

**KEY CHALLENGES OF POLITICAL, ADMINISTRATIVE, AND FISCAL
DECENTRALIZATION IN GEORGIA AND A LONG-TERM VISION FOR THEIR
RESOLUTION**



**SOCIAL
JUSTICE
CENTER**

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Resolution**

Social Justice Center

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Executive Summary

This policy document reviews the state of decentralization in Georgia and focuses on its three components: **political, administrative, and fiscal aspects**. Based on the analysis, it is evident that despite a series of steps taken, the country's governance system is still characterized by signs of high centralization, which significantly limits the institutional strength of local self-government, citizen participation, and the real effectiveness of local policies.

The document presents both an analysis of existing challenges and a long-term vision for their solutions. Among these, **special attention is paid to establishing a regional level of self-government, reducing the size of municipalities, the real redistribution of powers, diversifying fiscal resources, and increasing financial independence.**

Strengthening decentralization in Georgia is not only a matter of governance system efficiency. It is a necessary prerequisite for democratic legitimacy, social equality, and the country's balanced territorial development. The document discusses the institutional, legal, and financial conditions for achieving these goals and reflects recommendations that can serve as the basis for systemic reforms in the future.

Introduction

According to the Constitution of Georgia, the separation of powers between the state government and self-governing units is based on the **principle of subsidiarity**. This means that the problems and needs of citizens should be addressed by the governing body closest to them. Consequently, all issues that can be managed more efficiently at the subnational level should fall under the competence of elected local governments rather than the central government. Furthermore, the acquisition of political autonomy and authority must be accompanied by adequate financial guarantees. The state is obliged to ensure that the financial resources of a self-governing unit correspond to its mandates.¹ Thus, the transfer of powers and responsibilities from the central government to self-governing units encompasses three components: political, administrative, and fiscal decentralization.

Under the 2020-2025 Decentralization Strategy, the creation of full-fledged local self-governance (viewed as a primary democratic institution) was declared a key objective of the reform of Georgia's governance system. The document linked decentralization to the realization of fundamental citizen rights at the local level and set three strategic goals: 1. Increasing the role of local self-government in managing a significant portion of public affairs; 2. Providing local self-government with appropriate material and financial resources; 3. Establishing reliable, accountable, transparent, and result-oriented local self-government.² According to an interim assessment report by the Ministry of Regional Development and Infrastructure of Georgia, the indicators measuring the results under all three strategic objectives were assessed as achieved at an average rate of 68%.³ Nevertheless, these indicators do not fundamentally change the level of decentralization in the country, as the non-essential nature of delegated powers and insufficient

¹ Constitution of Georgia, Article 7: Basis of Territorial Arrangement.

² "Decentralization Strategy 2020-2025", Ministry of Regional Development and Infrastructure of Georgia, [link](#).

³ „Decentralization Strategy 2020-2025: Mid-term Evaluation Report“, Ministry of Regional Development and Infrastructure of Georgia, [link](#).

financial autonomy remain persistent challenges. For instance, one of the indicators for the first strategic goal - increasing local government powers based on the subsidiarity principle - was the transfer of five powers to municipalities. According to the assessment, this was 80% completed with the transfer of four powers: financing capital expenditures of public schools, transporting students, managing local forests, and responsibilities in the field of child rights protection.

International monitoring reports also highlight the insufficient level of decentralization in Georgia's governance system. **According to a study by the Council of European Municipalities and Regions (CEMR), Georgia ranks ahead of only 7 states (Malta, Cyprus, Greece, Turkey, Hungary, Bosnia-Herzegovina, and Montenegro) out of 40 countries in terms of decentralization, measured by the subnational share of total government expenditure.** It is noteworthy that among these, only Turkey, Greece, and Hungary exceed Georgia in size and population.⁴ **The study indicates that Georgia, along with Hungary, is one of the countries where the share of local self-government spending decreased most significantly between 2010 and 2020.**⁵ A report by the European Commission's Directorate-General for Regional and Urban Policy further points to decentralization issues, **placing Georgia 32nd out of 57 EU, Council of Europe, and OECD member countries on the Local Autonomy Index.** The country lags particularly in fiscal autonomy and financial self-sufficiency.⁶ In contrast to subnational entities, the excessive concentration of financial resources and responsibilities in the central government weakens the role of local self-government and hinders both the sustainable socio-economic development of regions and the balanced distribution of power between the center and the periphery.

To ensure that Georgia's governance system adequately responds to public needs and secures citizen participation in decision-making, effective decentralization reforms are essential. The redistribution of governing powers and resources between central and local authorities must be based on an adequate and impartial analysis of existing problems. Accordingly, this policy document reviews the main challenges regarding political, administrative, and fiscal decentralization in Georgia and presents a long-term vision for their resolution.

1. Proposals Related to Decentralization in Georgia: Overview of Key Concepts

The decentralization reform in Georgia has been on the agenda for many years. Civil society, international organizations, and political parties have played a significant role in this process. However, despite the development of numerous concepts, a large portion of them has not been implemented in practice. The main hindering factors in this regard have been the lack of a unified vision, the absence of sufficient political will, and/or resistance from various groups. This policy document considers the legacy of the primary decentralization concepts in Georgia.

The initial period of the 1990s was characterized by the instability of elected bodies at the local level and the centralized structure inherited from the Soviet legacy. The 1997 Organic Law "on Local Self-

⁴ "European Local Government Finances and Local Autonomy", Thomas Prorok & Sofia Calzola, [link](#).

⁵ "Local Finances and the Green Transition," Council of European Municipalities and Regions (CEMR), [link](#).

⁶ "Self-rule index for local authorities in the EU, Council of Europe and OECD countries, 1990-2020", European Commission, Directorate-General for Regional and Urban Policy, [link](#).

Government and Administration” significantly regulated the local self-government system in the country.⁷ However, the vertical line of power was maintained through governors and district heads appointed by the central government.⁸ At the same time, given the abundance of first-level self-governing units and the lack of financial resources, the implementation of local self-government proved ineffective. All of this highlighted the need for further reform and laid the foundation for several initiatives.

Key concepts presented before the “Rose Revolution” focused on challenges existing at that time, such as the large number of small self-governing units at the lower level, the irrational nature of the management system, and fiscal problems. In response to these challenges, the vision presented by non-governmental organizations suggested that existing units should be consolidated at both the primary (municipal) and intermediate (district/regional) levels. Additionally, in 2001-2002, draft laws were developed by factions represented in the Parliament of Georgia. During this period, 4 different options for the country’s administrative-territorial division emerged: 1. Increasing the number of municipalities through further division of self-governing units; 2. A two-tier system of local self-government; 3. One-tier self-government at the district level (the boundaries of currently existing municipalities); 4. One-tier self-government at the municipal level (as of the state before 2006).⁹ However, despite the discussion of numerous draft laws and proposals, no significant changes were made to the country’s local self-government and administration system.

From 2004, following the “Rose Revolution”, the new government chose a policy of strengthening centralization. First-level self-governing units, which were supposed to be closest to the population, were abolished; the powers of local self-government were curtailed, and autonomous financial sources were reduced. Civil society criticized these changes and called on the government to introduce a regional level of self-government, though this proposal was not accepted.¹⁰ In 2007, a change was adopted regarding the transfer of income tax to the state budget of Georgia instead of local self-governing unit budgets. Under the previously effective rule, local budgets were formed by income and property taxes and local fees, alongside transfers allocated by the central budget. According to the opposition, as a result of this change, self-government bodies would lose financial independence, which was assessed as a step against decentralization.¹¹ Although the government’s policy addressed a significant portion of public policy problems, given the previous ineffectiveness caused by a high number of self-governing units, budget deficits, and high levels of corruption, the centralization of governance significantly increased the distance between the population and the bodies responsible for solving local problems.

Parallel to the government’s centralized policy in 2004-2012, alternative visions for organizing local self-government were developed. In 2005, the NGO coalition “For Local Democracy and Self-Government” presented a conceptual model for Georgia’s administrative-territorial arrangement and the separation of

⁷ Organic Law of Georgia „On Local Self-Government and Administration“, Parliament of Georgia, Adopted: 16.10.1997, Repealed: 10.10.2006, [link](#).

⁸ David Losaberidze, Konstantine Kandelaki, Mamuka Abuladze, Otari Konjaria, Local Self-Government: A Supplementary Manual for Students (Tbilisi: Green Caucasus, 2016), 24.

⁹ “Efficiency of Municipal Boundaries and Optimization Perspectives”, Alexandre Svanishvili & David Losaberidze, 2002.

¹⁰ “NGOs Support Regional Self-Government”, Civil Georgia, February 5, 2004, [link](#).

