and territorial planning of the municipality and determining the related norms and rules of procedure;
- improving the municipal territory and developing the appropriate engineering infrastructure;
- managing local motor ways and regulating traffic on local roads;
- providing parking lots for vehicles and regulating parking rules;
- establishing pre-school and extramural education institutions;
- organising municipal transport services for the population;
- managing municipal waste;
- managing the water supply;
- other individual powers listed in Paragraph 2 of Article 16 of the Georgian Local Self-Government Code¹⁰⁵



Additionally, one of the major competences of local municipalities is issuing permits for construction works. Certain services connected to children’s education, protection, health, social care, and other issues are also under the authority of local municipalities, according to the Code on the Rights of the Child (which was developed in 2019, adopted in August 2020, and enacted in September 2020).

As for **delegated powers**, there is no concrete list in the relevant law, but in Paragraph 4 of Article 17 of the Local Self-Government Code, it is explained that ‘a municipality shall be entitled to exercise the delegated powers within the scope prescribed by the legislation of Georgia, as adjusted to local conditions’¹⁰⁶.

Social services such as one-time financial support for health treatments, operations, or for purchasing medication are among those which local self-governments are not obliged to provide but are able to freely decide on. According to the Local Self-Government Code, **if a certain service is not an exclusive competence of a specific state agency and if the municipality is not restricted from interference, then the local municipality is automatically considered as an owner and implementer of a specific service. However, providing such a service is considered to be voluntary-based.** Occasionally, there is a normatively approved single-time social services budget assigned

¹⁰⁵. Local Self-Government Code, op.cit.

¹⁰⁶. Ibidem

to municipalities by the central government. However, while uncommon, social care services can be a part of the general budget of a given municipality¹⁰⁷.

In recent years, there has been a bitter debate surrounding a decision made by the Parliament of Georgia concerning the abolition/merging of seven self-governing cities (Zugdidi, Ozurgeti, Ambrolauri, Gori, Akhaltsikhe, Mtskheta, and Telavi). In 2014, the rationale behind the decision to create more self-governing cities was that this change was meant to increase the independence of the local municipalities in terms of decision-making and service delivery. The decision made in 2017 regarding the abolition of the status of seven self-government cities is explained by the argument that the previous decision did not live up to its expectation and that the level of civic engagement, quality of service delivery, and access to public services did not improve.

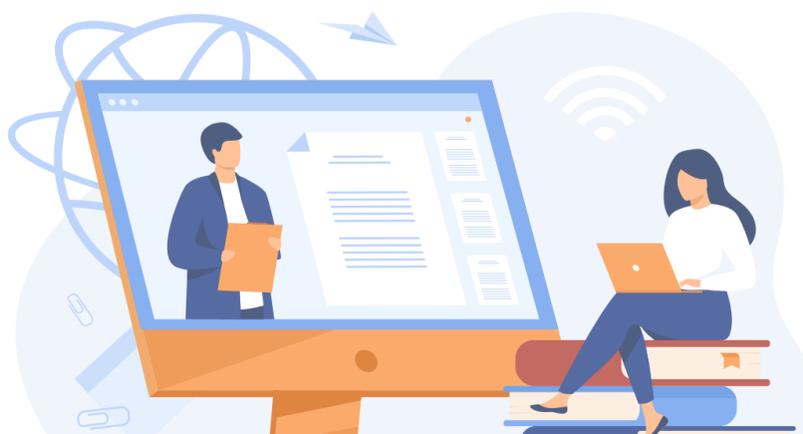
The results of the expert interviews indicate that if the city has a self-governing status, the abolition of this status will have a negative impact on decentralisation and more specifically on accessibility to public services^{108 109}. For some of the experts and political elites, the decision to reduce the number of self-governing cities was unequivocally a political decision aimed at having more control over local self-governments. They believe

that as a result of this decision, local self-governments have moved even further away from independent activities in terms of service delivery¹¹⁰.

