

GEORGIA

UNITARY COUNTRY

EURO-ASIA

BASIC SOCIO-ECONOMIC INDICATORS

Income group **LOWER MIDDLE INCOME** Local currency **Georgian Lari (GEL)**

POPULATION AND GEOGRAPHY

AREA: **69 700** km²

POPULATION: **4.305** million inhabitants (2014),
a decrease of 1.3 % per year (2010-2014)

DENSITY: **62** inhabitants/km²

URBAN POPULATION: **53.6%** of national population

CAPITAL CITY: **Tbilisi** (26.7% of national population)

Sources : IMF-GFS, World Bank, UNDP – HDI, ILO

ECONOMIC DATA

GDP: **34.1** billion (current PPP international dollars)
i.e. 7 921 dollars per inhabitant (2014)

REAL GDP GROWTH: **4.8%** (2014 vs 2013)

UNEMPLOYMENT RATE: **12.4%** (2014)

FOREIGN DIRECT INVESTMENT, NET INFLOWS (FDI): **1 647** (BoP, current
USD millions, 2014)

GROSS FIXED CAPITAL FORMATION (GFCF): **29.8%** of GDP (2014)

HUMAN DEVELOPMENT INDEX: **0.754** (high), **rank 76**

TERRITORIAL ORGANISATION AND SUBNATIONAL GOVERNMENT COMPETENCES

MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGs
76	-	2	78
12 MUNICIPALITIES ("TVITMMARTVELI QALAQI") 64 COMMUNITIES ("TVITMMARTVELI TEMI") AVERAGE MUNICIPAL SIZE: 56 644 INHABITANTS		AUTONOMOUS REPUBLICS OF ADJARA AND ABKHAZIA (AVTOMNOY RESPUBLIKI)	

MAIN FEATURES OF TERRITORIAL ORGANISATION. Georgia is a unitary country with a one-tier-system of decentralization. While the capital-city of Tbilisi enjoys a special status, local level comprises 12 self-governing municipalities and 64 communities. Each of these entities can be divided in sub-municipal administrative units. The municipalities are groups into nine regions (Mkharebi) which are deconcentrated levels of governments. Tbilisi itself is divided into ten districts (raioni). The decentralization process in Georgia started in 1997 with the adoption of an Organic Law on Local Self-Government and Government. The revision of this law in 2006 led to territorial consolidation but without adequate financial and political emancipation of the local units. Later in 2013, the constitutional reform enshrined self-governments' autonomy in the Constitution, and a new law on Local Self-Government Code was later adopted in February 2014, reinforcing local participation and elections mechanism through calling for directly elected mayors in 12 cities and gamgebelis for 59 municipalities (in contrast to the previous legislation that limited direct mayoral elections to Tbilisi).

MAIN SUBNATIONAL GOVERNMENTS RESPONSIBILITIES. Municipal exclusive competences are clearly defined in the body of laws dedicated to local-government system, and self-governing entities are completely autonomous in planning their budgets. Nonetheless, the lack of fiscal and financial municipalities own resources let this devolution of powers unachieved. Due to the negotiation based on the assignment of functions there is a lack of a basic and encoded criteria for the allocation of responsibilities and revenue sources between the regions, their respective LGUs, and the central state.

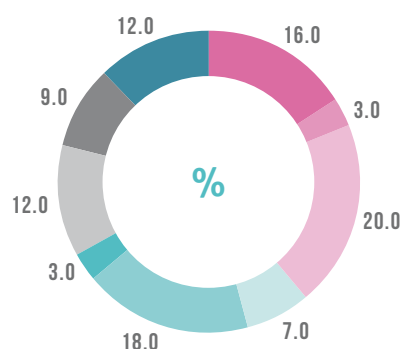
SUBNATIONAL GOVERNMENT FINANCE

EXPENDITURE	% GDP	% GENERAL GOVERNMENT (same expenditure category)	% SUBNATIONAL GOVERNMENT
TOTAL EXPENDITURE (2013)	5.9%	20.3%	100%
CURRENT EXPENDITURE	4.7%	-	79.4%
STAFF EXPENDITURE	0.8%	14.9%	13.2%
INVESTMENT	1.2%	32.0%	20.6%

The per-capita spending varies greatly across the regional levels, and show a strong concentration of public expenditures in the Autonomous Republic of Adjara and the city of Tbilisi. In comparison to other former soviet republics, countries the share of the local government expenditures is relatively high. But the burden of delegated functions restraints the autonomy at the local level. The principle of expenditure assignment in the Autonomous Republic of Adjara might serve as a model for other regions.

EXPENDITURE BY FUNCTION

% SUBNATIONAL GOVERNMENT EXPENDITURE



LGs budgets represent an important share of GDP in Georgia compared to other countries of the region. Most of the expenditures are dedicated to operating activities, with a moderate weight of staff charges. Capital expenditures have been growing over the last years, with a number of investment projects focusing on local economic development.

REVENUE BY TYPE	% GDP	% GENERAL GOVERNMENT (same revenue category)	% SUBNATIONAL GOVERNMENT
TOTAL REVENUE (2013)	6.2%	22.4%	100%
TAX REVENUE	1.4%	5.6%	22.3%
GRANTS AND SUBSIDIES	4.0%	-	64.1%
OTHER REVENUES	0.8%	-	13.6%

The Budget Code of Georgia includes a precise definition of local self-government resources and charges. Regarding LGs revenues, this code is dividing the public revenue assignment into nation-wide taxes, that municipalities perceive through tax sharing, local taxes and fees.

TAX REVENUE. Local taxation can be perceived on : income and profits, payroll and workforce, property, goods and services, international trade, among others. Nonetheless, the small share of taxation among total revenues reveals the limited autonomy of local self-governments, as the fiscal decentralization is still an on-going process in Georgia. Other tax revenues mainly consist in shared taxes, which revenue is coming from personal income tax collected at national level. Local governments have no influence over the tax base, tax rate or tax administration.

GRANTS AND SUBSIDIES. Georgian local governments remain highly dependent on the central budget. A majority of municipal resources relies on intergovernmental transfers, mainly for investment programs funding, but also for operating budget funding as the definition of the main grants (equalizing grant and special grants) became unclear in the last years.

OTHER REVENUES. Other LGs non-tax revenues mostly consist in user fees, although there are few available data on their distribution and base.

OUTSTANDING DEBT	% GDP	% GENERAL GOVERNMENT
OUTSTANDING DEBT (2013)	-	-

Generally, the Georgia Constitution limits indebtedness to 10 percent of the assessed value of all taxable property located within a municipality. Counties and school districts have their own 10 percent limitation.

A joint- study of:



Sources: IMF – GFS • EU Committee of the Regions • Constitution of Georgia • Georgia Municipal Association – Handbook for Mayor and Councilors • Local Self-Government code • Report on Fiscal Decentralization in Transition Economies: Case Studies from the Balkans and Caucasus, UNDP, 2005 • M. Zaborowski, (2014), Georgia’s Local Government Reform: How to Escape from the Soviet Past (and How Poland Can Help), PISM