¹¹ “Opposition Protests the Removal of Income Tax from Self-Governments”, Civil Georgia, May 22, 2007, [link](#).

administrative, financial, property, and legal powers between levels of government. This model envisioned the creation of 298 local self-governing units and 12 administrative-territorial units (regions), as well as the introduction of two-tier self-government within the capital. Competencies at both levels were classified into mandatory exclusive, voluntary exclusive, delegated, shared with other levels of government, and residual powers. Among the revenue sources for local self-governing units and regional budgets, property tax (fully), gambling business tax (fully), profit tax (shared), and income tax (shared) were defined. Furthermore, according to the presented model, the central self-governing units of the regions (Batumi, Ozurgeti, Zugdidi, Kutaisi, Tsageri, Gori, Akhaltsikhe, Bolnisi, Tbilisi, Telavi, and Zhinvali) were to receive 100% of income and profit taxes.¹²

The 2005 Concept of Administrative-Territorial Arrangement and Management of Tbilisi made a significant contribution to the development of the vision for two-tier self-government in the capital. The document was prepared by independent experts led by David Losaberidze, based on a contract between the Tbilisi City Hall, the United Nations Development Programme (UNDP), and the Development and Reform Fund (DRF). The Civil Society Institute served as the organization responsible for the project's implementation.¹³

Under the conditions of one-tier self-government, the consolidation of municipalities led to the distancing of citizens from local government, as the territory and population size of the first-level self-governing unit increased significantly, which also limited opportunities for participation in the decision-making process. All of this laid the groundwork for the re-actualization of decentralization visions. In February 2012, the Georgia Development Research Institute published an expanded concept of Georgia's local self-government system, co-authored by Konstantine Kandelaki, David Losaberidze, Irakli Melashvili, and Tengiz Shergelashvili. This concept was based on a package of draft laws prepared in 2004-2005 with the participation of the aforementioned group and the support of international donor organizations, which had been submitted to the Parliament of Georgia as alternative proposals but were not adopted. Considering new realities, the concept developed by the group envisioned a two-tier self-government model, where the first tier would be a city or village/community, while the status of the second tier would be granted to 11 regions, representing administrative-geographic and unified historical-ethnographic units. The presented vision also envisioned the existence of two-tier self-government in the capital, Tbilisi, where approximately 25 first-level self-governing units were to be created. The function of the municipality was defined as ensuring maximum citizen involvement in the process of managing and forming their immediate living environment, as well as providing the maximum number of services to citizens in their settlements. The regional government would carry out those powers and cultural or socio-economic functions for which the first tier of self-government lacked resources. According to the concept,

¹² "Conceptual Model of Administrative-Territorial Arrangement of Georgia and Separation of Administrative, Financial, Property, and Legal Competencies Between Levels of Government", Association of Young Economists of Georgia, et al., 2005.

¹³ "Concept of Administrative-Territorial Arrangement and Management of the Capital of Georgia - Tbilisi", Civil Society Institute, 2005.

income tax was to be established as a shared tax between local and regional governments, and the transfer of 50% of profit tax to the regional self-governing unit was also envisioned.¹⁴

The change of government in 2012 brought the relevance of local self-government reform to a new level. The new team that came into power named decentralization as one of its main priorities. In 2013, the Ministry of Regional Development and Infrastructure, with the participation of 25 NGOs, developed a draft Local Self-Government Code and an associated package of legislative changes. The draft law reflected a reconciled version of the positions and visions of government and civil society representatives.¹⁵ The main change was the rule for the direct election of municipal mayors and Heads of District, and the territorial optimization of self-governing units. The status of a self-governing city was to be additionally granted to cities with a population of at least 15,000 people that possessed urban attraction and development potential. Moreover, by a resolution of the Parliament of Georgia, self-governing city status could be granted to a city with fewer than 15,000 residents. Another novelty was that the draft law envisioned the creation of administrative-territorial units (districts/neighborhoods) in Tbilisi, which would have an elective representative body - the Neighborhood Council. It was to be composed of at least 10 and no more than 20 members elected by citizens registered in the territory of the administrative unit. According to the draft law, a regional union of municipalities was also to be created in the territory where the State Representative (Governor) exercised powers. The collegial body of the union - the Union Council - was to be composed of members of the municipal councils within that union. The State Representative-Governor was defined as the head of the union.¹⁶

The draft law submitted to the Parliament of Georgia in 2013 met significant opposition. The Apostolic Autocephalous Orthodox Church of Georgia was particularly active in this regard. Among others, the Catholicos-Patriarch of Georgia expressed the opinion that implementing the reform would lead to the disintegration of Georgia, which the Church would not tolerate and would do everything to prevent.¹⁷ According to civil society representatives, such emphases created a negative opinion about the essence and results of the self-government reform and caused distrust toward the process. They stated that strong self-government, which implies giving citizens more opportunities to participate in the exercise of power, would not be a threat to the country's unity but rather a guarantee of democratic and effective governance.¹⁸ The final version of the Local Self-Government Code, which was voted on in its third reading in Parliament, differed significantly from the initiated version. Specifically, the Code adopted by Parliament on February 5, 2014, envisioned the creation of only 7 new self-governing cities in regional centers. Records regarding the formation of Neighborhood Councils in Tbilisi and Union Councils of municipalities in regions were also removed from the draft law.

¹⁴ "Expanded Concept of the Local Self-Government System of Georgia," Georgia Development Research Institute, 2012.

¹⁵ "Statement of NGOs Involved in Developing the Draft Local Self-Government Code", Georgian Young Lawyers' Association, October 11, 2013, [link](#).

¹⁶ "Draft Law: Local Self-Government Code", Ministry of Regional Development and Infrastructure of Georgia, 07.11.2013, [link](#).

¹⁷ "Orthodox Church Weighs in Local Self-Governance Reform Debate", Civil Georgia, December 4, 2013, [link](#).

¹⁸ "Statement of the International Society for Fair Elections and Democracy about the Importance of Self-Government Reform in Georgia", International Society for Fair Elections and Democracy, December 5, 2013, [link](#).

Key concepts developed after 2014 share the need for two-tier self-government and a reduction in the size of municipalities. Among them, it is noteworthy to mention the main directions for the country's new administrative-territorial arrangement developed by a group of experts in 2015. According to this vision, it was envisioned to separate cities with more than 15,000 residents into separate municipalities, which would increase the number of self-governing cities to 22. The presented vision also envisioned approximately tripling the number of self-governing communities, as a result of which the average size of municipalities would approach the European average.¹⁹ In 2023, the Strategy for the Institutional Arrangement of Self-Government published by Egnate Shamugia also presented a two-tier model of administrative-territorial arrangement: 1. Municipal - the first tier of self-government, carried out within a city, small town, settlement, and villages, or a union of villages; 2. Regional - the second tier of self-government, carried out across several municipalities and encompassing historically formed regions.²⁰

Despite the declared policy since 2017, the decentralization process in Georgia has significantly weakened. Before the 2017 municipal elections, the government, despite an appeal from more than 120 civil organizations, refused to maintain the status and instead abolished 7 self-governing cities, restoring the administrative-territorial arrangement that existed before 2014.²¹ Furthermore, by a change implemented at the end of 2018, the income tax of Individual Entrepreneurs, which had been fully credited to municipal budgets since January 1, 2016, returned to the state budget. In response to this latter change, recommendations published by the Center for Training and Consultancy (CTC) in 2021 envisioned a plan for the gradual retention of a share of income tax for municipalities, which was intended to substantially increase their financial capabilities. Specifically, according to the document, it was advisable that from July 1, 2022, 30% of the income tax of physical persons registered in the territory of the self-governing unit remain with the municipality, 40% in 2023, and 50% from 2024.²²

In recent years, Georgia's democratic backsliding and the crisis of political institutions have proved to be even greater obstacles to the decentralization process. Despite this, the issue of decentralization remains on the country's development agenda. Its formulation as a long-term strategy is necessary not only for strengthening self-government and citizen participation at the local level but also for the separation of powers between central and local governments and for ensuring mechanisms of democratic control. In this context, decentralization should be viewed as one of the main tools for strengthening democratic governance and restoring public trust.

2. Normative Framework Defined by International Standards

When assessing the decentralization process, it is necessary to consider the international normative framework. The decentralization agenda in the country is significantly tied to Georgia's international

¹⁹ "Territorial Optimization - Urban and Rural Development", Lado Vardosanidze, Konstantine Kandelaki, Natia Nadiradze, Liza Sopromadze, Mikheil Chitadze, 2015.

²⁰ "Decentralization of Authority", Egnate Shamugia, May 22, 2023, [link](#).

²¹ "120 Organizations Address the Prime Minister and Speaker of Parliament", International Society for Fair Elections and Democracy, March 30, 2017, [link](#).

²² "Fiscal Decentralization in Documents and Practice", Tengiz Shergelashvili, May 2021, [link](#).

obligations. This framework defines minimum standards that must be reflected in the Constitution, organic laws, and budgeting practices.

On October 26, 2004, the Parliament of Georgia ratified the Council of Europe's October 15, 1985, European Charter of Local Self-Government. The country recognized 24 out of 30 paragraphs of the Charter's first chapter (recognition of at least 20 paragraphs was mandatory). The Charter defines the concept of local self-government as the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population (Article 3). The basic principles established by the Charter imply the existence of bodies elected by secret ballot on the basis of direct, equal, and universal suffrage, the definition of the scope of competencies by the Constitution or the law, the protection of the proportionality of local authorities' financial resources to their established duties, financial autonomy, the proportionality of state supervision, the provision of citizen involvement, the possibility of cooperation between municipalities, etc. The implementation of the Charter is periodically assessed by the Congress of Local and Regional Authorities.

The paragraphs of the European Charter of Local Self-Government for which Georgia declined the obligation to fulfill relate to the protection of local authority administrative boundaries and the provision of consultations in the process of planning and decision-making on all matters that directly affect local authorities. The state also refused to recognize as mandatory the right of local authorities to belong to an association for the protection and promotion of their common interests and to an international association of local authorities, as well as to cooperate with similar bodies of other states under conditions established by law. Additionally, until the full restoration of Georgia's jurisdiction in the Autonomous Republic of Abkhazia and the Tskhinvali region, Georgia removed responsibility for fulfilling the obligations provided by the Charter in these territories.²³

In November 2019, the Parliament of Georgia also ratified the Additional Protocol to the European Charter of Local Self-Government. This document, signed by Council of Europe member states on November 16, 2009, in Utrecht, defines the right to participate in the affairs of a local authority and the measures to be taken to ensure it. By ratifying the protocol, Georgia undertook the obligation to implement measures that activate the right of citizen participation. Among them, local authorities should be granted the power to introduce procedures that involve people in consultative processes, local referendums, and petitions, ensure their access to official local government documents, and meet the needs of all categories of persons whose participation faces specific obstacles. The protocol also envisions providing mechanisms/procedures for responding to complaints and proposals related to the functioning of local bodies/services, as well as the use of information and communication technologies to strengthen and exercise the right to participation.²⁴

The country's international obligations are further established by the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part,

²³ "Resolution of the Parliament of Georgia on the Ratification of the European Charter of Local Self-Government", Parliament of Georgia, 26.10.2004, [link](#).