As discussed in the previous sections, local municipalities do not have enough money to develop their own services or to make the delivery of the existing services more efficient. Due to this fact, on some occasions, local needs for specific services might remain unsolved. Most of the municipalities have scarce financial resources, and a lack of their own revenues leads to high dependence on the central budget. Apart from the permanent services that the municipalities provide annually under their individual power, local municipalities are not flexible in terms of receiving, budgeting, setting priorities, and spending the approved budget on delegated and voluntary-based services. Since the local municipalities are not financially independent in their actions, it is difficult for them to hold preliminary consultations with their communities before requesting extra funds from the central government. This often causes dissatisfaction among the local communities.

E-Governance tool for service delivery

While talking about the mechanisms of service delivery, it is important to mention e-governance, which is a tool that could potentially be used at the municipal level. There are already certain services in force, such as the electronic registration of children in kindergartens. There was an application available at www.my.municipal.gov.ge, which was first introduced by Tbilisi municipalities. It is worth mentioning that the Decentralisation Strategy has its own action plan according to which the application from the Municipal Service Development Agency will be adopted in 21 municipalities. It should be clarified that this system is not created for civic engagement purposes but for service delivery explicitly. The Municipal Service Development Agency is responsible for enacting e-services in municipalities.



107. Kighuradze, K., op.cit.
108. Loladze, N., op.cit.
109. Pavliashvili, I. op.cit.
110. Pavliashvili, I. op.cit.

As some of the representatives of the local municipalities (Racha, Kakheti) noted, **even when local communities have the opportunity to make decisions regarding services and programmes, people often abstain and are very passive**¹¹¹. As an example, one of the local municipality representatives mentioned the Rural Support Programme, which was developed with the idea to involve locals in decision-making on issues like the reconstruction of bridges, greening parks, creating social spaces, and generally planning infrastructural work on the local level. However, he regretfully mentioned that the level of civic self-awareness is not high and therefore in reality there is not much civic activity in the formation of the self-government budget¹¹². **It should also be mentioned that Tbilisi City Hall made several attempts to engage Tbilisi residents in city budgeting by conducting a public survey. However, very few people took part in it, which might have been caused by the lack of information**¹¹³. Apart from this, the local authorities themselves do not effectively employ civic engagement mechanisms and in rare cases civic engagement is ensured by civil society organisations. With regard to the forms and standards of the service delivery, the field experts claim that there is no general standard or criteria for the municipalities. In addition to this, it should be taken into consideration that needs between small

villages and large settlements might differ. Due to this fact, it is important to set general standards and only after that start the classification of the services for the mountainous regions, ethnic minority-populated regions, and other vulnerable groups¹¹⁴.

As for monitoring and assessing municipal services, a number of services such as infrastructure projects, road surfaces, and the durability of buildings are monitored and assessed by specialists. However, cleaning services, landscaping, the provision of external lighting, and social and other types of services are periodically checked via a 'Defectiveness Audit'. According to the legislation of Georgia, to ensure the lawfulness and efficiency of the activities of municipal bodies, the following shall be performed: a state audit; an independent audit; and an internal

audit. However, the internal audit of the municipalities fails to assess the quality of services. While there are concrete indicators for budget evaluations that should be used by both the municipalities for internal evaluations and by the central government¹¹⁵, **there are no such indicators to evaluate the quality of service delivery**. The monitoring of service delivery and quality is not guaranteed by the municipalities. In a few cases, monitoring is done by non-governmental entities under the framework of concrete programmes. However, an assessment of the satisfaction of the local community regarding services delivery and accessibility almost never happens.

111. Utiashvili, N., Head of Administration of Telavi Governor's Office, Interview, September 8, 2020.

112. Chikvaдзе, D., Mayor of Oni Municipality, Interview, September 8, 2020.

113. Loladze, N., op.cit.

114. Pavliashvili, I. op.cit.

115. Law of Georgia Budget Code of Georgia, 2014. Available at: https://www.mof.ge/images/File/budget_legislation/BUDGET_CODE_OF_GEORGIA_ENG.pdf



3.4. Absorption of external funds by local governments

According to the Local Self-Government Code, Article 19, municipalities have the right to receive grants and take loans only with the permission of the Government of Georgia. As stated in the section 'Financing Local Government Activities', loans and grants are part of the transferred funds.

