

One Region, Two Models, Three Countries: A Comparative Analysis of Local Self-Government in the South Caucasus

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Almost 30 years separate us from the USSR. But there are processes whose results cannot be assessed after a day, a month, a year, or even a century. For example, is the transformation from the Soviet socialist regime to a new system complete? One of the key indicators for us in this regard is: have we succeeded in building a self-governing society in place of a managed one? From this point of view, decentralization and the development of democratic local self-government are among the key reforms in the transformation from the Soviet system to a free market system. If we examine the 15 Soviet republics using these criteria, we can see that the former Soviet countries have split into two groups: those that have made decentralizing reforms and created systems of local self-government, and those that are the true heirs to the USSR, who remain loyal to the traditions of its 70-year rule, refusing to reject centralization, and either rejecting outright or creating imitation systems of local self-governance. The former are the majority: Moldova, Georgia, Armenia, the three Baltic countries, Ukraine and Kyrgyzstan. The latter include Russia, Azerbaijan, Uzbekistan, Turkmenistan, Belarus, Tajikistan and Kazakhstan.

Certainly, in the first group of countries, the models of decentralization, the depth of the process, and the extent of the development of local self-governance differ considerably. For example, the Baltic states have managed to build a good

system, while Georgia is implementing reforms to improve its system. But in any case, in the group of countries which have managed to build effective municipal systems, centralized governance has been dislodged and the management of the state is more democratic. In the second group of countries, since gaining independence, decentralization has not even been on the agenda in Belarus and Central Asia. And Russia is another matter entirely.

In Azerbaijan for 20 years the situation has remained the same – formally municipalities exist, but the combined funds available to the more than 1,600 municipalities is as much as that allocated to a single local executive authority. But in all cases, these countries also have some things in common: a high level of centralization of governance, the dominance of the center in local problem-solving and decision-making, the perception that financial and administrative decentralization is a threat to political power, the rejection of citizen participation in governance even at the community level, etc. As Azerbaijan prepares for its fifth municipal elections since gaining independence, this article presents a comparative analysis of the current state of municipal systems in Azerbaijan and the two other countries in the region. BRI's experts have already published [a study](#) on the questions of the authorities and financing of municipalities in Azerbaijan. With the upcoming municipal elections in Azerbaijan only two months away, we must address this topic again.

Municipalities in Georgia^[1]

Although municipalities in Georgia began to emerge immediately after the adoption of the Constitution in 1995, local self-governance was strengthened and reforms aimed at decentralization deepened after the 2003 Rose Revolution. From the early years of Saakashvili's rule, measures were taken to expand the powers and financial capacities of municipalities, culminating in 2013, Saakashvili's final year in power, with a constitutional amendment defining the status and authority of

municipalities and their role in local governance. The Constitution states that municipalities have their own authorities as well as those delegated to them by state agencies, and specific powers defined by relevant legislation must be exclusive (that is, authorities allocated to municipalities cannot be given to other bodies – red.). According to the Constitution, state institutions cannot assign authorities to municipalities without allocating appropriate funds. Later, Georgia adopted a Local Self-Governance Code. Under the new legislation, “local government” refers to municipalities. According to Article 2 of the Code, citizens can resolve local problems through the local authorities of their choice. These institutions exist at two levels: 1) self-governing communities (district-level municipalities); and 2) self-governing cities (municipalities established for territorial units defined by law as cities).

In the previous system, only the mayor of Tbilisi was directly elected by the city’s population, while in other cities the mayor was chosen from among the members of elected councils. According to the new legislation, the mayors of all cities with local self-governance status are directly elected by the population. Council members are elected by party lists, and parties that win at least 4% of the vote are represented in local parliaments. In Georgia, there are currently 5 cities (Tbilisi, Kutaisi, Rustavi, Poti and Batumi) and 59 community municipalities with the right to local self-governance. City and community municipalities have the same rights by their local self-governance status. However, there is a significant difference between them: the municipalities in the 5 abovementioned cities have a unitary structure and are a local self governments of unified territories. Community municipalities, however, are agglomerated, and several villages, district centers or small towns in the immediate vicinity form a single municipality. Municipal councils appoint representatives to every village. Article 16 of the Local Self-Governance Code defines the exclusive powers

allocated to municipalities. Exclusive authorities under this article include: land planning and the development of engineering infrastructure; construction permits and oversight; organization and maintenance of cemeteries; maintenance of highways of local significance and regulation of traffic; organization of transportation services; allocation of parking space; parking regulations; collection and removal of waste in parks, streets, and other public places; water supply (including service water); provision of preschool and secondary education institutions; regulation of street trade, placement of advertising, organization of fairs; monitoring of stray animals, establishment of rules for keeping pets; organization and maintenance of adequate infrastructure for social care of the disabled, the elderly, and children; organization of locations for registration and shelter of homeless people.