²⁴ "Additional Protocol to the European Charter of Local Self-Government on the Right to Participate in the Affairs of a Local Authority", Minister of Foreign Affairs of Georgia, 27.11.2019, [link](#).

and Georgia, of the other part. One of the priorities of the 2021-2027 Association Agenda between the EU and Georgia is to ensure reliable, accountable, transparent, and result-oriented local self-government equipped with new functions, responsibilities, and resources in accordance with European standards.²⁵

3. Political Decentralization

Political decentralization involves delegating decision-making mechanisms from the central government to local authorities. It encompasses the existence of legitimately elected local representative bodies that exercise local self-governance, define priorities, and ensure the protection of the local population's interests. The signatory countries of the European Charter of Local Self-Government, which Georgia joined in 2004, agree that local authorities are one of the primary foundations of any democratic regime.²⁶ Political decentralization ensures more active citizen participation in local self-governance, increases accountability, and improves public policy outcomes.

In Georgia's self-governing units, registered citizens elect municipal representatives and executive bodies every four years through secret ballot based on universal, equal, and direct suffrage. Executive bodies implement the decisions of representative bodies and are accountable to them. A citizen of Georgia who has reached the age of 21 may be elected as a member of the City Council, while for the Mayor, the passive electoral right begins at age 25.

3.1. Problems of Political Decentralization in Georgia

3.1.1. *One-Tier Self-Government and Large-Sized Municipalities*

Since 2006, **local self-government in Georgia has been one-tier, with elective bodies represented only at the municipal level.** Regional development policy remains centralized, and the current system does not provide suitable conditions for the multifaceted development of regions, optimal use of international and national resources, or proper consideration of local interests. In the de facto existing regions, governance is represented only by executive branches appointed by the government in the form of State Representatives. This institution does not include a system of democratic control or accountability to citizens and creates a lever for the central government to exert undue influence over municipal bodies elected by the local population.

The dynamics of the country's administrative-territorial development primarily show a trend toward reducing the number of self-governing units. Their size and boundaries have been changed repeatedly by the central government over the last two decades. Based on the 2006 territorial reform, 1,004 pre-existing self-governing units (villages, communities, towns, and cities) were abolished and replaced by 69 municipalities, mostly delineated within the borders of former second-level units (districts) and five cities with special status. Additionally, self-governing status was granted to the communities of Eredvi, Kurta, Tighva, and Azhara, which, along with the Akh'algori municipality, have been occupied since the 2008 war.

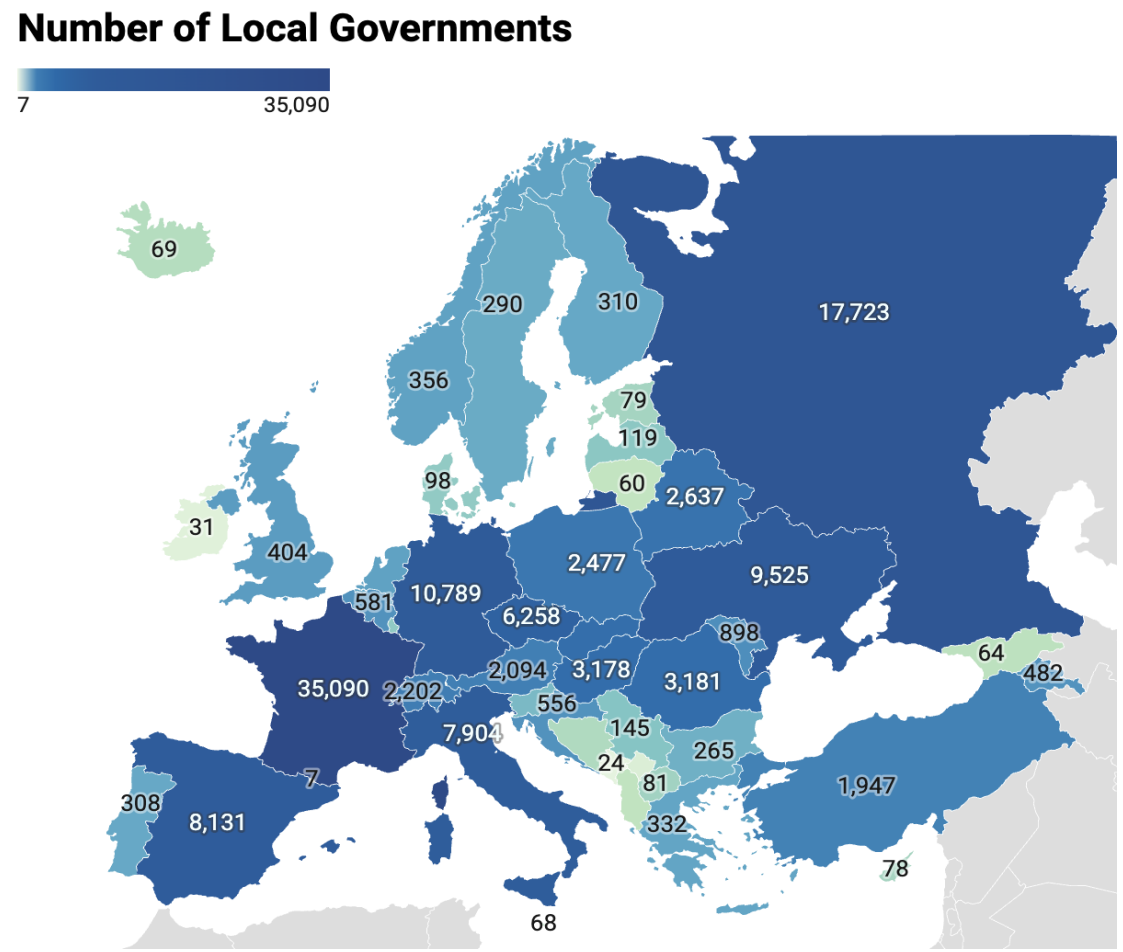
²⁵ "Recommendation No 1/2022 of the EU-Georgia Association Council on the EU-Georgia Association Agenda 2021-2027", [link](#).

²⁶ "European Charter of Local Self-Government", Strasbourg, 15.10.1985, ratified by the Parliament of Georgia by Resolution No. 515-IIS of 26 October 2004, Preamble.

With the 2014 reform, the number of municipalities increased by 7 self-governing cities (Zugdidi, Ozurgeti, Akhaltsikhe, Ambrolauri, Telavi, Mtskheta, and Gori), but all of them were abolished in 2017. Currently, there are 64 municipalities in the country, of which 5 are self-governing cities, and 59 are self-governing communities. **This is the smallest number of self-governing units since the restoration of Georgia’s independence.** While governance efficiency may at some stage require avoiding an excessive number of administrative units, the dramatic reduction in self-governing units can lead to outcomes that hinder the essence of local self-government, weakening both direct citizen involvement in decision-making and their connection with elected representatives.

Between 1990 and 2020, Georgia ranked second only to Greece among 57 member states of the EU, Council of Europe, and OECD in terms of the percentage reduction in the number of self-governing units. **As of 2020, Georgia ranks 39th out of 46 European countries by the number of self-governing units.** Furthermore, among these countries, with the exception of Ireland, every state with fewer self-governing units than Georgia is significantly smaller in both area and population.²⁷

Figure 1. Number of Local Governments in European Countries, 2022



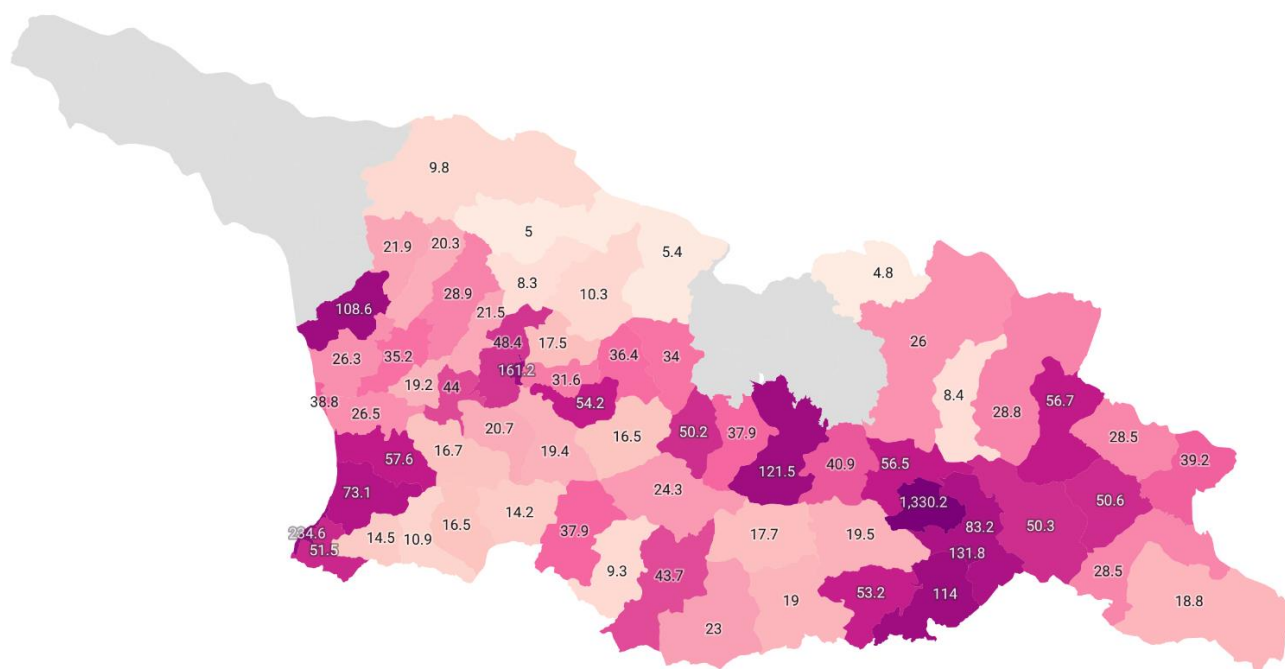
Source: European Commission, Directorate-General for Regional and Urban Policy, 2022

²⁷ “Self-rule index for local authorities in the EU, Council of Europe and OECD countries, 1990-2020”, European Commission, Directorate-General for Regional and Urban Policy, [link](#).