Since in most cases local municipalities need permission to receive grants and loans from external donors, the experts interviewed believe that this is quite restrictive in terms of independently exercising self-government on a local level¹¹⁶. It is especially unclear in terms of receiving grants. **The central authorities (e.g. the Ministry of Finance of Georgia and the Ministry of Regional Development and Infrastructure of Georgia) may act as a guarantor when the municipality decides to take a loan and try to prevent fraud or bankruptcy; however, if the municipality attracts international grants, the reason behind centrally required and complicated procedures of approval is considered vague¹¹⁷.** In terms of undertaking loans, the procedure is more complicated, and municipalities are obliged to get approval at the central level. The total amount of the loan borrowed by a municipality shall not exceed 10% of the average annual own revenues of the municipality for the previous three budget years (different rules are applied to Tbilisi). The Legal Entity of Public Law (LEPL) Municipal Development Fund is usually

the mediator between municipalities and international financial institutions.



Formal restrictions cause certain obstacles in terms of receiving funds. For instance, sometimes **receiving permission from the government of Georgia might be delayed or protracted and due to such technical barriers, local municipalities might not be able to submit applications.** International donors have specific timeframes for announcing grant calls and setting deadlines, and they are usually not agreed with beneficiaries beforehand. This is why it is very difficult for local municipalities to predict when the relevant calls will be announced, which means they may miss their chance. For example, few years ago, the European Union (EU) announced a grant call for non-governmental organisations under the EuropeAid programme, where the compulsory criteria was to create a consortium together with local municipalities. The result was that only four municipalities were able to apply in time¹¹⁸. Because of this, on 20 September 2019, the Government of Georgia issued a decree according to which municipalities are permitted to receive external funds, in compliance with the Sections 5 and 6 of Article 100 of the Organic Law of Georgia Local Self-Government Code.

¹¹⁶. Khubua, G., Professor at TU München, Consultation, September 8, 2020.

¹¹⁷. Ibidem

¹¹⁸. Pavliashvili, I., op.cit.



This decree allows local municipalities to receive funds without additional appeal and approval of the Government of Georgia. This decree is in force until 1 January 2021. However, this applies only to official donor organisations like the United Nations (UN) or to the United Nations Detention Facility (UNDF) funds and EU, United States Agency for International Development (USAID), and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) municipal grants.

Even if the permission issue is solved temporarily, there are also other obstacles that complicate not only receiving a grant but also applying for it. One reason is **the lack of human resources in the public sector – namely, skilled people who are capable of writing project proposals and applying for and managing grants.** The causes of this obstacle range from low salaries in the public sector to low education and competence levels, which leads to missed opportunities for municipalities. **There is no good practice of outsourcing project writing components in Georgia** and it would be interesting to consider this opportunity as well. Apart from this, there is no general fund-raising policy or strategy in the municipalities which they can follow. **There is a considerable flow of civil servants from the local public sector to the non-profit or private sector because of low salaries and too much dependency on the central government**¹¹⁹. It is argued that local governments should be more independent in obtaining grants and taking out external loans.

¹¹⁹. Ibidem

¹²⁰. Ibidem

However, the supporters of more control argue that there is a risk of money laundering, so control by the central government is needed.

The Municipal Development Fund is an intermediary and distributor of the World Bank, the Asian Development Bank, and other massive funds flowing to Georgia since it is a highly trusted entity. Like with grants, here as well the issuing of permission might be lengthy and for that reason the local municipalities might not be able to receive it. Thus, the field experts consider it important to develop a more flexible procedure for receiving municipal grants and loans¹²⁰. Apart from this, legally, there are no defined criteria for which the municipalities can absorb grants and loans. Therefore, the decision of the central bodies is discretionary. Based on personal communication with a Mayor from the Racha-Lechkhumi region, it became clear that in 2020 the Oni municipality received funds from the UNDP in the direction of tourism development and the Czech and Slovak Caritas funds for helping socially and economically vulnerable local citizens.