Georgia has 12 regional administrations and they are unelected, appointed by the central government, and headed by appointed commissioners. The main function of regional governments is to coordinate the activities of municipalities within a certain region (with the exception of Adjara and Tbilisi), as well as with the central government. Regional Commissioners are directly accountable to the Prime Minister. The capital Tbilisi has the status of a self-governing region. Compared with community municipalities, the municipality of Tbilisi has broader authorities and is also responsible for additional issues such as the organization of primary health care and emergency services. It has broad financial autonomy, as demonstrated by its powers to approve its own budget and determine taxes. The City Council is made up of 50 members – 25 are elected from single-mandate constituencies by the majoritarian system, and 25 are by party lists through the proportional system. Tbilisi is divided into 10 districts, and none of them have separate local self-government status. The main task of the district councils is to ensure the implementation of decisions made by the mayor of Tbilisi, as

well as communication between the municipality and the districts.

The municipality of Tbilisi's budget is not at all small. In 2018, the office of the mayor's total budget was 897 million GEL (approximately \$350 million). Of this amount, 55% came from the municipality's own resources and 45% was transferred from the central government. About 60% of the funds generated by the municipality itself come from taxes, while the remaining 40% comes from various duties, fees, and service charges (for example, for waste treatment). 11% of the central government transfers are targeted (financing specific projects), and 89% are untargeted (to balance the budget). In 2017, the total budget of all municipalities was 2 billion GEL (\$750 million). Slightly less than half (48%) of total municipal budgets are transfers from the central government. In Georgia, municipal revenues and expenditures account for slightly more than 5% of GDP. Although this is not high compared to developed European countries, it is very high for transitional countries. This fact illustrates the rapid pace of administrative and financial decentralization in Georgia.

Although, in terms of the extent of decentralization, Georgia is the leading country in the region, there is still much to be done. For example, according to the latest (2018) monitoring report on local democracy by experts from the Congress of Local and Regional Authorities of the Council of Europe, there is still a problem in establishing the exclusivity of some powers. In particular, in large cities, the authorities for providing drinking water and sewage still belong to economic entities independent from the municipality (some of which are state-owned and some private companies). Taking into account these problems, on November 7, 2018, the Congress of Local and Regional Authorities of the Council of Europe submitted [Recommendation 426](#) on the development of local democracy to the Georgian government. According to these recommendations, the government must take a number of measures. For example, it is recommended to clarify

authorities in some areas and ensure their exclusivity, improve the system of allocating budget transfers, especially encourage the interest of budget-supported municipalities in expanding their revenues, eliminate the risk of the accumulation of local government authorities in the hands of municipal chairpersons; expand the financial capacity of municipalities by strengthening their revenue sources; and reduce disparities in socio-economic development between regions.

Municipalities in Armenia^[2]

Armenia has chosen a model similar to that of Georgia in the development of local self-governance: the country is divided into 10 regions, but regional governments do not have local self-governance status, instead representing the central government. Regions create councils consisting of the heads of their respective municipalities and an appointed regional head, but these structures have a consultative status. The activities of these bodies are governed by a separate law (the "Law on Administrative and Territorial Divisions"). Yerevan, comprised of 12 districts, has the status of a capital city, and in 2009, for the first time, it held local self-government elections. As in Georgia, the districts do not have local self-governance status separately and function as integral components of the unified capital city municipality. In the Constitution, the status of municipalities is defined as "local self-government." In other words, these bodies have constitutional government status. The activities of municipalities are regulated by a separate Law on Local Self-Government. The local financial system is governed by numerous laws (including 3 separate laws concerning the budget system, the financial balance, and local payments).

There are 915 local governments (municipalities) in the country. Of these, 866 are villages and 49 are cities. The large number of small municipalities is considered a barrier to the system's development. The population of 48.2% of the

municipalities is less than 1,000. The mayors are elected directly by the majoritarian system. Only Yerevan elects mayors and council members by a different system, i.e. by party lists. There are 65 members on the council.

Armenia's local and regional governments are based on a model similar to Georgia's, however, unlike Georgia, the main local authorities that municipalities are supposed to exercise are actually carried out by state agencies and enterprises. The basic local services related to primary and secondary education, primary health care, drinking water and sanitation, public transportation, and environmental protection have been defined as "delegated powers" assigned to municipalities by state agencies, or in other words, unlike Georgia, they are not the exclusive authorities of municipalities. The exclusive powers of local self-government bodies are extremely limited. For example, their exclusive powers include preschool education, waste collection and removal, and cemetery maintenance. Unlike community municipalities, however, the mayor's office in Yerevan has broader powers, including, for example, the organization of secondary education and the regulation of transportation.