The radical reduction in the number of self-governing units led to their significant consolidation in terms of both territory and population. While the average population in administrative-territorial units existing before 2006 was 4,354, the current average population of a municipality reaches nearly 61,000. **For comparison, the average municipal population in the 27 EU countries is equal to 5,249. Under the current state, the average area of a municipality in Georgia is 893.4 km², whereas in EU countries, it is only 52 km².**

In self-governing communities, the number of cities, towns, and villages currently averages 58. Among them, the high-mountain municipalities of Dusheti and Mestia stand out with the largest number of villages, a significant portion of which are currently practically depopulated. However, other municipalities are also characterized by a significantly high number of settlements. For example, Gori Municipality has 1 urban and 119 rural settlements, Tetrtskaro Municipality - 2 urban and 91 rural settlements, Khashuri Municipality - 2 urban and 82 rural settlements, and Ozurgeti Municipality - 6 urban and 68 rural settlements.²⁸

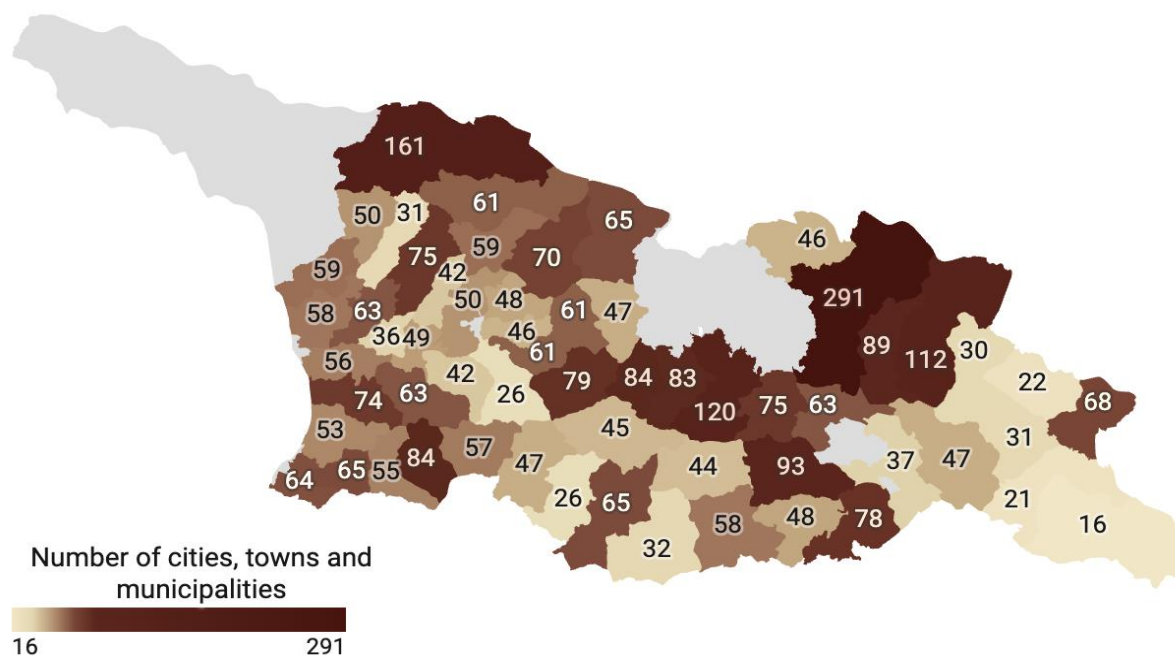
Figure 2. Population in Municipalities (thousands) according to the 2024 Census



Source: Preliminary results of the 2024 Population and Agricultural Census, National Statistics Office of Georgia, 2025

²⁸ "Statistical Information by Regions and Municipalities of Georgia", National Statistics Office of Georgia, [link](#).

Figure 3. Number of Settlements in Self-Governing Communities



Source: National Statistics Office of Georgia, 2025

In the context of large municipalities, one-tier local self-government significantly hinders citizen participation in the exercise of self-governance. Although municipalities are divided into administrative units for management optimization, mostly within the boundaries of the self-governing units that existed prior to 2006, the interests of the local population are not adequately reflected in municipal priorities. The primary reason for this is that the mayoral representatives appointed in these administrative units are accountable to the executive body rather than to the local population.

3.1.2. The Problem of Proper Self-Governance in the Capital Tbilisi

Effective implementation of self-governance faces a particular challenge in the case of Tbilisi Municipality, where more than a third of the country's population is concentrated. Despite this high concentration, only one self-governing unit exists within the capital. **Although Tbilisi is divided into 10 districts, none of them possess autonomous legal status, elective bodies, or independent budgets.** The heads of the district administration are appointed by the Mayor of Tbilisi with the consent of the Tbilisi City Council, and the mayor independently decides on their dismissal.

The absence of a self-governing unit at the district level significantly complicates the effective participation of the capital's population in the exercise of self-governance. Under the current institutional arrangement, the proper consideration of the specific needs of the capital's districts and neighborhoods through the participation of decision-makers and the local population remains a significant obstacle. In a city with over a million residents, it is practically impossible for a significant portion of citizens to be involved in the meetings of the City Council or its commissions. This increases the risk that local issues and

the problems of smaller units remain outside institutionalized mechanisms. This creates a vast distance between the population and decision-making bodies, reduces accountability, and facilitates decision-making without public hearings or consultations with citizens, which ultimately weakens the quality of local democracy. It is noteworthy that, according to monitoring results from the Institute for Development of Freedom of Information (IDFI) and other organizations, a dynamic decline in the Local Self-Government Index was recorded in Tbilisi Municipality between 2019 and 2023.²⁹ **Furthermore, during the same period, in terms of ensuring citizen participation in City Council meetings, Tbilisi ranked 25th among 64 municipalities, and only 41st in ensuring participation in Council commission meetings. Forms of citizen participation, such as general assemblies of a settlement, petitions, and participatory budgeting, practically did not function at all in the capital. The last recorded instance of holding public hearings on matters of high public interest was found only in the 2019 assessment.** Moreover, the municipality has not utilized any additional forms of citizen participation beyond the mechanisms established by legislation.³⁰

3.1.3. Influence of Party and Central Government on Local Self-Government

An additional problem for political decentralization is the dominance of party politics and central government influence within self-governing units. In the functioning of local government bodies, the prominent role of central party structures is evident, which limits the independence of local self-governments and hinders the encouragement of local initiatives. Although electoral legislation grants the right to nominate candidates for Mayor and majoritarian deputies of the Council to initiative groups alongside political parties, **the process of staffing local self-government is effectively monopolized by political parties.** For instance, in the last (2021) municipal elections, 95% of nominated mayoral candidates and 98% of majoritarian deputy candidates represented political parties; among elected officials, all mayors and 658 out of 661 majoritarian deputies were nominated by political parties.

Table 1. Number of Nominated Candidates and Elected Officials in the 2021 Municipal Elections by Nominating Subject

Municipal Political Position		Number of Registered Candidates		Number of Elected Officials	
		From Parties	From Initiative Groups	From Parties	From Initiative Groups
Mayor		227 (94.98%)	12 (5.02%)	64 (100%)	0 (0%)
Council Member	Majoritarian Districts	2 715 (97.98%)	56 (2.02%)	658 (99.55%)	3 (0.45%)
	Multi-mandate Districts	18 895 (100%)	Not Allowed	1 398 (100%)	Not Allowed
	Total	21 610 (99.74%)	56 (0.26%)	2056 (99.85%)	3 (0.15%)

Source: Central Election Commission of Georgia, 2021

²⁹ "Local Self-Government Index, Unified National Assessment of Georgian Municipalities (2023)", Institute for Development of Freedom of Information (IDFI).

³⁰ "Local Self-Government Index", Institute for Development of Freedom of Information (IDFI).

The high rate of party influence on local politics is also facilitated by the existence of large municipalities in Georgia. **Generally, it can be said that the lower the level of local self-government and the smaller the size of the self-governing unit, the stronger the influence of non-party actors on local elections and politics;** conversely, as self-governing units consolidate (become larger), the role of party politicians strengthens. For example, in Poland, where three levels of local self-government are distinguished, the share of both party-nominated candidates and elected representatives at the municipal level in the 2018 elections was 30%; at the district (Powiat) level, it was 53% and 54% respectively; and at the voivodeship level, the largest administrative-territorial unit - it reached 88-96%. Furthermore, while in municipalities with fewer than 20,000 residents the share of party candidates and elected representatives was limited to only 27% in both cases, in municipalities where the number of residents exceeded 100,000, 60% of registered candidates and 70% of elected deputies represented political parties.³¹

3.2. Ways to Strengthen Political Decentralization

3.2.1. Regional Self-Government Model

The analysis of existing problems points to the need for a second tier of self-government. Regional self-government would allow the country's regions to develop their own development strategies, effectively redistribute resources based on local needs, implement infrastructural, social, ecological, or other types of projects within administrative borders, and ensure citizen participation in the decision-making process. Such a model already functions in many EU countries. Their experience indicates that second-tier self-government increases efficiency, flexibility, and democratic control.