Mayors for Economic Growth

An illustrative example of a successful programme funded by international donors is 'Mayors for Economic Growth' (M4EG). Mayors for Economic Growth is a new initiative of the European Union for 2017–2020 under the framework of the Eastern Partnership (EaP). The M4EG Secretariat is the main executive body in charge of implementation in the region. The goal of this project is to support mayors and municipalities from EaP countries to become active facilitators of economic growth and job creation at the local level. Based on the interview with the project's country coordinator for Georgia, this project is implemented in 48 out of 64 municipalities. Their primary mission was to develop local economic strategies – and these strategies have already been implemented in 47 municipalities. It should be noted that these plans

are developed internally by municipality employees and not by the external experts. The quality of the economic strategies of the local municipalities are then assessed by World Bank experts with a special common methodology for all six EaP states. This project included trainings in the public method management, tourism, and agricultural spheres, the activities of which primarily serve local economic development. The project also included consultations and exchange visits between the municipalities of the EaP states. These above-mentioned activities are considered by the EU as technical assistance. As for financial assistance, within the same project, three municipalities – Tbilisi, Gori, and Bolnisi – received an overall amount EUR 1.5 million.



3.5. Crisis responses

Crisis management in Georgia is regulated through a number of documents, including the Constitution of Georgia, international agreements applicable in the field of public safety, laws, and government decrees and orders. The Law of Georgia on Public Safety defines how the National Public Safety System in Georgia is organised and includes public safety measures and the powers of the executive authorities, autonomous republics, and municipalities of Georgia.

According to Article 4 of the Law of Georgia on Public Safety, the National Public Safety System is a unified network of institutions that is responsible for conducting measures aimed at protecting human life and health, the environment, and property at strategic, operational, and tactical levels¹²¹. The Ministry of Internal Affairs of Georgia developed the National Public Safety Plan to ensure the proper execution of the National Public Safety System. The Plan was approved by the Government of Georgia.

The Law of Georgia on Public Safety recognises two types of emergency situations:

1. **Locally important** – the emergency situation is expected, created, and/or developed in the territory of a municipality(ies) and can be dealt with locally or with the help of neighbouring municipalities;
2. **Nationally important** – the emergency situation is expected, created, and/or developed in the territory

of a municipality(ies), cannot be solved locally or with the help of neighbouring municipalities, may affect most of the territory of Georgia and pose a threat to human life/health, may cause significant damage to the economy/environment of Georgia, and may require international support.

The Emergency Management Service is the coordination body of operation of the National System and is responsible for planning and implementing the policy of public safety. It is accountable to the Prime Minister of Georgia and the Ministry of Internal Affairs of Georgia.

Another important document is Law of Georgia on Public Health, which aims to promote public health, a healthy lifestyle, and family reproductive health; ensure environmental health; and prevent the spread of diseases¹²². The main principles of the law are taking measures in order to prevent risks related to public health and to ensure the clear definition of powers of the



¹²¹. Law of Georgia on Public Safety, 2018. Available at: <https://matsne.gov.ge/en/document/view/4243170?publication=2>

¹²². Law of Georgia on Public Health, Article 1, 2007. Available at: <https://matsne.gov.ge/en/document/view/21784?publication=31>

state authorities and the municipalities¹²³. The municipalities of Georgia have lists of delegated powers in order to ensure public health on local levels, including conducting preventive measures against the spread of diseases; supervising sanitary and hygiene norms in different institutions; the delivery, storage, and distribution of necessary materials to the health care providers; and undertaking preventive and epidemiological control measures in case of epidemic threat¹²⁴. To implement the above-mentioned delegated powers, municipalities receive targeted transfers from the central budget. Furthermore, Public Health Centres,

which are non-entrepreneurial (non-commercial) legal entities, are established at the municipal level.