In Armenia, municipal revenues and expenditures account for about 2.5% of GDP. This is low compared to developed countries, but not as low as in some transitional countries. This demonstrates that Armenia lags far behind Georgia in administrative and fiscal decentralization. About half of the municipal budgets are transferred from the mayor's office.

Taking into account these problems, on November 7, 2018, the Congress of Local and Regional Authorities of the Council of Europe submitted Recommendation 351 on the development of local democracy to the government of Armenia. The recommendations stress that the small size of the municipalities is an obstacle to the development of the system and the efficient delivery of services, the municipalities' authorities are limited, the authorities assigned to them by

the legislation on local self-governance is not transferred to them in practice, and the mechanism for balancing finances cannot meet the fiscal needs of communities.

Municipalities in Azerbaijan

Unlike the other two countries in the South Caucasus, municipalities in Azerbaijan do not have the status of local authorities (or governments). Article 1 of the [Law on Municipal Status](#) states that, in Azerbaijan, local self-governance is a system for organizing citizens' activities, which provides them with the opportunity to exercise their right to independently and freely resolve issues of local significance within the bounds of the law and to execute some of the functions of government for the benefit of the local population according to Part 2 of Article 144 of the Constitution. It is stressed that municipalities are institutions that execute the functions of government, but missing is the formulation "structures of local authority, directly elected by the population." The paper "[Powers of Local Government in Europe](#)," prepared by the Council of Europe's Local and Regional Democracy Committee in 2017, states that local self-governance is an independent system, but the extent of its independence depends on the amount of authorities and resources it has. According to the paper, if local self-government bodies do not have the necessary authority to carry out their duties and use their resources effectively, they will simply act as subordinate institutions that execute the orders of other governing bodies.

[Recommendation 79](#), titled "Financial resources of local authorities in relation to their responsibilities: a litmus test for subsidiarity," an annex to "Local Self-Government Authorities," adopted by the Council of Europe's Congress of Local and Regional Authorities in 2000, states that, in order to effectively implement the Charter, member states must first and foremost implement the principle of subsidiarity. This principle envisages the transfer of power to local self-

government bodies, which are usually closer to citizens, based on important criteria such as efficiency and economy. In addition, legislation in this sector should clearly define the frameworks of various state powers and the powers of each level of local self-government.

Breaking with international practice, the failure of municipalities in Azerbaijan to achieve authority has led to the recognition of executive authorities as local governments, although they are directly appointed by the central government, and are responsible to the central government rather than to the local population. [The Statute on Local Executive Authorities](#), adopted in June 2012, makes it clear that all responsibility for addressing local issues belongs to local executive authorities. Although Articles 4, 5 and 6 of the Law on Municipal Status provide certain powers to local self-government bodies, the Statute on Local Executive Authorities and a number of other documents (for example, the “[Rules](#) on cleaning and the temporary storage, regular removal, and decontamination of municipal waste in cities and other cities and other population centers in accordance with sanitary, hygienic, and environmental regulations”) allocate all of those same authorities to central and local executive bodies. All utilities are provided by state-owned companies controlled by the central government. This is contrary to [Article 4.4](#) of the European Charter of Local Self-Government (the principle of exclusivity of authorities). As a result, municipalities do not have any vital authorities. The establishment of a municipal institution in Azerbaijan did not result in the ultra-centralized state administration giving up any authorities. The municipalities have so few authorities and capacities that they are not even able to organize trash and waste removal in small villages. According to [Recommendation 157](#), adopted by the Council of Europe’s Congress of Local and Regional Authorities in 2004, important functions in the fields of education, health, social welfare and culture are directly related to local interests. However,

with the functions in these fields excluded from the municipality's responsibilities and their authorities limited, local self-government is at risk of being regarded as secondary institutions.

The heads of the executive authorities, appointed by the president in the regions and cities, appoint their own representatives in all villages and settlements. Although the municipalities are legally independent, de facto they are fully dependent on the local executive authorities and act as subordinate agencies in the hierarchy. They cannot even spend their small budgets on the urgent needs of the citizens without the informal consent of local executive authorities.

It is clear from Georgia's experience that the root solution of the problem is to legislatively grant local self-government the status of local authority, to distinguish very clearly exclusive authorities, natural authorities, and authorities that can be delegated to local self-government, and to abolish local executive institutions, or, if they want to preserve them as representatives of the central government, at least to transfer the authorities for local service provision and development planning to elected councils and mayors.