Table 2. Number of Self-Governing Units in European Countries with Two-Tier Local Self-Government

Country	Area (Thousand km ²)	Population (mln)	Number of Self-Governing Units		
			Municipal Level	Regional Level	Total
Denmark	42.9	5.91	98	5	103
Finland	338.4	5.56	309	22	331
Sweden	447.4	10.49	290	21	311
Netherlands	37.4	17.70	342	12	354
Norway	323.3	5.46	357	15	372
Slovakia	49.0	5.49	2927	8	2935
Hungary	93.0	9.68	3155	19	3174
Czechia	78.9	10.69	6258	14	6272

Source: OECD, 2024

The introduction of a regional self-government level requires that the regions within the operational territory of the State Representative's administration be granted the status of a Legal Entity of Public Law. A representative body (Regional Council or City Council) must be defined, which should be elected in parallel to municipal bodies by voters registered in the region through universal, equal, direct, and secret elections every 4 years. It is recommended that the regional representative body be composed through a

³¹ Marcin Czyżniewski, "Nonpartisan Electoral Committees in Local Government Elections in Poland in 2018", Polish Political Science Yearbook, 48(3) (2019): 624-625.

mixed-member proportional electoral system or an open-list proportional system, allowing initiative groups the right to nominate candidates. The elected representative body will form the region’s executive body/appoint its head, and approve the budget of the administrative-territorial unit.

The number of members in the regional representative body should be determined by the region’s population and area. In this process, the **Taagepera Cube Root Rule** can be considered, according to which the optimal size of a representative body equals the cube root of the population.³² For example, in accordance with this rule, regional representative bodies could range within the number of seats presented below.

Table 3. Potential Composition of Regional Representative Bodies

Region	Population (Thousand)	Optimal Number of Seats in the Representative Body
Kakheti	301.4	67
Mtskheta-Mtianeti	95.7	46
Shida Kartli	250.6	63
Kvemo Kartli	438.4	76
Samtskhe-Javakheti	152.3	53
Imereti	505.5	80
Racha-Lechkhumi and Kvemo Svaneti	28.9	31
Samegrelo-Zemo Svaneti	309.1	68
Guria	100.8	47

Source: Author’s calculation based on the 2024 population census data from the National Statistics Office of Georgia and Taagepera Cube Root Rule.

3.2.2. Increasing the Number of Municipalities

To address the challenges posed by excessively large municipalities, it is crucial to increase the number of self-governing units. Smaller municipalities foster greater citizen engagement in self-governance, as evidenced by increased public interest in local politics and enhanced practical opportunities for implementing participatory mechanisms. Furthermore, this can serve as a prerequisite for reducing the influence of political parties and the central government on local affairs. This should not be interpreted as a need to replace political parties with non-party actors. Reducing party influence primarily means decreasing the control of central party structures over local representatives and shifting the focus toward discussions related to local issues. It is essential that participation in local politics is not solely dependent on party membership or gaining favor from central party leadership.

Administrative centers of self-governing communities that exhibit urban development, high population numbers, and growth trends should be granted Self-Governing City status. Examples include Zugdidi and Gori, where preliminary results of the 2024 census show populations between 50,000 and 60,000. Additionally, regional administrative centers might have their self-governing city status restored.

³² Rein Taagepera, “The size of national assemblies,” *Social Science Research* 1, no. 4, (1972): 385-401.

Within existing self-governing communities characterized by large populations and vast territories, it is possible to establish two or more municipalities. Dividing these communities will significantly reduce the average population per municipality, facilitating increased citizen involvement, better representation of local interests, a balance between the needs of urban and rural settlements, and faster resolution of public issues and genuine autonomy. For instance, in the Zugdidi municipality, beyond the city itself, two additional self-governing communities could be formed: one centered in Anaklia (uniting nearby settlements) and another for the remaining villages. Furthermore, at least one self-governing unit could be separated from those municipalities that, in addition to their administrative center, include another city and/or a town with a population exceeding 2,500. Based on these urban settlements and their surrounding villages, new self-governing units could be established by separating them from the municipalities presented below:

- From Kobuleti Municipality - Chakvi Municipality (Administrative center: town of Chakvi).
- From Khashuri Municipality - Surami Municipality (Administrative center: town of Surami).
- From Bolnisi Municipality - Kazreti Municipality (Administrative center: town of Kazreti).
- From Akhaltsikhe Municipality - Vale Municipality (Administrative center: city of Vale).
- From Sighnaghi Municipality - Tsnori Municipality (Administrative center: city of Tsnori).
- From Ozurgeti Municipality - Laituri Municipality (Administrative center: town of Laituri).
- From Kareli Municipality - Agara Municipality (Administrative center: town of Agara).
- From Dusheti Municipality - Zhinvali Municipality (Administrative center: town of Zhinvali).
- From Zestafoni Municipality - Shorapani Municipality (Administrative center: town of Shorapani).
- From Borjomi Municipality - Bakuriani Municipality (Administrative center: town of Bakuriani).

3.2.3. *Granting Self-Governing Unit Status to Tbilisi Districts*

To increase the involvement of the local population in municipal governance within the capital, it is important that the municipality of Tbilisi be divided into at least ten self-governing units, based on the existing administrative districts or their modified boundaries. Simultaneously, Tbilisi itself should be granted a special status as a second-tier self-governing unit, ensuring multi-level governance within the capital. This model would align Tbilisi with international practices found in several large cities, including Berlin, Paris, Vilnius, and Bucharest, where various districts possess a degree of self-governance and an elective body. For example, the Polish capital, Warsaw, which enjoys a special status, is divided into 18 districts. Local residents, alongside city-wide self-government bodies, elect district council members who subsequently form the executive body - the board.³³ One of the significant positive outcomes of a two-tier model is the improvement in the quality of representation. Representatives elected in smaller territorial units are better acquainted with the social, economic, and infrastructural problems of a specific neighborhood, and they are more accessible to citizens through both formal and informal communication channels. This creates a clearer chain of accountability and reduces the sense of “distanced governance” often characteristic of large cities under one-tier systems. Therefore, the two-tier self-government model

³³ Poland, European Committee of the Regions, <https://portal.cor.europa.eu/divisionpowers/Pages/Poland.aspx>; Małgorzata Kmak, The Municipal Council in the Polish Local Government Structure: Selected Aspects, DOI 110.4467/24497800RAP.20.007.12901.

effectively addresses the problem of governance scale in large cities. It strengthens local democracy, increases real involvement of citizens, and ensures that the problems of smaller units do not remain outside institutionalized mechanisms but instead become a legitimate and regular part of public policy formation.

Creating self-governing units within the borders of the districts of Tbilisi would significantly improve citizen participation in local government activities, increase accountability, strengthen local democracy, and enhance management efficiency. At the same time, it would become possible to better account for the specific needs and priorities of different districts, which would help Tbilisi become more flexible and responsive to urban challenges.

According to this model, each district would have its own representative and executive bodies, an independent budget, and defined authorities in issues such as sanitation/cleaning, maintenance of local infrastructure, management of social programs, development of recreational spaces, organization of citizen engagement, etc.

Equipping districts of Tbilisi with self-governing unit status will create the prerequisites for more inclusive and citizen-oriented development in the city. At the same time, such a model will increase the efficiency and transparency of Tbilisi's urban policy and provide proper democratic legitimacy in the capital.

4. Administrative Decentralization

Administrative decentralization is closely linked to political decentralization and involves equipping local authorities with appropriate powers. Self-governing units possess either their own powers or delegated powers. A municipality's own powers are those established by the Organic Law of Georgia - the Local Self-Government Code, which it exercises independently and under its own responsibility. Delegated powers, on the other hand, belong to state or autonomous republic authorities and are transferred to the municipality based on law or agreement, accompanied by appropriate material and financial resources.³⁴ Central or autonomous republic authorities may delegate powers that are more effectively implemented at the local level.³⁵

In Georgia, the own powers of municipalities defined by the Local Self-Government Code cover 8 out of 10 categories of the UN Classification of the Functions of Government (COFOG).³⁶ However, in most categories, the majority of issues remain under central government control. It should be noted that until January 1, 2024, the municipality had delegated powers in the field of defense as well, which were related to military registration and associated activities, including national conscription (organization of conscription, notification, drafting, exemption from service, or deferment) and mobilization reserve military service (registration, notification, drafting, exemption from service, or deferment). Since 2024,

³⁴ Organic Law of Georgia "Local Self-Government Code", Article 15: Types of Powers of a Municipality.

³⁵ Ibid., Article 17: Procedure and Terms for the Delegation of Powers.

³⁶ "Classification of the Functions of Government", United Nations Statistics Division, [link](#).

these functions have been centralized under the National Military Conscription and Recruitment Agency. As of 2025, municipal powers are distributed by functional classification as follows:

- **General Purpose Services** - within this category, the municipality's powers include the preparation, discussion, and approval of the draft budget, making amendments to it, hearing and evaluating the budget execution report; disposing of budgetary funds, conducting treasury financial operations and bank transactions; management and disposal of property owned by the municipality; establishing and collecting local taxes and fees, etc.
- **Economic Activity** - the municipality is authorized to regulate outdoor trade, exhibitions, markets, fairs, and the placement of outdoor advertising; issue construction permits on the territory of the municipality and exercise public supervision over them; grant the status of an unsuitable object for construction development purposes to a land plot and/or building/structure. The municipality also ensures the management of natural resources of local importance. Additionally, from the transport system, the municipality's powers include the management of roads of local importance, organization of road traffic, provision of parking spaces for vehicles, regulation of standing/stopping rules, issuance of permits for regular passenger transportation within the administrative borders of the municipality, making decisions related to bus stations, organizing municipal transport services for the population, etc.
- **Environmental Protection** – the municipality is responsible for the cleaning of streets, parks, squares, and other public places, greening the territory, and municipal waste management.
- **Housing and Community Amenities** – In this category, the municipality's own powers include issues such as spatial planning of the municipality, improvement and maintenance of the territory, development of relevant engineering infrastructure, provision of water supply and sewage systems, provision of street lighting, and others.
- **Health** - in coordination with the state policy-implementing authorities, the municipality is authorized to carry out measures for the protection of public health. The municipality is also entitled to take steps to create an environment that is safe for human health, as well as to ensure the protection and support of children.
- **Recreation, Culture, and Religion** - in this regard, the municipality's powers include the protection and development of local identity, creative activities, and cultural heritage; promoting the cultural sector and tourism in the municipality and implementing relevant activities for this purpose; maintenance, preservation, reconstruction, and rehabilitation of cultural monuments of local significance; ensuring the functioning of libraries, club institutions, cinemas, museums, theaters, exhibition halls, and sports and wellness facilities under municipal management, as well as the construction of new facilities.
- **Education** - the municipality's own powers include the establishment of early childhood, preschool, and out-of-school educational institutions, as well as ensuring their authorization and functioning. In 2020 - 2021, municipalities were also delegated the authority to cover capital expenditures of public schools and to provide student transportation.
- **Social Protection** - The municipality is responsible for providing shelter and registration for homeless persons. It is also authorized to implement other measures in the field of social assistance.