In general, there is no Crisis Response Strategy at the local level. Regions address each case individually and prepare action plans accordingly. To illustrate crisis responses in Georgia, two specific examples in the Kakheti and Racha-Lechkhumi Kvemo Svaneti regions will be discussed.

Two major crises of 2020 have been selected to demonstrate the municipal reaction to emergency situations. The first one is, of course, the COVID-19 pandemic and its implications on the local level. The second is the flooding in Racha which caused remarkable damage for the region. To begin with the COVID-19 pandemic, it is worth mentioning that in the spring of 2020, there were a relatively low number of cases in Georgia and the situation was well managed across the country. **A large part of this success was based on the decisions made in the regions – often independently.** The Kakheti region is one of the most outstanding examples of the successful management of the first wave of COVID-19. The region is the largest in the country in terms of territory and has eight municipalities: Telavi; Akhmeta; Gurjaani; Kvareli; Dedoplistskaro; Lagodekhi; Sagarejo; and Signaghi. The region's administrative centre is Telavi city, of which there are eight cities and 276 villages. As soon as the pandemic was announced and the epidemic situation began

to worsen, the National Intersectoral Coordination Council was established by the Government of Georgia. It has become the main decision-making body regarding the rules and restrictions within the country.

One of the first steps that was taken on a local level was to shift working places online where possible. It helped to keep social distancing and prevent undesired social contacts. The next step was awareness raising campaigns which played a key role in spreading information about the ways to protect oneself from the virus and the need to wear masks. Special attention was paid to keep high-risk spaces, such as markets and beauty salons, safe. As the situation worsened, the Kakheti region made the decision to shut down certain places and a regional hotline was created. Apart from the regional hotline, Kakheti municipalities created municipal hotlines in order to properly address people's requirements¹²⁵.

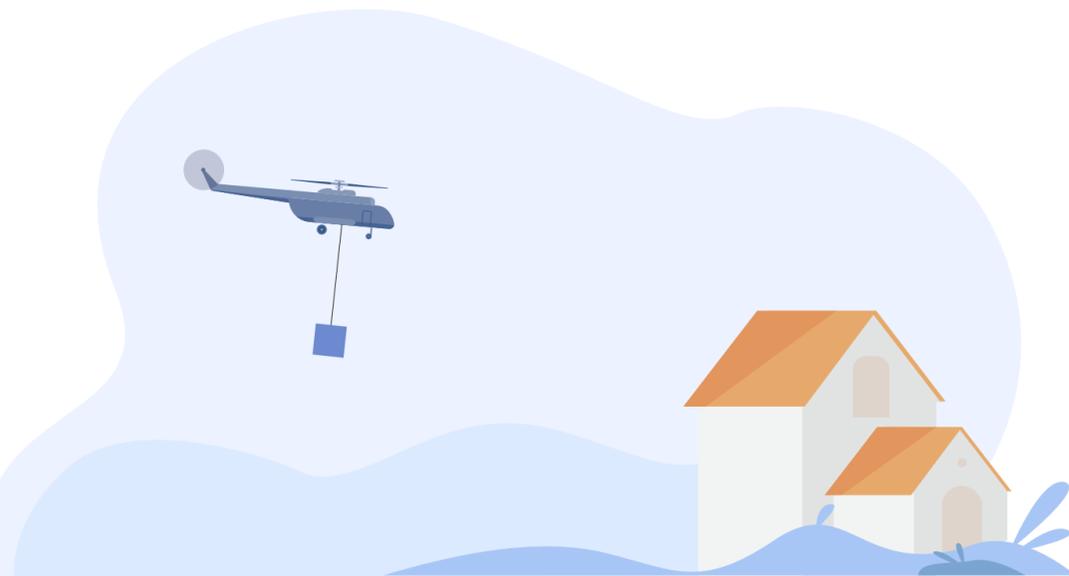
The Kakheti region is popular for its agricultural diversity, which plays quite a big role in its economy. The period of the year when the pandemic appeared was crucial for farmers, so mobility restrictions could have been very challenging for them and for the whole region. For this reason, a special system for granting relevant passes was introduced. On the municipal level, representatives of the Mayor (village governors), along with police, developed a list of farmers and a timetable for travelling for