But the problem does not end with the issues of authority and status. It is necessary to analyze the financial estimates of all authorities, and either provide the municipalities with the types of taxes and a tax base that would allow them to collect the necessary funds for the implementation of those authorities, or create a mechanism for the government to perform the transfer. There are about 10 tax and non-tax sources of funding specified in the law "[On Local \(Municipal\) Taxes and Payments](#)," in force for 20 years, but they are not genuine, productive sources. As a result, the combined budget of all 1,606 municipalities in Azerbaijan in recent years has not been greater than 50-60 million AZN (\$30-35 million). According to the [State Statistics Committee](#), in 2018, municipal budgets fell to a total of 35 million AZN (\$20

million). Consider that, for 1,606 municipalities with about 20,000 members and contracted employees, it is impossible even to cover administrative expenses with \$20 million. Note that the total financial capacity of all 1,606 municipalities in Azerbaijan is not even 10% of the budget of the Tbilisi municipality alone.

Finally, unlike Georgia and Armenia, the capital of Azerbaijan is not governed by a Council elected directly by citizens, there is no legislation on the special status of the city, the city administration is entirely appointed by the central government, and citizens' voices are not heard in strategic decision-making such as the creation of the budget, spending, and construction, or in short-, medium-, or long-term planning. According to Recommendation 133 "On the management of capital cities," capital cities should be provided with the conditions and resources necessary to enable them to carry out their administrative functions independently. According to [Clause 12](#) of the recommendation, one of the key conditions for the management of any capital city is ensuring citizens' participation in the decision-making process. In addition, the Council of Europe's Recommendation 219, "Status of Capital Cities" (adopted in 2007), envisages the implementation of the principles of local self-governance in central cities. [Clause 8](#) of the recommendation states that entities controlled by the central government "cannot compensate for the absence of a local self-government structure."

In Azerbaijan, the regulation of relations between municipalities and local budgets is in a very bad state both in practice and in legal terms. The criteria and principles of budget support and budget balancing for municipalities are not at all clear and transparent, but rather completely unclear. Municipal revenues and expenditures account for 0.05% of GDP in Azerbaijan. This means that, unlike the other countries in the South Caucasus, there has been no financial and administrative decentralization in Azerbaijan whatsoever. In Azerbaijan, by the way, there is no system of regional

management for the executive authorities. They are organized only by regions.

Two Models, Double Standards

One of the key tasks under the mandate of the Council of Europe is to regularly monitor the state of local democracy in member countries, to check that the local self-governance system meets the standards of the Charter, to cooperate with the government in addressing problems, if necessary to develop road maps and action plans for executing recommendations, to define time-frames for member countries to fulfill their responsibilities, and especially to work with countries with no interest in meeting the requirements.

But what is happening? In Georgia there have been 2 local democracy monitoring missions in the past 10 years, and necessary recommendations were made. In addition, a 2016-2019 [Action Plan](#) for the implementation of the recommendations was developed and is in the process of implementation, as agreed with the central government. The most interesting thing is that in the plan there is a separate section called “Local Democracy.” Thus, the CoE is actively involved in the implementation of its recommendations in real life. In Armenia, monitoring was carried out in 2014 and the 2019-2022 [Action Plan](#) was approved by the central government to address the problems. That document also includes a separate section called “Local Democracy.” In addition, the CoE approved the “[Post-monitoring Armenia Road map](#)” in 2015 to regularly monitor the status of implementation of the 2014 recommendations for Armenia and achieve their resolution before the next monitoring. The last time local democracy monitoring was carried out in Azerbaijan was in 2012. There are many important [recommendations](#) for Azerbaijan, such as clarifying the status of municipalities, granting them the status of local authority, expanding their authorities, ending their dependence on the executive authorities, strengthening their financial capacity, adopting a separate law on the

status of the capital, and holding mayoral elections. However, unlike the aforementioned countries, the 2018-2021 [Action Plan](#) for Azerbaijan does not contain a section on local democracy. At a time when intensive cooperation with Azerbaijan is essential for the development of local democracy in the region, is this discrimination, indifference, or a double standard? In any case, only the officials at the Council of Europe know the answer.

Let the CoE experts consider carefully: in two months, the next municipal elections will be held in Azerbaijan. However, for the past 8 years, the 2012 recommendations have not been on the agenda of the Council of Europe or the government of Azerbaijan. One of the most intriguing questions is: does the CoE have a timetable for local democracy monitoring? How can one country in the region be monitored twice in 5 years, while a neighboring country in worse condition is monitored only once in 16 years (2004-2019)?

[1] The section about the development of municipalities in Georgia is based on an explanatory report prepared by the Council of Europe regarding their recommendations for supporting local democracy. Source: https://search.coe.int/congress/pages/result_details.aspx?objectid=09000016808e551a

[2] The section about the development of municipalities in Armenia is based on an explanatory report prepared by the Council of Europe regarding their recommendations for supporting local democracy. Source: <https://rm.coe.int/168071a25f>