The municipality is also authorized to decide on any issue at its own initiative that is not prohibited by law and does not fall under the authority of another government body.

4.1. Key Problems in Administrative Decentralization

4.1.1. Limited Mandates of Municipalities and Their Role in Major Public Affairs

In the context of administrative decentralization, one of the main challenges is the concentration of the majority of public affairs still within state responsibilities, which hinders the implementation of the principle of subsidiarity and the proper exercise of powers by local government. At the same time, it weakens the ability to balance the central government through the vertical division of power, a key factor for democratic development. **Since 2006, Georgia has pursued a policy of administrative centralization. The scope of powers of self-governing units has been significantly restricted as central government responsibilities have grown.** Among these, local self-government units have lost the competencies to manage and oversee primary, basic, and secondary schools, boarding schools, and secondary-specialized educational institutions, including the responsibility for funding their current and capital expenditures. In the field of health protection and social welfare, a significant portion of competencies, including the management and oversight of hospitals and polyclinics, funding their current and capital expenditures, and organizing the implementation of social protection and employment programs, has fallen under the responsibility of the central government. As a result, among the categories that are not related to special state administration, health care, social protection, and education are currently the most centralized areas.

An optimal indicator for the distribution of functions between the state and subnational units is the share of expenditures carried out by the respective level of government in the total government spending of a specific sector. As the analysis of the 2023 budgets of the state, the Autonomous Republics of Adjara and Abkhazia, and municipalities shows, 94% of health care expenditures, 95% of social protection expenditures, and 77% of education expenditures in the consolidated budget fall under the central government budget. Thus, the central government in Georgia emerges as an absolutely dominant actor not only in areas whose resolution falls within its exclusive competence but also in matters that could be better addressed by lower levels of government. It is noteworthy that these indicators differ radically from the ratio of central to subnational government expenditures for similar functions in European Union countries. Specifically, in the 27 EU countries in 2023, the central government accounted for only 41% of health care expenditures, 64% in social protection, and 42% in education.³⁷

Table 4. Distribution of Functional Expenditures between State and Subnational Units in Georgia and EU Countries, 2023

Expenditure Category	Central Government		Regional Government and Municipalities	
	Georgia	EU	Georgia	EU
General Purpose Services	76.31%	72.65%	23.69%	27.35%

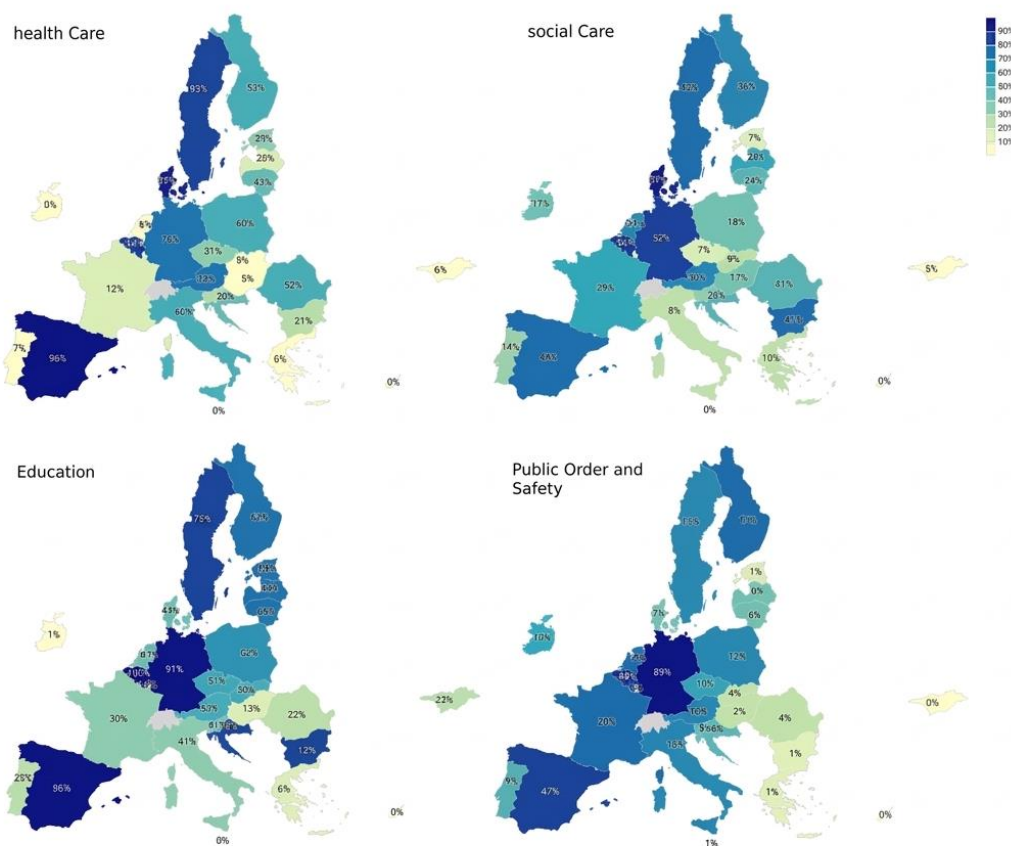
³⁷ “General government expenditure by function (COFOG)”, Eurostat, last update: 24.04.2025, [link](#).

Defense	99.25%	99.89%	0.75%	0.11%
Public Order and Safety	99.81%	64.80%	0.19%	35.20%
Economic Activity	73.45%	64.25%	26.55%	35.75%
Environmental Protection	28.57%	24.29%	71.43%	75.71%
Housing and Community Amenities	33.98%	54.28%	66.02%	45.72%
Health Care	94.13%	41.18%	5.87%	58.82%
Recreation, Culture, and Religion	52.45%	32.57%	47.55%	67.43%
Education	77.48%	41.79%	22.52%	58.21%
Social Protection	95.26%	63.58%	4.74%	36.42%

Source: Ministry of Finance of Georgia & Eurostat

Another area where Georgia significantly lags behind EU countries in administrative decentralization is public order and safety. In 2023, while more than 35% of these expenditures in the EU were managed by subnational (mostly regional) governments, in Georgia, only 0.19% of spending for this purpose fell outside the central government. The absence of a regional level of self-government hinders effective administrative decentralization in this direction.

Figure 4. Share of Regional Government and Local Self-Government Expenditures in Total Government Spending, by Functional Classification, in EU Countries and Georgia, 2023



Source: Ministry of Finance of Georgia & Eurostat

4.1.2. *Weakness in the Practical Realization of Powers*

One of the significant problems with decentralization is the weakness in the practical implementation of the municipality's own powers. For instance, according to the Local Self-Government Code, the provision of water supply and the development of the irrigation system are among the exclusive powers of self-governing units; however, both are currently carried out centrally. The majority of municipalities do not have any form of rights-and-obligations relationship with the state-owned water supply company. Similarly, the role of municipalities in ensuring irrigation systems is left ambiguous by the Law „on Land Amelioration“, which fails to define either irrigation systems of local importance or the role of self-governing units in this sector.³⁸

The problem of practical realization becomes particularly acute when a specific competence is simultaneously granted to both central and local governments. For example, although formally both levels share responsibility for implementing measures to promote employment, support agriculture, provide social assistance, and encourage mass sports, in practice, it is the central government that becomes the primary implementer in these fields. Consequently, the authority of local self-government is not properly realized and remains only at a declarative level. Under these conditions, self-governing units are unable to independently provide necessary services to citizens and remain dependent on the decisions and resources of central agencies. Such duplicated competencies lead to institutional uncertainty, confusion of responsibilities, and a deterioration in the quality of service delivery for citizens. Practice shows that when central state bodies effectively take over the powers of local self-government, it undermines the very idea of decentralization and violates the core principle of local self-government - managing matters of local importance autonomously.

Thus, the current situation demonstrates that a formal definition of local self-government powers is not sufficient. Real decentralization requires a clear separation of competencies and the strengthening of local government capabilities, ensuring that their rights do not remain as norms written on paper but are realized in practice.

4.2. **Ways to Strengthen Administrative Decentralization**

4.2.1. *Transferring Powers to the Regional Level of Governance*

The creation of a second tier of self-government will establish the foundation for greater administrative decentralization. Based on the principle of subsidiarity, regional bodies should be granted powers that can be implemented more effectively at this level. Additionally, functions that a municipality cannot perform effectively, or those requiring coordination between them, can fall under the responsibility of regional bodies.

Transferring powers to regional bodies will significantly increase the level of decentralization in education, healthcare, social protection, as well as economic activity, recreation, and culture. The primary functions of regional governance may include:

³⁸ “Administrative Decentralization and Separation/Distribution of Powers”, Tengiz Shergelashvili, May 2021, [link](#).

- Planning and managing the regional development strategy.
- Managing roads within the region that connect municipal administrative centers to roads of international importance, and organizing traffic on these roads.
- Implementing programs in the energy sector, providing the population with electricity and natural gas.
- Providing public transport services for the population within regional borders connecting municipal administrative centers; also, issuing permits for regular intercity passenger transportation.
- Providing basic and full general education according to the national curriculum, maintenance of public schools and professional colleges, and financing their current and capital expenditures.
- Coordinating public health programs, developing clinical infrastructure, regulating inpatient facilities, and financing healthcare costs for the regional population.
- Organizing social services and promoting employment.
- Water supply.
- Managing natural resources of regional importance.
- Managing protected areas, reserves, and national parks.
- Managing cultural monuments of regional importance.
- Waste processing.
- Organizing cooperation between municipalities.