¹²³. Ibidem, Article 4

¹²⁴. Ibidem, Article 36

¹²⁵. Utiaşvili, N., op.cit.



agricultural purposes only. This system made it possible to implement agricultural activities without any obstacles and control epidemic situations in the region. This crisis was so unexpected and has such a high impact on each sector that regions had to deal with the first wave independently. Before developing a national strategy and recommendations, regions took initiatives and addressed local needs on their own. The second wave of Covid-19 appeared dramatic in terms of rapidly growing cases for the entire Georgia including Kakheti region. However, in comparison to the other big regions of Georgia, Kakheti remained relatively safe¹²⁶ (NCDC Georgia, November 2020).

A second illustrative example of crisis management is the heavy flooding in Racha during the summer of 2020. During this natural disaster, the upper Racha province was the most

affected, with approximately 2,000 inhabitants from 12 villages in the Oni municipality being cut off from the rest of the country (Agenda.ge, 2020). The flood in Racha damaged 10 bridges and eight sections of the central Kutaisi-Alpana-Mamisoni pass road. The flood caused power outages in all 12 villages and 400 families were left without water. The Oni municipality did not have a disaster management strategy. However, as the Mayor noted, they followed the procedures specified by the Red Cross for responding to crisis situations. With the permission of the central government, the local municipality used its own budget, which had been allocated for other obligations, for crisis management and all employees began working in emergency mode. Moreover, local volunteers and athletes were mobilised by the local municipalities to help distribute food and medical equipment by helicopter to those people who were stuck in the villages. After this, the central government – namely, the Ministry of Regional Development and Infrastructure, the Emergency Situations Management Agency, the Ministry of Internal Affairs, and Emergency Services from Ambrolauri, Kutaisi, and Tbilisi – stepped up and became involved crisis management. The Chief of the Emergency Situation Management Headquarters was the Deputy Governor because as the central government was involved in the disaster response, the self-government unit was not legally allowed to be in charge of the process. Financing for food and medical treatment was allocated from the local municipality budget and the funds for road and bridge repair were

transferred by the central government, the repair of which was the responsibility of the Advisor of the Prime Minister in Regional Affairs Sozar Subari.

The case of Kakheti during the first wave of Covid-19 and the case of Racha flooding show a relatively successful response to the crisis. However, while looking at these cases from a ‘decentralisation’ perspective, it is obvious that the local municipalities are only partly independent. While municipal staff and local citizens mobilised promptly, additional resource mobilisation by the central authorities was needed for financial support, technical equipment, and specialists.

The timing of reforms undertaken by different governments is usually connected to political and governmental changes. Moreover, legislative changes and other initiatives related to decentralisation lack a long-term vision. The independence of the local municipal entities is nominal. In most cases, they wait for permission to implement local initiatives, provide services, or absorb funds or loans from the central government. Aside from the exclusive services that the local municipalities can provide, municipalities are not sufficiently independent to consult with and set priorities together with the local communities on the additional services needed because the final decision is with the central government. Furthermore, there is **neither a defined standard for service delivery, nor a formal tool to measure the satisfaction of the local communities regarding the quality of**