4.2.2. Strengthening the Legal Empowerment of Municipalities and Improving the Quality of Its Implementation

Along with strengthening administrative decentralization at the regional level, it is essential to legally strengthen first-tier self-governing units - municipalities and ensure the effective implementation of the powers assigned to them. Existing practice indicates that self-governments often lack sufficient resources to perform their functions on the scale that the local population expects from them.

The legal empowerment of municipalities primarily requires a revision and expansion of their functional competencies. It is necessary to restore the powers they possessed in the past but were abolished during the centralization process. Also, a significant portion of delegated powers, which are currently scattered across various laws, should become the municipality's own powers. Among these, the Code should define the municipality's competence in such matters as the provision of primary healthcare services, management of general education infrastructure, targeted distribution of social assistance, and others.

At the same time, it is important to strengthen the administrative, research, and analytical capabilities of self-governments so they can plan policy, monitor results, and make decisions based on the assessment of local needs. Training of municipal staff, systemic support for the professional development of local public servants, and institutionalizing cooperation with educational institutions should be carried out. Improving skills in budget planning, public procurement, project management, and public communication is particularly important.

Finally, legally empowered, well-resourced, and accountable municipalities will not only be able to deliver higher-quality public services but will also become a key pillar of democratic governance - something that is especially important in the context of regional development and the strengthening of local democracy in the country.

5. Fiscal Decentralization

At the same time, according to the European Charter of Local Self-Government, the financial systems on which the resources of local authorities are based must be sufficiently diversified and flexible to enable these authorities, as far as is practically possible, to keep pace with the real costs incurred in carrying out their responsibilities.³⁹

In Georgia, the sources of a municipal budget consist of own-source revenues and non-own-source revenues. Own-source revenues include income generated from local taxes and fees, as well as funds obtained from operations involving financial and non-financial assets. Non-own-source revenues include capital, special, and targeted transfers, loans, and grants received in accordance with the Law of Georgia „on Grants“.⁴⁰

5.1. Key Problems in Fiscal Decentralization

5.1.1. Scarcity of Taxes and Fees

The Tax Code of Georgia identifies six types of taxes, five of which (Personal Income Tax, Profit Tax, Value Added Tax (VAT), Excise Tax, and Import Tax) are national taxes, while only one (Property Tax) is local.⁴¹ Although municipal representative bodies are authorized to introduce local taxes within marginal rates based on sectors or activities, this is rarely realized in practice.⁴² The current classification creates an extreme disproportion between national and local revenues. For example, **in 2023, 96.71% (19 billion GEL) of tax revenue came from national taxes, while only 3.29% (648 million GEL) came from local property tax.**⁴³

Table 5. Volume of National and Local Taxes in the 2023 Consolidated Budget (Million GEL)

Tax Classification	Tax Type	Amount (Million GEL)
National	Personal Income Tax	6,071.5
	Profit Tax	2,018.2
	Value Added Tax (VAT)	8,387.0
	Excise Tax	2,270.3
	Import Tax	151.2

³⁹ “European Charter of Local Self-Government”, Strasbourg, 15 October 1985, ratified by the Parliament of Georgia by Resolution No. 515–IIS of 26 October 2004, Article 9 - Financial Resources of Local Authorities.

⁴⁰ Organic Law of Georgia “Local Self-Government Code”, Article 92: Receivables of a municipal budget.

⁴¹ Law of Georgia “Tax Code of Georgia,” Article 6: Concept and Types of Taxes.

⁴² Law of Georgia “Tax Code of Georgia,” Article 7: imposing and introducing a local tax; changing its payment conditions and abolishing the tax,

⁴³ “Consolidated Budget Taxes”, Ministry of Finance of Georgia, [link](#).

	Other Unclassified	186.0
	Total	19,084.2
Local	Property Tax	648.4

Source: Ministry of Finance of Georgia

The disproportion between central and local governments is also evident in the system of fees. The Law of Georgia „On Local Fees“ defines the types of fees that constitute municipal revenue. These include fees for construction permits, cleaning of populated areas, gambling business fees, infrastructure fees for cultural heritage rehabilitation areas, accelerated service fees for issuing acts (or amendments) confirming the fulfillment of construction permit conditions, and container fees.⁴⁴ **However, the number of national-level fees is double the number of local fees defined by law.**⁴⁵

Table 6. Classification of National and Local Fees

National Fees	Local Fees
Licensing and permit fees. State certificate fee. Registration fee. State expertise fee. State duty. Consular fee. Fee for deferment from compulsory national military service. Fee for the use of natural resources. Environmental impact assessment fee. Fee for copying public information. Investment fund authorization fee. Gambling business fee established for organizing lotteries. Authorization fee for a securitization special purpose entity.	Construction permit fee. Cleaning fee for populated areas. Gambling business fee (except lottery). Cultural heritage rehabilitation area infrastructure fee. Accelerated service fee for issuing acts (or its amendments) confirming the fulfillment of construction permit conditions. Container fee.

5.1.2. Limited Autonomy for Obtaining Loans and Grants

In terms of increasing resources and ensuring financial sustainability, a significant factor is the ability of local self-governments to take out loans within their authority to carry out capital investments. However, the taking of a loan from a legal entity by a municipality requires government permission. The volume of the loan is also restricted. It must not exceed 10 % of the average annual amount of the municipality’s own revenues over the past three budget years, while in the case of taking a loan by Tbilisi, the volume of loan service to be repaid annually from the total volume of the taken loan must not exceed 5 % of the annual budget’s own revenues of capital city.⁴⁶

⁴⁴ Law of Georgia “On Local Fees”, Article 5: Local Fees.

⁴⁵ Law of Georgia “On Basic Principles of the System of Fees,” Article 5: Types of Fees.

⁴⁶ Organic Law of Georgia “Local Self-Government Code”, Article 100: Borrowing funds and obtaining a grant by a municipality.

A municipality also has the right to receive a grant to exercise its powers; however, for this as well, it (with the exception of Tbilisi) primarily requires government permission. To obtain permission for receiving a grant, the executive body of the municipality applies to the Government of Georgia with a petition (government permission is not required if the grant is received on the basis of an international agreement of Georgia ratified by the Parliament of Georgia, or if the grantor is a Ministry of Georgia or a relevant legal entity of public law provided for by the Law of Georgia „On Grants“).⁴⁷

Article 9 (8) of the European Charter of Local Self-Government, according to which local authorities must have access, within the limits of the law, to the national capital market for the purpose of financing capital investment, also implies the possibility for self-governing units to obtain loans.⁴⁸ With the exception of Tbilisi, the autonomy of municipalities regarding loans is limited by the need for prior government permission and the restrictions imposed on taking loans. Similarly, the autonomy of the municipality is limited in the case of receiving a grant. All of this may prompt the government to restrict access to these opportunities for those self-governing units whose executive bodies are staffed by political groups in opposition to the central government.

5.2. Ways to Strengthen Fiscal Decentralization

Strengthening fiscal decentralization in Georgia represents a decisive foundation for the functional efficiency and financial sustainability of local and regional governments. The current situation, where 97% of total tax revenue flows to the central budget, effectively excludes self-governing units from the country's fiscal policy-making and deprives them of the opportunity to fully execute their assigned powers.

It is vital that **local and regional governments are defined not merely as beneficiaries of central transfers but as independent fiscal actors**. To achieve this goal, in addition to property tax, municipalities and regional self-governments should be granted a defined share of revenues from personal income and profit taxes. This practice is common in many developed countries, where subnational units own or share primary tax sources related to labor and entrepreneurship. Furthermore, a mechanized redistribution of VAT revenues in favor of regions and municipalities is possible; this does not limit centralized administration but increases stable and predictable funding at local levels.

To strengthen fiscal decentralization, it is also crucial to diversify local revenues and expand their own financial base. Local authorities should be allowed to manage not only property and infrastructure but also to introduce geographically specific fees, particularly in the direction of tourism, public services, and utilities. It is important that these powers are reinforced by legislative and financial levers so that decision-making at the local level has a real impact on the population.

A special role is assigned to municipal access to loans and international grants. Current restrictions - linking loan volume to prior government consent - significantly limit the investment potential of self-governing units. Taking EU practice into account, it is essential for local governments to have access to capital

⁴⁷ Ibid.

⁴⁸ "Self-rule index for local authorities in the EU, Council of Europe and OECD countries, 1990-2020," European Commission, Directorate-General for Regional and Urban Policy, [link](#).

markets and direct partnerships with donors, especially regarding regional development projects. This gains particular importance in the process of Georgia’s integration into the European Union, as the country’s regions will have the opportunity to directly benefit from the resources of the European Regional Development Fund (ERDF).⁴⁹

6. Citizen Participation in Local Self-Governance

6.1. Main Challenges

Citizen participation in local self-governance is one of the fundamental pillars of democratic governance. As the European Charter of Local Self-Government emphasizes, the right of citizens to participate in the conduct of public affairs is a democratic principle, and it is at the local level where this right can be most effectively realized directly.⁵⁰

Citizens’ right to directly participate in the exercise of local self-government faces significant challenges in the context of the existence of large self-governing units. As discussed previously, the enlargement of municipalities following the 2006 administrative-territorial reform reduced the possibility for direct involvement. This issue is particularly acute in the capital, where the concentration of over a million people in a single municipality makes adequate participation virtually impossible.

The Local Self-Government Code of Georgia offers various forms of participation, including general assembly of a settlement, petitions, civic advisor councils, participation in meetings of the municipal council and its commissions, and hearing reports from mayors and council members. Furthermore, the Code grants municipalities the right to establish additional forms of citizen engagement through relevant legal acts, provided they do not contradict legislation.⁵¹ Nevertheless, practice shows that these mechanisms are mostly formal in nature and do not ensure the real participation of citizens.

Monitoring reports attest to the limited nature of the practical implementation of the established forms of citizen participation. For example, as the 2023 Unified National Assessment of Georgian Municipalities showed, the indicator for promoting citizen participation in self-governing units was only 15%.⁵² Among these, between 2021-2023, hearings of the City Hall’s activity reports were held in only 25 municipalities, hearings of City Council members’ activity reports took place in only 19 municipalities, meetings of the Mayor’s Civic Advisory Council were held in only 30 municipalities, petition review procedures were followed in only 10 municipalities, and a general assembly of a settlement was not convened in any municipality. Among other forms of participation, the civic (participatory) budget functioned in only 16

⁴⁹ “Regulation (EU) 2021/1058 of the European Parliament and of the Council of 24 June 2021 on the European Regional Development Fund and on the Cohesion Fund”, European Union, [link](#).

⁵⁰ “European Charter of Local Self-Government”, Strasbourg, 15.10.1985, ratified by the Parliament of Georgia by Resolution No. 515-IIS of 26 October 2004, Preamble.

⁵¹ Organic Law of Georgia “Local Self-Government Code”, Article 85: Guarantees and forms of participation of citizens in the exercise of local self-government.

⁵² “Local Self-Government Index, Unified National Assessment of Georgian Municipalities (2023)”, Institute for Development of Freedom of Information (IDFI).

municipalities. Additionally, only 10 municipalities provided the minimum standard of accessibility to municipal bodies for persons with disabilities.⁵³

One of the reasons for the weakness of citizen participation mechanisms is legislative barriers. For example, according to the Local Self-Government Code, a general assembly of a settlement is considered authorized only if at least 20% of its members attend.⁵⁴ In practice, this norm creates a serious obstacle, as having such a large portion of the population attend a meeting simultaneously presents significant difficulties, especially under conditions where part of the population is busy with daily activities and a portion of registered citizens no longer resides in the settlement permanently. As a result, meetings are rarely convened by the population, and this institution, intended as one of the main mechanisms for direct citizen involvement, effectively loses its function.

According to the international classification, the existing practice of citizen participation in Georgia mostly remains at the first (informing) or, at best, the second (consultation) level. The highest, third level - real co-participation in decision-making, is practically non-existent to this day.⁵⁵ To overcome this, it is necessary to activate legal mechanisms as well as institutional and administrative reforms that will provide citizens with the opportunity to act not just as recipients of information in the local governance process, but as co-authors of decisions.

6.2. Ways to Increase the Level of Citizen Participation

Increasing the number of municipalities and granting self-governing unit status to Tbilisi districts, as proposed in the preceding chapters, will significantly expand the opportunities for citizen co-participation. Furthermore, overcoming the current low level of citizen participation requires both steps toward the full implementation of legal mechanisms and institutional and administrative reforms. This process should be based on international standards and best practices for citizen engagement. In this regard, both the legally established mechanisms and other forms of participation need to be strengthened in Georgia by introducing them at the legislative level.

First and foremost, it is essential to utilize existing legal mechanisms effectively. Mechanisms such as the general assembly of a settlement, petitions, and civil advisory councils should not exist merely formally. The state and municipalities must establish clear standards of obligation that ensure the timely consideration of citizen petitions and the practical realization of advisory council recommendations. Additionally, establishing more flexible requirements for organizing a general assembly of a settlement, such as a lower minimum threshold for participants (e.g., 10% of the members of the general meeting instead of 20%), will facilitate the real activation of the general assembly of a settlement.

In parallel, awareness regarding citizen co-participation mechanisms in municipalities must be raised to the maximum extent. Deliberative democracy⁵⁶ cannot be implemented effectively if citizens do not have

⁵³ "Local Self-Government Index", Institute for Development of Freedom of Information (IDFI),

⁵⁴ Organic Law of Georgia "Local Self-Government Code", Article 85⁵: Rules of operation of the General Assembly of a settlement.

⁵⁵ "Again regarding Self-Government," David Losaberidze, p. 17, [link](#).

⁵⁶ Deliberative democracy is a form of democracy in which deliberation and weighing of options are central to the decision-making process. Deliberative democracy is based on the ideal that individuals of equal status gather on the basis of mutual respect to discuss the political issues facing them and based on these discussions, decide on the policies that will subsequently affect their

sufficient knowledge of their rights and forms of participation. Therefore, it is necessary, through cooperation between the state and subnational authorities on one hand, and civil society on the other, to carry out educational and informational campaigns that will reinforce a culture of citizen activity at the local level.

It is important to add mechanisms to the Local Self-Government Code that are already being used in some municipalities. These include: civic (participatory) budgeting, public halls, participatory urban planning, youth advisory councils, gender equality councils, councils for persons with disabilities, homeowners' associations, and others.⁵⁷ In citizen participation processes, special attention should be paid to women, youth, and persons with disabilities. Local authorities must be obliged to ensure minimum accessibility standards, including in terms of the physical environment, information, and digital services.

To equip citizens with broader decision-making powers at the local level, it is important to consider the best international practices. Among these, the local referendum represents one of the advanced instruments of citizen participation. According to international experience, its results can be either mandatory or consultative. For example, in Spain, the mandatory force of a local referendum depends on a minimum threshold of voter support, while in other countries (Greece, Croatia), the local authority is obliged to take the result into account.⁵⁸ Currently, the concept of a local referendum does not exist in the Georgian legal system. Therefore, to introduce this mechanism, it is necessary to prepare a package of legislative changes concerning the organic laws - the Local Self-Government Code, the Election Code of Georgia, and the Organic Law „on Referendums“. Regulations regarding the procedures for conducting a local referendum and the mandatory force of its results should appear in Georgian legislation. Additionally, the issues that cannot be decided via a local referendum must be clearly defined. This instrument will give citizens the opportunity to directly make decisions significant to the municipality.

The development of digital participation platforms is also necessary. This should include ensuring the broadcasting of meetings of the City Council and its commissions. Electronic consultations will significantly increase citizen involvement, especially for the population living in regions where physical participation is often difficult. Digital engagement standards should become part of national policy.

Conclusion

The decentralization process in Georgia has taken certain institutional forms over the past decade; however, current data clearly show that the levels of political, administrative, and fiscal decentralization are still insufficient to ensure the effective functioning of local self-government. The analysis presented in this document highlights systemic challenges related to the size of municipalities, the absence of a regional level of self-government, the dominance of the central government, and the extremely

lives. See: Andre Bächtiger, John S. Dryzek, Jane Mansbridge, Mark D. Warren (eds), "The Oxford Handbook of Deliberative Democracy", 2018.

⁵⁷ "Again regarding Self-Government," David Losaberidze, p. 17, [link](#).

⁵⁸ "Citizen Participation in the Decision-Making Process: International Experience and the Georgian Context", David Losaberidze, Nino Mgvdeladze, Natia Apkhazava, July 2023, pp. 9-10.

centralized distribution of financial resources. These factors hinder active citizen engagement, reduce local decision-making opportunities, and result in weak accountability mechanisms.

Despite strategically set goals and existing legislative frameworks, in practice, self-governing units are unable to fully realize their powers. The scope and content of the powers granted to them are insufficient to achieve systemic change. The low level of fiscal decentralization is particularly alarming, as it creates a sharp disproportion between the central and local levels.

In this situation, it is essential to take targeted and consistent steps toward deepening decentralization. Furthermore, achieving effective governance is impossible without considering citizen needs and regional characteristics. A strong and realistically functioning local government is a necessary foundation for governance sustainability and democratic development. Its creation requires not only the redistribution of powers but also the provision of adequate financial, administrative, and politically independent resources. This process implies the need for a large-scale reform that includes the introduction of a regional level of governance, the establishment of a two-tier self-government system in the capital, increasing the number of municipalities, and the transfer of a significant portion of powers and financial resources from the central government to subnational units.

Recommendations

Based on the results of the analysis presented in this document, a set of recommendations has been formulated aimed at strengthening decentralization in Georgia. These recommendations define the main directions for systemic reforms and create the prerequisites for the effective functioning of local self-government. Specifically, it is recommended to:

- Introduce a second, regional level of self-government - the regional representative body (Council) should be elected through direct elections based on universal and equal suffrage, by secret ballot, using an open-list proportional or mixed-member proportional system, allowing initiative groups to nominate candidates as well. The regional executive body should be accountable to the representative body elected by the citizens.
- Increase the number of municipalities. The status of self-governing cities should be granted to administrative centers of self-governing communities characterized by urban development and significant population growth. Self-governing communities with more than 20,000 residents should be divided into 2 or 3 municipalities. In municipalities that include towns or urban-type settlements with more than 2,500 residents besides the administrative center, new self-governing units should be formed based on these settlements and surrounding villages.
- Implement two-tier self-government in the capital. At least ten self-governing units should be established within the borders of Tbilisi Municipality, based on existing administrative districts or modified boundaries. These units should have their own representative and executive bodies and independent budgets.
- Transfer a significant portion of central government powers to municipal and regional authorities. Based on the principle of subsidiarity, regional bodies should be granted powers that can be more

effectively implemented at that level. Municipal powers should also be expanded, and the administrative, research, and analytical capacities of self-governments should be strengthened.

- In addition to the property tax, a designated share of revenues from personal income and corporate profit taxes should be transferred to municipalities and regional self-governing bodies, in a way that corresponds to their capacity to exercise the powers assigned to them.
- Self-governing units should be granted greater independence in obtaining loans and grants.
- Procedures should be simplified to enable the effective implementation of citizen participation mechanisms. The Local Self-Government Code should be supplemented with other forms of citizen participation already in use in some municipalities. New forms of participation should also be introduced, including local referendums. Digital innovations should be utilized, and broadcasting of sessions of local and regional representative bodies should be ensured.