126. National Center for Disease Control and Public Health. Covid-19 Statistic according to the regions of Georgia. Available at: <https://www.ncdc.ge/Pages/User/LetterContent.aspx?ID=161b884d-ef3c-426c-9ddc-29f9b8fc09d1&language=en-US>

the service. Since the own competences of the local authorities in the regions are limited, the engagement of local communities in policymaking, budgeting, or project initiation is a facade. One reason for the low level of civic engagement in self-governance is the lack of information among the public regarding the rights, opportunities, and forms of participation. Moreover, **people do not believe that their opinion matters or that their needs and concerns will be heard, since they see that those who attend public consultations are often affiliated with the local authorities.** On the other hand, if the local municipality holds thorough consultations with the local communities but the jointly initiated programme or service is not financed by the central government, the locally elected municipal representatives might lose authority and trust. Thus, the main reason why local self-governments cannot make individual decisions is that they financially depend on the central government.

As for challenges in crisis management, there is no common crisis management strategy on the local level in Georgia. Dealing with crisis situations largely depends on the abilities of the representatives of local self-government, which can be a challenge in cases of 'weak' administrations. Moreover, in most cases, the local authorities do not perceive dependence on the central government as a problem. However, in reality, decentralisation in Georgia will not be possible until local governments are able to function independently in terms of efficiently providing services, managing crisis, involving citizens in local government, and receiving adequate budgets for local needs.



Recommendations

1. Empowerment of local communities

- To maximise the impact of this empowerment, local authorities should identify the appropriate traditional and electronic **communication tools** based on inhabitants' needs and expectations.
- Any consultations with local communities should be preceded by an **information campaign** on the subject and scope of the consultation. Upon completion of the consultation, a report presenting the main findings of the consultation should be published by open access.
- To improve information campaigns, consultations, and co-decision-making activities, it is recommended to cooperate with **non-governmental organisations** (NGOs) at each stage. NGOs are often experts in the fields in which they operate, so they can make a substantive contribution to the empowerment process.

2. Financing of local government units

- Facilitate the empowerment of local governments through granting them **general competences** in determining income sources and the direction of expenditures.
- Ensure **adequate financial resources** for the implementation of the specific tasks imposed on local government units.
- Remember that if a significant portion of their income has a strictly defined purpose, local government units may become **overly concerned with 'administration'** and not with determining the directions of their development.
- Ensure the proper **financial autonomy** of local government units, including their control over income.
- Consider adequate **limits of indebtedness** as this can limit the financial independence of local government units.

3. Provision of public services

- The institutional set-up for the **division of tasks and responsibilities** between the central government and local government should be precise.
- As providing certain public services frequently extends beyond the territory of one self-government unit, **cooperation between units** should be promoted. Forms of cooperation should be adjusted to current development needs.
- Consider the development of tailored analytical tools for the **monitoring and evaluation** of the provision of public services by self-government units.

4. Absorption of external funds by local governments

- Simplify **legal and procedural constraints** in terms of absorption of external funds by local governments and their cooperation with local and international partners.
- In order to overcome the lack of own contributions to a project funded by external funds, local governments should consider **financial sources** such as profits of municipal enterprises, pre-financing in the form of loans granted by banks, leasing, and international financial institutions. It should be noted that a profound estimation of risks and opportunities should be conducted before every activity.
- To be competitive at the local and state level, local governments should invest in and promote the **professional development of personnel**. The success of every initiative or project depends to a great extent on staff competencies.
- The **diversification of local governments' activities** and the appropriate use of external funds directly contribute to the operational capacity of local governments and to local prosperity in various aspects.

5. Crisis response

- Public administration at each level should possess **systematic solutions** for any crisis situation to allow for the implementation of effective crisis management. The guidebook has proposed four phases (prevention, preparation, response, and recovery) in the crisis management stages which can be tailored to Armenia and Georgia.
- Strive to **decentralise and delegate responsibilities** to local administration units. This can increase the flexibility of crisis administration. Moreover, it creates an opportunity for extra savings and the optimisation of decision-making procedures.



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GEORGIAN INSTITUTE OF POLITICS



Ministry
of Foreign Affairs
Republic of Poland

The guidebook is prepared within a project
co-financed by Ministry of Foreign Affairs
of Poland